

# Performance with Purpose

Sustainability Report 2014



# About PepsiCo

---

Fifty years ago, Pepsi-Cola Company and Frito-Lay Inc. joined forces to create what would become one of the world's leading food and beverage companies. Through our operations, authorized bottlers, contract manufacturers and other third parties, we make, market, distribute and sell a wide variety of enjoyable brands including Frito-Lay, Gatorade, Pepsi-Cola, Quaker and Tropicana. Today, PepsiCo products are enjoyed by consumers one billion times a day in more than 200 countries and territories worldwide.

## Our Mission

As one of the largest food and beverage companies in the world, our mission is to provide consumers around the world with delicious, affordable, convenient and complementary foods and beverages from wholesome breakfasts to healthy and fun daytime snacks and beverages to evening treats. We are committed to investing in our people, our company and the communities where we operate to help position the company for long-term, sustainable growth.

## Our Vision


At PepsiCo, we aim to deliver top-tier financial performance over the long term by integrating sustainability into our business strategy, leaving a positive imprint on society and the environment. We call this Performance with Purpose.

This vision means creating products that our consumers are eager to buy and our employees are proud to sell. It starts with what we make—a wide range of foods and beverages from the indulgent to the more nutritious; extends to how we make our products—conserving precious natural resources and fostering environmental responsibility in and beyond our operations; and considers those who make them—striving to support communities where we work and the careers of generations of talented PepsiCo employees.



- 01 | Our Journey
- 02-03 | A Letter from Indra Nooyi
- 04-05 | Performance with Purpose
- 06 | A Discussion with Mehmood Khan
- 07 | Performance
- 08-11 | Human Sustainability
- 12-15 | Environmental Sustainability
- 16-19 | Talent Sustainability
- 20-21 | Global Citizenship





*PepsiCo drives global fleet efficiency by deploying advanced technology, driver training and a range of vehicle types.*

# Our Journey

## About This Report

PepsiCo is pleased to share the progress we made on our sustainability journey in 2014. This report provides an overview of some of the key global challenges facing our business today as well as efforts around our voluntary 2015 and 2020 sustainability goals. Greater detail on our 2014 sustainability performance can be found in our companion [Global Reporting Initiative \(GRI\) Report](#) written under the GRI G4 guidelines. Additionally, we encourage you to visit [howwillwe.com](http://howwillwe.com) to learn more about the global challenges presented in this report and

our ongoing sustainability efforts. We routinely update the Performance with Purpose section of [pepsico.com](http://pepsico.com) as well as our corporate social media channels with news and data on our sustainability efforts. You can find and engage with us on Twitter [@PepsiCo](https://twitter.com/PepsiCo) and on Facebook at <https://www.facebook.com/PepsiCo>. We also welcome any inquiries on this report or our Performance with Purpose journey through email at [performancewithpurpose@pepsico.com](mailto:performancewithpurpose@pepsico.com).

## Stakeholder Engagement

PepsiCo regularly engages on key issues with stakeholders who represent the interests of our consumers, customers, communities, employees, suppliers and investors. We receive valuable external feedback that informs our decisions and strategy for our business, which considers society at large.

We will continue to strategically engage public nonprofit institutions and nongovernmental organizations (NGOs) on topics most significant to our business and on which we can make a meaningful impact.

## A Letter from Indra Nooyi

---



***On the surface, profit is a word that is easily defined: to make money. In reality, however, that definition is incomplete. In a world that is being radically reshaped by sweeping forces of change — from technological innovation and globalization to resource scarcity, climate change and public health challenges — how companies make money is just as important as how much money they make.***

Without question, profits are the engine that propels a corporation forward. But the blind pursuit of profit at all costs is untenable. It is essential that we make money the right way. After all, if communities suffer as a result of a company's actions, those returns are not sustainable.

Today, a company's profits are inextricably tied to the prosperity of its consumers, customers, employees, communities and society writ large. More than ever before, profitability and sustainability are synonymous.

Corporations should embrace this new way of doing business. Profitable companies of the 21st century will be those that align the needs of their business with the needs of the world around them.

With this in mind, PepsiCo looked out across the food and beverage landscape nearly a decade ago and charted a new course. We recognized a simple truth: there is profit in purpose. Sustainability is not something to support with the profits we make, but rather a path to delivering profitability. Weaving sustainability into the very fabric of our organization is a way to help future-proof our business for the changing world around us.

At PepsiCo, we focus on three pillars of sustainability: Human, Environmental and Talent. We are working to improve the nutritional profile of our products and offer a wider selection of nutritious foods and beverages in response to growing consumer demand. We are striving to reduce our impact on the environment and conserve natural resources, reducing our operating costs in the process. And we are continuously investing to build a diverse and engaging culture inside PepsiCo that allows us to attract the next generation of talent we need to propel our company forward.

These three pillars form the foundation of what we call Performance with Purpose, and they help to drive our financial results. The report that follows describes the significant progress we made in each of these areas in 2014. We are particularly proud to report that PepsiCo achieved four of our environmental goals ahead of schedule.



It is clear that in the years and decades ahead, the private sector will be increasingly impacted by global environmental and social challenges that no single company, industry, government or nongovernmental organization (NGO) can address alone. Collaborative solutions, in which we all play our role, hold the key to meaningful and lasting progress.

The strongest cross-sector partnerships flourish when each member engages in constructive dialogue. This dialogue is, at times, lacking today. For example, the relationship between corporations and some NGOs can be purely adversarial. While NGOs should absolutely push hard for companies to change, they should also acknowledge when companies set thoughtful goals and take serious steps to achieve them. We share many common objectives and must find more opportunities to join hands rather than simply pointing fingers.

For our part, PepsiCo is fully committed to engaging partners who seek progress on our shared challenges. We are proud of the relationships we have built with many highly respected organizations around the world. Moving forward, we intend to expand and strengthen these partnerships. The NGO community brings in-depth experience and local knowledge that is critical to solving big problems, and we will continue seeking new opportunities to work together on topics most significant to our business and on which we can make a meaningful impact.

Simply put, we need cooperation at all levels. As such, the private sector must step forward and offer its unique capabilities to develop new solutions, uncover new opportunities and, ultimately, build the viable, trusted companies of tomorrow.

That is why PepsiCo is more committed to Performance with Purpose than ever before. It is how we will position our business for sustainable long-term growth *and* contribute to solving broader challenges that impact each and every one of us.

In this report, you will see how we are achieving progress through sustainable agricultural practices, innovative methods of water conservation, more nutritious product offerings and more diverse workplaces. These efforts don't come at the expense of profit. Rather, they are examples of just some of the work underway that we are confident will help fuel our profits for generations to come.

Sincerely,



Indra K. Nooyi  
Chairman and CEO

*As one of North America's largest fleet operators, PepsiCo utilizes all-electric and hybrid trucks, and uses alternative fuels to increase efficiency and cut emissions.*



*I invite you to offer your comments on this report and PepsiCo's Performance with Purpose journey via email at [performancewithpurpose@pepsico.com](mailto:performancewithpurpose@pepsico.com).*

# Performance with Purpose

---



*Performance with Purpose is our vision to deliver top-tier financial performance over the long term by integrating sustainability into our business strategy, leaving a positive imprint on society and the environment. We do this in part by offering a wide range of products; increasing the number of our nutritious foods and beverages; reducing our environmental impacts; and supporting our employees and the communities where we do business; all of which will help position the company for long-term sustainable growth.*

## The Pillars of Performance with Purpose

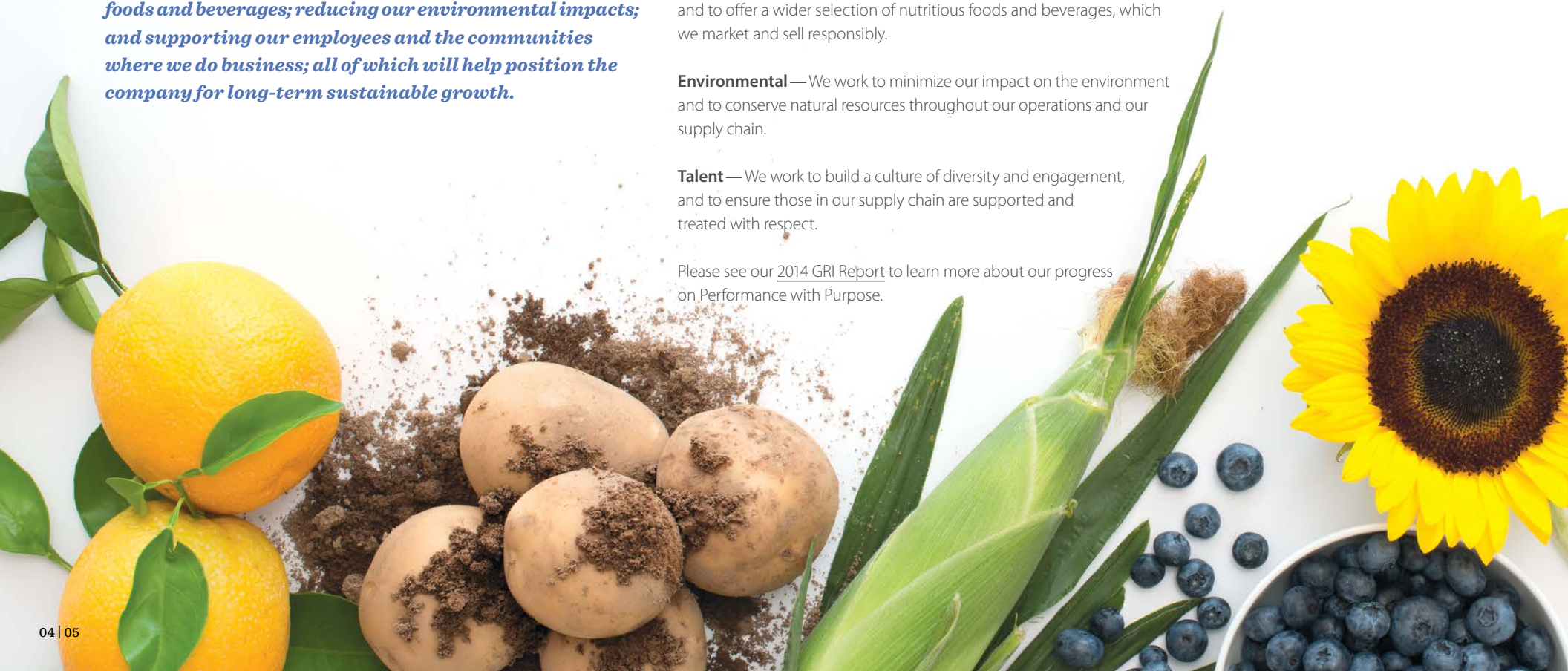
We have established 10 strategic goals across our key impact areas — our products (Human Sustainability), the environment (Environmental Sustainability), and our people (Talent Sustainability) — to bring the Performance with Purpose vision to life.

**Human** — We work to improve the nutritional profile of our products and to offer a wider selection of nutritious foods and beverages, which we market and sell responsibly.

**Environmental** — We work to minimize our impact on the environment and to conserve natural resources throughout our operations and our supply chain.

**Talent** — We work to build a culture of diversity and engagement, and to ensure those in our supply chain are supported and treated with respect.

Please see our [2014 GRI Report](#) to learn more about our progress on Performance with Purpose.



## Goals

## Progress



### Performance (Yearly)

01

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



On Track



### Human (By 2020)

02

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

03

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



Additional  
Work  
Required



### Environmental (By 2015)

04

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

05

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

06

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

07

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

08

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



On Track



### Talent (Yearly)

09

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

10

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



In Progress

Representative of progress as of the end of 2014 across the planks in the aggregate and is not intended to reflect the progress of each goal individually. Our progress may vary from year to year due to changes in suppliers, market conditions, product innovations and reformulations, among other things.



## A Discussion with Dr. Mehmood Khan

---



PepsiCo Vice Chairman and  
Chief Scientific Officer, Global  
Research & Development

*Continual learning. Reinvention. The dynamics that have shaped my career — from starting as a physician to heading up Research & Development at a top pharmaceutical company to becoming the first Chief Scientific Officer at PepsiCo and Chair of its Sustainability Council — are at work as our company delivers Performance with Purpose.*

### **PepsiCo begins with ingredients.**

For PepsiCo, sourcing ingredients more sustainably means optimizing quality and cost in the short term, and being responsible in how we use natural resources, interact with our growers, and select crops for nutrition and yield over the long term. Our Sustainable Farming Initiative helps farmers meet our social, economic and environmental standards, and is one of the ways sustainability is integrated into our business globally. Our work in sourcing extends to how we support infrastructure, jobs and, ultimately, more sustainable communities where we do business.

### **PepsiCo is doing more with less.**

Across our value chain, PepsiCo strives to minimize our overall impact on the environment and conserve natural resources. Because of its ties to agriculture, which is responsible for 70 percent of the world's freshwater use, the food and beverage industry is well positioned to address global water challenges. By driving down our operational water use, promoting innovative agricultural practices that use less water, working toward responsible watershed management and enabling access to safe water for millions of people in communities around the world, PepsiCo is doing just that.

We also continue to align with global efforts to address climate change, making reductions in our energy use and greenhouse gas emissions while producing more than one billion servings each day. And we are finding new ways to reduce packaging material and waste with key partners.

### **PepsiCo continues to innovate in nutrition.**

As consumers look for more choices in convenient foods and beverages, and health conditions such as obesity and diabetes are prevalent, PepsiCo is transforming our offerings, adding more whole grains, fruit, fiber and vegetables to our portfolio; innovating our recipes; and reducing portion sizes.

### **PepsiCo's impact is global.**

Our expertise, size and engagement with stakeholders around the world position us to make a meaningful difference in some of today's most pressing issues, creating efficiencies and positive changes in areas where we work.

PepsiCo embraces this responsibility and is committed to continual learning and reinvention. We integrate sustainability into our business and strive to act as a force for good in the world as we deliver Performance with Purpose.

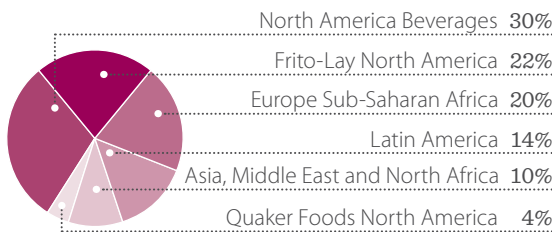




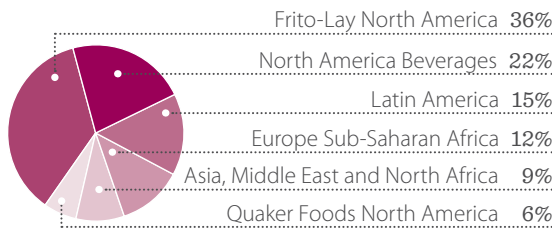
# Performance

## 2014 Financial Highlights

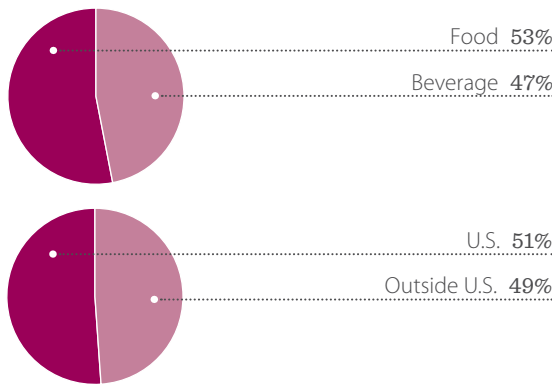
### Net Revenues\*



### Division Operating Profit\*



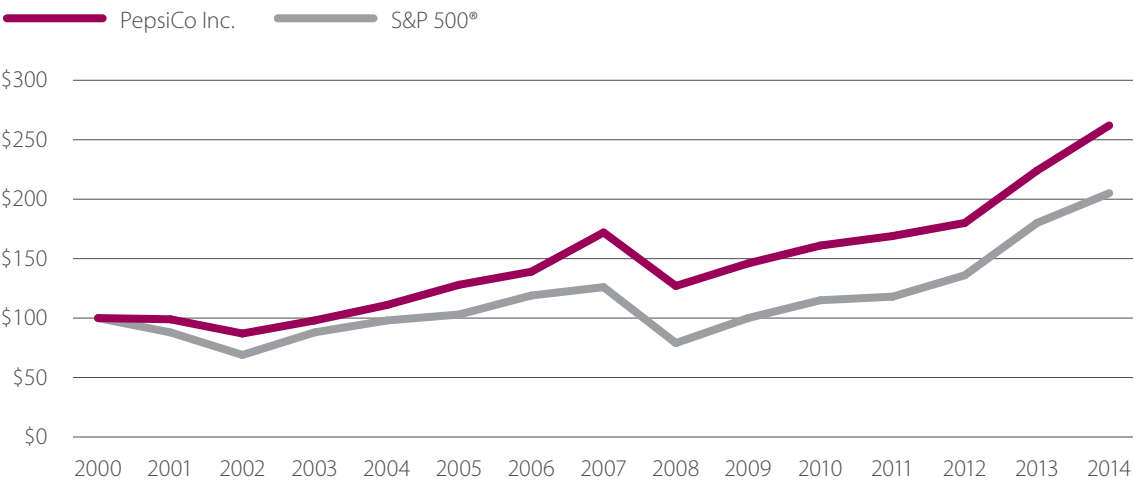
### Mix of Net Revenue



\*Effective as of the company's third quarter of 2015.

## Cumulative Total Shareholder Return

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



	12/00	12/01	12/02	12/03	12/04	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14
PepsiCo, Inc.	\$100	\$99	\$87	\$98	\$111	\$128	\$139	\$172	\$127	\$146	\$161	\$169	\$180	\$224	\$262
S&P 500*	\$100	\$88	\$69	\$88	\$98	\$103	\$119	\$126	\$79	\$100	\$115	\$118	\$136	\$180	\$205

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



## Performance Goal

## Intensified Focus on Health and Wellness

Challenges in malnutrition and health and wellness are having a significant impact on societies around the world. According to the World Food Programme, enough food is made to feed everyone around the world, yet nearly 900 million people still go to bed hungry each night, mostly in emerging markets. At the same time, we know from the World Health Organization (WHO) that in developed countries, more than 1.9 billion adults were overweight in 2014. Studies link the growing rates of over-nutrition and obesity worldwide to a rise in chronic diseases such as cancer, cardiovascular disease and diabetes.

Against this troubling backdrop, many consumers are increasingly focused on making more nutritious or informed choices when shopping for food and beverages. Yet this task is often met with mixed messaging around dietary guidelines, ingredients and processes from different authorities and stakeholders around the world. The truth is that what we choose to eat and drink is inherently cultural and extremely personal. Trying to make the right decisions on what to feed ourselves and our families has never been more complicated.

As one of the world's leading food and beverage companies, we at PepsiCo are taking steps to enable consumers to make more informed choices, and we're looking to capture the growth opportunity presented by offering more nutritious options. In fact, in 2014, about 20 percent of our net revenues came from our nutrition businesses. We continue to focus on ways to reduce sodium, added sugars and saturated fats in our foods and beverages. We also work to clearly label what's in our products. And we aim to sell and market our products responsibly — especially when it comes to young consumers. We call this focus on our products Human Sustainability.

Today, PepsiCo's world-class Research & Development (R&D) team is advancing our work in this area, driving innovation across our product portfolios and creating new opportunities for our business. Because we recognize that we cannot solve global public health challenges alone, we also engage with our peers in the food and beverage industry, NGOs, governments and other stakeholders to support collaborative solutions.







*PepsiCo Turkey has delivered reductions in sodium, saturated fats and added sugars and offers a range of convenient products — including Tropicana, which uses popular local fruits.*

# Human Sustainability



**Human Sustainability is our strategic approach to health and nutrition in our product portfolio and is a key pillar of Performance with Purpose. In 2009, PepsiCo set ambitious Human Sustainability goals, underpinned by metrics and policies, and we are pleased to share our progress with you below.**

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

**Sodium**

Sodium	-10%
--------	------

Our 2020 goal is to reduce the average amount of sodium per serving in key global food brands in key countries by 25 percent, compared to a 2006 baseline. In 2014, all 10 key countries\* we track for these goals achieved sodium reductions. In fact, through 2014 China and the U.K. have already met our 25 percent reduction target in key brands. On a global average per serving basis, we reduced sodium by more than 10 percent and removed more than 1,800 metric tons from key global food brands in key countries in 2014, compared to 2006. Advances in manufacturing technology and recipe innovation have helped us maintain the taste our consumers expect while reducing sodium content. Our primary challenge in meeting this goal is consumer acceptance of reduced-sodium products in countries like the U.S. and Saudi Arabia, and we continue to prioritize its reduction in our flavored chips, as some seasonings can be high in sodium. We will continue to invest in R&D toward sodium reductions to help people achieve levels recommended by public health experts, such as the WHO.

**Added Sugars**

Added Sugars	+3%
--------------	-----

We set a goal to reduce the average amount of added sugars per serving in our beverages in key countries\* by 25 percent by 2020, compared to a 2006 baseline. Although our goal with respect to reducing added sugars applies only to key global beverage brands, we measure our progress against *all* beverage brands. Seven of the 10 key countries we track for this goal have reduced added sugars in 2014 compared to our 2006 baseline. Two of these seven key countries,

the U.S. and Canada, together reported removing approximately 434,000 metric tons of added sugars from the total beverage portfolio, up from 402,000 in 2013, as a result of actively managing the portfolio and offering a mix of products. Despite this progress, on a global average basis we saw a net increase in metric tons of added sugars in 2014. In certain key countries, while there have been some successful products with reduced added sugars, the original versions of our products are growing at faster rates due in part to consumer preference. This increases the average added sugars per serving and thereby impacts the aggregated average. Our greatest challenges in meeting this goal will be our performance in India and China, where the markets are growing so rapidly that it is more difficult to predict sales and consumer acceptability. We are accelerating R&D investments to uncover and develop great-tasting sweeteners and flavors that are inherently low in calories and that we believe will enable us to make progress toward this goal.

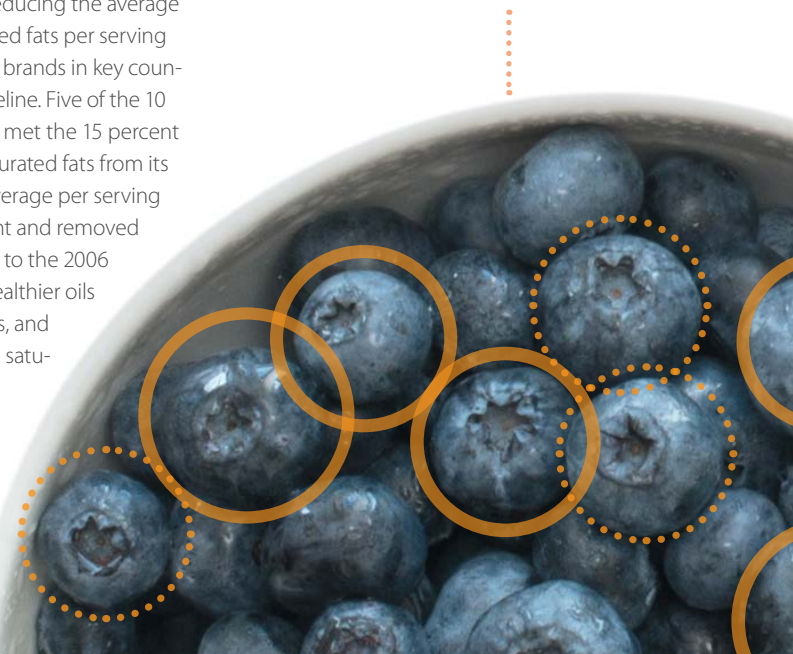
**Saturated Fats**

Saturated Fats	-2%
----------------	-----

We set a goal of reducing the average amount of saturated fats per serving in key global food brands in key countries\* by 15 percent by 2020, compared to a 2006 baseline. Five of the 10 countries we measure against this goal have already met the 15 percent target, and Turkey has removed 35 percent of the saturated fats from its key brands in 2014 compared to 2006. On a global average per serving basis, we reduced saturated fats by just over 2 percent and removed 1,600 metric tons of saturated fats in 2014, compared to the 2006 baseline. Higher volume growth in markets where healthier oils are less accessible has proven to be a challenge for us, and we continue to actively seek opportunities to reduce saturated fats and use healthier oils in our products.

7  
of our  
10

key countries have reduced average added sugars per serving in 2014 compared to our 2006 baseline







### Broadening Our Portfolio

Revenue Contribution  
from Nutrition Business

20%

In 2014, approximately 20 percent of net revenue came from PepsiCo's nutrition businesses. We plan to

further expand our more nutritious portfolio by building on our expertise in dairy, hummus and baked grain snacks, as well as leveraging our brands, including Quaker, Tropicana, Gatorade, Naked Juice Emerging Brands and Wimm-Bill-Dann.

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

### Nutritional Labeling

Labeled Products

92%

In 2010, PepsiCo voluntarily committed to display calorie count and key nutrients on our packaging — where

feasible and where permissible by local regulations — for all of our products in key countries\* by year-end 2015. In 2014, PepsiCo achieved over 92 percent compliance with this commitment. In 2014, we also made significant improvements in our methodology for monitoring compliance with our labeling policy. These enhancements will provide greater consistency and reliability in the monitoring process. For more information on our labeling goal methodology and performance, please see the [2014 GRI Report](#).

### Responsible Advertising

Responsible Ads in  
the U.S. & Canada

100%

We understand that it is essential to advertise our products responsibly. We ensure that our marketing campaigns reflect PepsiCo's Values

and that we market only our most nutritious products to children.

# 92%

of our products displayed calorie count and key nutrients in 2014

\*Key countries measured for these goals: Brazil, Canada, China, India, Mexico, Russia, Saudi Arabia, Turkey, the U.K., and the U.S.

100% —

75% —

50% —

25% —

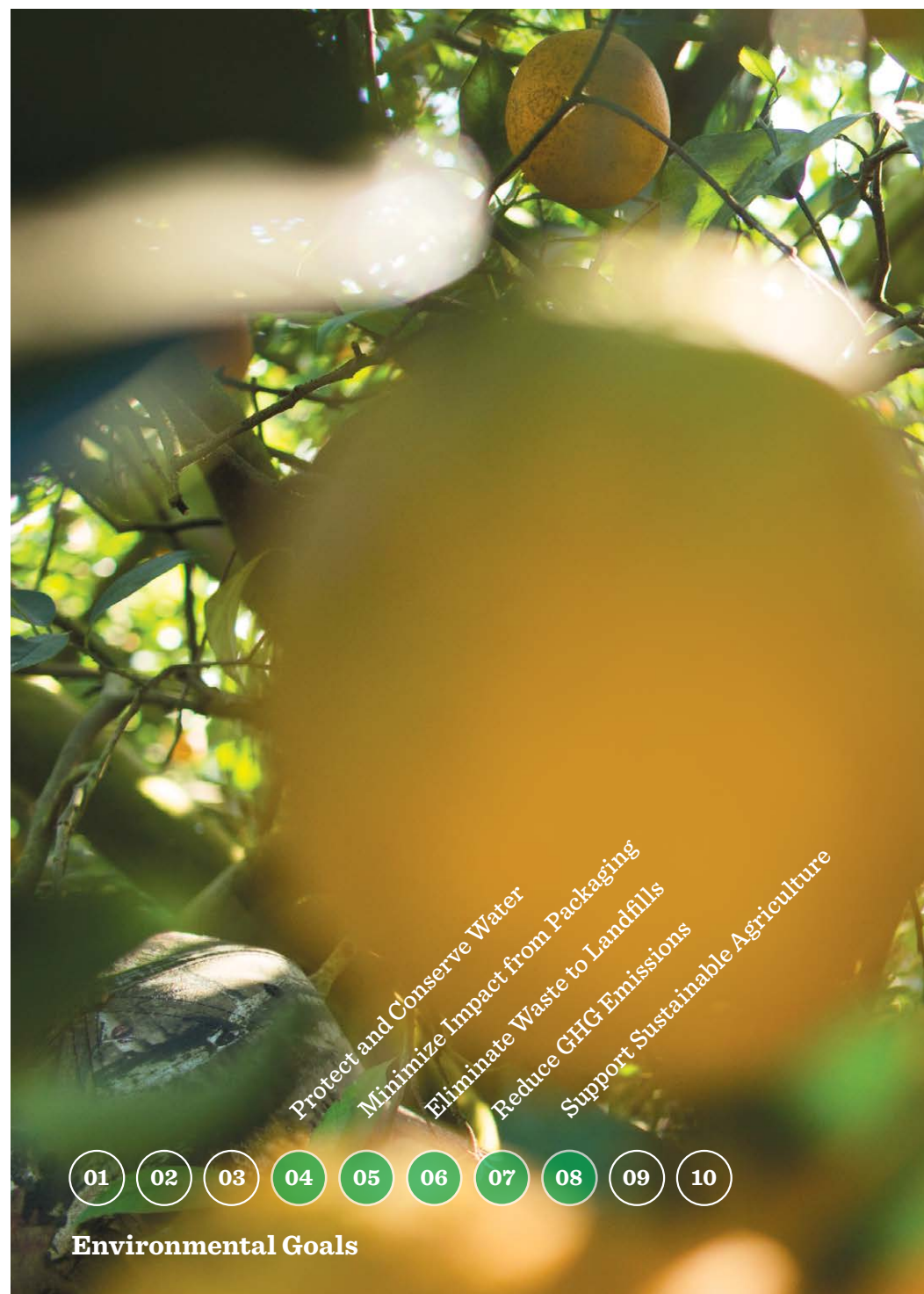


## Scarcity and Uncertainty in Global Resources

According to recent studies, by 2025 1.8 billion people will be living in regions with absolute water scarcity. By 2030, it is expected that greater demand for food will require an increase in production of 50 percent or a substantial reduction in the amount of food currently wasted or lost (35–50 percent) throughout the value chain. And if GHG emissions continue unabated, global average temperatures could exceed a rise of 2 degrees Celsius above pre-industrial levels by 2045. The 2°C increase is regarded by the scientific community as the upper limit to minimize exposure to increasingly dangerous forest fires, extreme weather, drought and other impacts. Moreover, these acute global problems will need to be addressed all while demand for the world's resources is increasing at an unprecedented rate. Managing the inter-relationship between agriculture, climate change, energy and water will be crucial for businesses seeking long-term sustainable growth.

At PepsiCo, we rely on the continued availability of water to grow the fruits, vegetables, grains and other commodities essential to our products; to run manufacturing processes; to serve as the key ingredient for most of our beverages; and to be a foundational prerequisite for healthy communities around the world; making water stewardship a key focus area for us. We are also working to achieve an absolute reduction in our GHG emissions by reducing energy use in our manufacturing and delivery operations. We're utilizing renewable alternatives to fossil fuels; improving the efficiency of our delivery truck fleets; and working with suppliers—especially farmers—to help them manage and reduce their energy and water use and emissions. We rely on the PepsiCo Resource Conservation Program (ReCon) to scale best practices in the conservation of water and energy and in the reduction of emissions and waste across PepsiCo facilities and among key business partners.

Understanding the urgency of current global crises, we are working to establish new goals and performance metrics to build upon our environmental sustainability progress. We are also adapting to meet the changing needs of our business and beyond. And as always, we will continue to seek expert advice from key stakeholders to inform our thinking and targets.



Protect and Conserve Water  
Minimize Impact from Packaging  
Eliminate Waste to Landfills  
Reduce GHG Emissions  
Support Sustainable Agriculture

- 01
- 02
- 03
- 04
- 05
- 06
- 07
- 08
- 09
- 10

### Environmental Goals





*Our citrus growers at SMR Farms in Bradenton, Florida are piloting low-carbon fertilizers and utilizing drip irrigation to reduce environmental impacts.*

# Environmental Sustainability



### Human right to water:

During 2014, PepsiCo and other companies endorsing the UN Global Compact CEO Water Mandate developed a guide for effectively aligning corporate water stewardship with the corporate responsibility to respect the human right to water and sanitation.

## A strategic approach to water throughout our value chain

In 2009, PepsiCo launched a global water strategy to respect the human right to water through world-class efficiency in our operations, preserving water resources and enabling access to safe water. Today, we implement this strategy across our value chain.

### In our supply chain:

In 2014, we continued to work with farmers to develop effective water management plans for addressing water risk and share best practice water-efficient drip irrigation methods.

### In our operations:

During 2014, we decreased absolute water use by approximately one billion liters and realized approximately \$17 million in cost savings.

### In our watersheds:

In 2014, PepsiCo India worked with five townships to identify water-saving programs, including check dams, traditional wells and recharge ponds, benefiting the livelihoods of more than 50,000 people.

### In our communities:

In 2014, the PepsiCo Foundation worked with our partners to help local communities in Mexico, Brazil, Jordan, China, Colombia and India better manage and efficiently use water.

*We continue to deliver progress across our most significant areas: water, packaging, waste, energy and agriculture – areas that are critical to our business and where we can make the biggest impact. Our 2015 targets – specifically related to these areas – help shape our performance. We are proud to report early achievement of four of our environmental goals in 2014, as illustrated below.*

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

### Protect and Conserve Water

Operational Water Use

–23%

Our business relies on water to grow the raw materials for our products,

to enable our manufacturing processes, and to serve as the key ingredient for most of our beverages. In 2009, PepsiCo launched a global water strategy to respect the human right to water. Today, we implement this strategy through watershed management, conserving water within our operations, reducing water use in our agricultural supply chain and helping to provide access to safe water within communities. By the end of 2014, we reduced our water use per unit of production in legacy operations<sup>1</sup> by 23 percent since 2006, exceeding our target of a 20 percent reduction by the end of 2015 and delivering cost savings of approximately \$17 million in 2014. Through the PepsiCo Foundation, we also met our 2015 goal of partnering to provide access to safe water to 6 million people a year early.

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

### Reduce Impact on the Environment from Packaging

Packaging Materials

–89MM lbs

In 2014, we met our goal to reduce packaging weight and

size and to increase post-consumer recycled content in our packaging.





We removed over 89 million pounds of packaging materials from the market compared to the prior year, resulting in \$48 million of cost savings. In 2014, we also used over 130 million pounds of food-grade recycled polyethylene terephthalate (rPET) in our packaging, an increase of nearly 25 percent versus 2013. In addition to these efforts, we are working to help increase the percentage of beverage containers recycled in the U.S. For more on our recycling initiatives, see our [2014 GRI Report](#).

**06 Work to eliminate solid waste to landfills from our production facilities**

*Eliminate Waste to Landfills*

Waste Recycled and Reused	93%
---------------------------	-----

In 2014, PepsiCo sent approximately 7 percent of its waste to landfill (93% diverted). This surpassed our goal of recycling and reusing 90 percent of our waste, and resulted in estimated savings of \$3.5 million compared to 2009.

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

*Reduce GHG Emissions*

Energy Use Intensity	-16%
----------------------	------

In 2014, we made strong progress in holding absolute GHG emissions for legacy operations<sup>1</sup> flat against a 2008 baseline despite significant production volume growth in our business. Through best practice programs like ReCon and our pursuit of greener fleet initiatives, we have improved the energy efficiency of our legacy operations by nearly 16 percent compared with our 2006 baseline. We will also continue to deploy advanced beverage vending and cooling equipment and address the impacts of our packaging, which affect our overall emissions. While we remain committed to ongoing energy efficiency in our own operations, we know that the biggest impact we can have on reducing GHG emissions is by continuing to work with suppliers along our value chain.

1. Our water and energy conservation goals apply to global "legacy" operations as they existed in 2006, and exclude major acquisitions and mergers while accounting for divestitures after the 2006 baseline year.

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

*Support Sustainable Agriculture*

Number of Countries Using Sustainable Farming Initiative	11
--	----

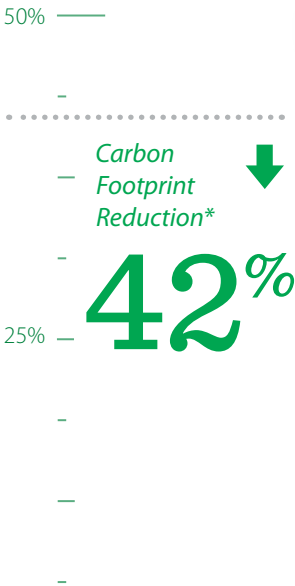
We are successfully expanding best practices in sustainable agriculture. To

set standards of sustainability performance for the agricultural products on which PepsiCo depends, we developed a Sustainable Agriculture Policy that is supported by our Sustainable Farming Initiative (SFI). The SFI guides our suppliers in sustainable farming practices and provides them with resources, training and support to help meet our social, economic and environmental standards. In 2014, the SFI expanded its global coverage, with implementation across 11 countries, to nearly 600 growers of potatoes, corn and citrus (up from 500 in 2013), covering in excess of 450,000 acres of direct cropping land (compared to 360,000 in 2013).

We are also committed, through the Roundtable on Sustainable Palm Oil (RSPO), to exclusively purchase 100 percent RSPO-certified sustainable palm oil for our products by 2015. We are working with our suppliers to achieve 100 percent traceability to the mill level by 2016. For more information, see our [PepsiCo Palm Oil Commitments](#) on our website.

**50 in 5**

We have been working with farmers in water-stressed areas of the U.K. to reduce the carbon footprint and water used to grow potatoes for our Walkers crisps by half over a five-year period. We are on target to reach both our water and carbon footprint goals by the end of 2015.



\*Carbon reduction by the end of 2014, water reduction by the end of 2013, which is the latest available as of publication date

## The Talent Conundrum

Despite persistently high unemployment levels around the world, many employers are finding it difficult to meet their talent needs. Populations are aging, which is leading to a shrinking workforce. At the same time, there are not enough new graduates with the specific skills needed in today's economy, especially in the science, technology, engineering and math fields.

As issues of tolerance, identity, participation, dignity and justice come to the fore, a key measure of a company's social responsibility is its respect for human rights. While most companies recognize the moral imperative to operate consistently with human rights principles, awareness is growing that respect for human rights can also be a tool for improving business performance with regard to risk mitigation and earning a social license to operate. Our respect for human rights is guided by the United Nations (UN) Universal Declaration of Human Rights and related international covenants. As a signatory to the UN Global Compact, our policies, operations and strategies support universally accepted principles, including those for human rights and labor standards.

At PepsiCo, we recognize that on-the-job training and support for employees helps us to be successful and sustainable. It is critical to have associates who are passionate about their work and whose values align with PepsiCo's Values, Code of Conduct and Performance with Purpose. We have found that a high level of engagement with and among diverse associates leads to enhanced productivity, creativity and innovation, while contributing to improved retention rates. This kind of dynamic culture is precisely what drives our success and helps us to attract the best talent.



- 01
- 02
- 03
- 04
- 05
- 06
- 07
- 08
- 09
- 10

### Talent Goals





# Talent Sustainability

*Employee engagement, training and diversity are moving our business forward across the Asia Pacific region, including at our Pepsi bottling facility in Manila, Philippines.*



# PepsiCo believes that no child should go hungry

Started by passionate employees, Food for Good is a community-focused program run by PepsiCo's R&D team and local NGOs in 10 U.S. cities that aims to eliminate the food deficiencies caused when school lunch programs are not available during the summer months.



*Our goal is to recruit and retain the world's best employees and create a diverse workforce that reflects the communities in which we operate. We believe that employees are at their best when they are working for a company they can believe in, and in an environment that is safe, healthy, inclusive, respectful and engaging.*

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

## Safety

Lost Time Incident Rate	-23%
-------------------------	------

Protecting the safety, health and well-being of our associates around the

world is our top priority, and an incident-free workplace is our aspiration. We were proud to reduce our lost time incident rate (LTIR) by 23 percent between 2013 and 2014 through risk reduction, greater employee training and communication campaigns. Our strategy moving forward is to extend our health and safety focus to other subject areas and functions. For more information, please refer to our [2014 GRI Report](#).

## Healthy Living

Free Wellness Screenings Provided	Nearly 540 Locations
-----------------------------------	----------------------

As a multinational company with approximately 271,000 employees, PepsiCo is powered by people. We

have a business imperative to take care of our employees and encourage healthy lifestyles, which we do through our Healthy Living program. Each of PepsiCo's U.S. locations has a Healthy Living program that offers various benefits, including health assessments, free biometric screenings and flu shots, as well as wellness programs around fitness, nutrition, pregnancy, smoking cessation, stress and sleep management, back care, disease management and preventive care. Going forward, we strive to do more to encourage healthy lifestyles in our global workplaces.

## Diversity & Engagement

Female Senior Executives	27%
--------------------------	-----

We know that diverse representation and inclusion in our organization

and along our value chain are vitally important. Over the past year, we

➞ For more information, see our [microsite](#).





have continued to evolve our approach to foster an *engaged* workforce. Diversity and engagement allow us to benefit from the unique insights and skills that employees bring to our organization and better enable us to serve our increasingly diverse consumers.

Compared to 2013, we were pleased to see women senior executives increase 2 percent in 2014 to 27 percent and representation of people of color in the U.S. increase 11 percent to 36 percent in 2014. As has always been the case with PepsiCo, we continue to work hard to attract and retain associates with diverse perspectives and backgrounds.

We also recognize the need to develop a diverse supplier base to help us better understand the needs of our consumers and support the growth of women- and minority-led companies. Through our Supplier Diversity program, which has been running for more than 30 years, PepsiCo creates opportunities for minority- and women-owned businesses through an annual spend of approximately \$1.4 billion.

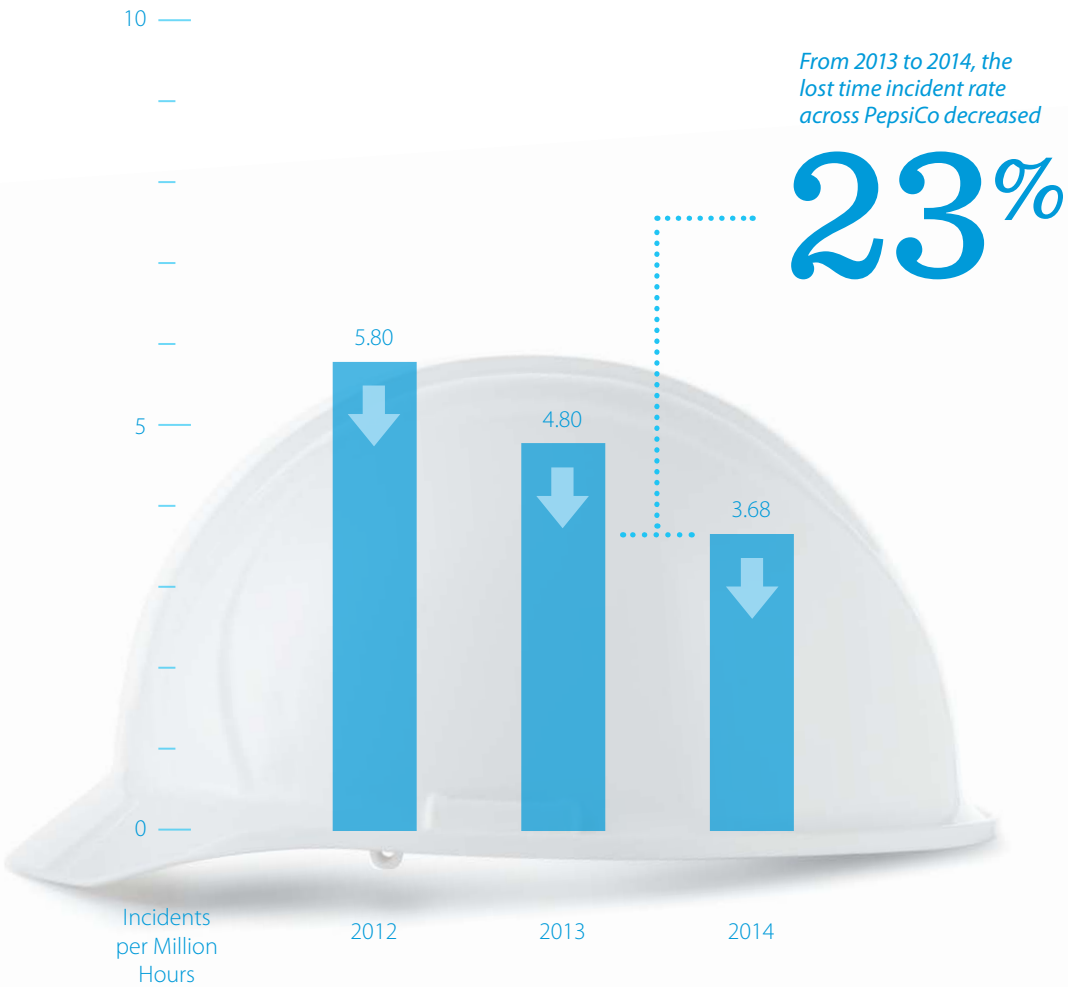
**10 Respect human rights in the workplace and across the supply chain**

*Respect Human Rights*

Suppliers Trained on Supplier Code of Conduct	1,900
---	-------

Respecting human rights is fundamental to PepsiCo's Values, policies and business strategy.

Our Human Rights Workplace Policy, Global Code of Conduct and Supplier Code of Conduct articulate our standards for our employees and people who do business with us. We are already strengthening our ability to assess risk, conduct audits and solve issues with our suppliers through our enhanced Sustainable Sourcing Program (SSP). Going forward, the SSP will help ensure PepsiCo meets our ongoing efforts to continuously improve responsible sourcing practices and human rights throughout our supply chain. Furthermore, the Human Rights Operating Committee (HROC), composed of cross-functional leaders across PepsiCo, remains focused on building awareness around promotion of human rights into every associate's and our supply chain partners' day-to-day behavior.



# Global Citizenship

---

*As an organization that operates in every corner of the world, it is a business imperative to respect, support and invest in the people and communities that we serve. Many communities continue to struggle to meet fundamental needs such as accessing safe water or feeding their children nutritious food. By aligning our citizenship strategy with Performance with Purpose and leveraging our core capabilities, we aim to improve and strengthen the communities where we live and work. By directing our philanthropic efforts toward global challenges in the areas of Human, Environmental and Talent Sustainability, we are able to meet some of society's greatest needs in areas closely related to our business. Following are some highlights of recent initiatives led by the PepsiCo Foundation, our company and our partners.*

## **Human Sustainability**

In the face of the simultaneous and complex challenges of malnutrition, lack of affordability of nutritious options and wasted food in the U.S., a new program called the **Daily Table** aims to address all of these issues with a single solution. Launched by Doug Rauch, former president of Trader Joe's, with the help of a \$2 million grant from the PepsiCo Foundation, Daily Table is a not-for-profit community market that opened its first retail store in Dorchester, Massachusetts in 2015, offering a variety of tasty, healthy, convenient and affordable groceries and prepared meals to disadvantaged communities at prices that are competitive with those of fast food.

In 2014, the PepsiCo Foundation announced a five-year, \$5 million grant to the Inter-American Development Bank (IDB) to launch the Sustained Program to Improve Nutrition (**Spoon**). Spoon is designed to simultaneously prevent undernutrition and reduce the risk of obesity in babies living in poor areas of Colombia, Guatemala and Mexico, where 14 percent of the region's children are facing chronic malnutrition and 8 percent are either overweight or obese. Thousands of children are expected to benefit directly from this program.

## **Environmental Sustainability**

PepsiCo and the PepsiCo Foundation have partnered with the **Columbia Water Center** (CWC) at Columbia University since 2008. During this time, the CWC has developed, tested and delivered solutions for water insecurity around the world. These projects have included the development of low-cost meters that help smallholder farmers in India apply the correct amount of water to their crops and the creation of water-allocation plans that helped provide fresh water to more than 4 million people in Brazil.

PepsiCo and the MyShelter Foundation partnered to build the **Liter of Light program**, which takes plastic bottles out of the waste stream and recycles them to bring eco-friendly natural light to homes in communities that lack lighting. The bottle lights make use of everyday materials: PET, water, corrugated sheet metal and chlorine. Each light lasts up to 10 years, costs about \$2 and takes 30 minutes to install. As of April 2014, Liter of Light had installed 190,000 bottle lights in 95,000 homes and donated more than 800 solar-powered night and street lamps.



### 💙 Talent Sustainability

In September 2014, PepsiCo, UNESCO and the Myanmar Ministry of Education celebrated the launch of Myanmar's first Centre of Excellence for Business Skills Development (CEBSD). The CEBSD is an innovative public-private partnership that aims to improve employment prospects for youth in Myanmar by offering targeted courses and training in business and employability skills, career counseling and networking opportunities. The first program of its kind in Myanmar, CEBSD opened its doors to a pilot cohort of 22 students in June 2014, and a further intake of 60 students began in September 2014. In total, the CEBSD expects to enroll at least 300 students in its first full year of operation.

We also actively encourage our employees to participate in PepsiCo's community programs. One such opportunity is **PepsiCorps**, which offers a month-long international or domestic corporate volunteering and leadership development experience. The program gives PepsiCo employees insights into societal challenges and leverages their business skills to make a positive impact on the world. From 2011 through 2014, six PepsiCorps teams completed pro bono projects in five countries.

## Providing safe water access through partnership

*“We did not have any treated water, which caused stomach illness for my daughters. They had a lot of pain. Now we have access to clean, safe water. To me this means life, joy, happiness and a better future for my daughters.”*

Luz Elena Guzmán (center below)

Cañasgordas, Colombia

Beneficiary of one of the safe water access programs developed through grants from the Inter-American Development Bank AquaFund and the PepsiCo Foundation



*Whether it's oats for Quaker; corn, potatoes or sunflower oil for Frito-Lay; oranges for Tropicana; or blueberries for Naked Juice; PepsiCo is working to source ingredients more sustainably, supporting our business growth and the communities where we do business.*

## 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 sustainability priorities, 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 2014 Global Reporting Initiative (GRI) Report at <http://www.pepsico.com/Purpose/Performance-with-Purpose/Sustainability-Reporting>.

For additional information about PepsiCo, please see our 2014 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).

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

Design by Addison [www.addison.com](http://www.addison.com)

