

Packaging

Packaging plays a unique role in the way our products are presented to consumers and customers. In addition to understanding its necessary role in protecting the quality and experience consumers have with our products, we have a responsibility to contribute to the quality of life in our communities. We do this by optimizing the use of materials used for our products, continually improving our packaging design and supporting increased recovery. We have intended to address issues of recycling and recovery rates as part of our Performance with Purpose (PwP) 2025 agenda.

Design Packaging to be Recyclable, Compostable or Biodegradable, Increase Recycled Materials in our Plastic Packaging, and Reduce Packaging's Carbon Impact

As a leading global consumer packaged goods company, it is a priority for PepsiCo to develop next-generation packaging that continues to meet the needs of our consumers for high quality, safety and consumer experience, while minimizing our environmental footprint. **In line with this strategic priority, we have set a PwP 2025 goal to strive to design 100 percent of our packaging to be recyclable, compostable or biodegradable, increase recycled materials in our plastic packaging, and reduce packaging's carbon impact.**

At this time, we are actively working to enhance our measurement systems to capture data to track progress against this goal, and expect to be able to report on our progress in 2018.

The journey toward increased sustainability in our packaging is complex, requiring both business discipline and technological breakthroughs that can be executed and scaled in financially sustainable ways. While much of our beverage packaging is recyclable, we recognize that there are components of our packaging that inhibit recyclability. We have started to address these challenges. For example, in 2016, we made progress converting shrink sleeves to recyclable material on a number of Gatorade and Lipton Pure Leaf products, an effort that we will continue to move forward on in the years to come.

Sustainable packaging initiatives at PepsiCo are truly cross-functional team efforts. While PepsiCo's Research & Development team leads research on alternative packaging materials that improve overall pack sustainability, our Procurement and Operations teams continuously look for opportunities to reduce packaging size and weight and to increase recycled content. In 2015, for example, we removed approximately 100 million pounds of packaging materials from the market vs. the previous year. We also increased our use of rPET – which is a recyclable plastic – by 4 percent to 139 million pounds, which makes us one of the largest purchasers of rPET in the consumer goods industry.

While we continue to renovate packaging on our existing products, we are also ensuring that design and development of new products and packaging incorporates sustainable principles.

Developing solutions for flexible films—which are not recyclable, compostable or biodegradable—that make up much of our snacks packaging is a challenge that we are continuing to address. We believe that one way to address the sustainability of our snacks packaging in the future may come through biodegradable packages. PepsiCo recently entered into a collaboration with biotechnology firm Danimer Scientific to develop biodegradable film resins to be used for next-generation snacks packaging. In contrast with traditional plastics, Danimer's Nodax™ PHA bioplastic, which is produced using renewable biomass, would be incorporated into this next-generation packaging.

Partner to Increase Packaging Recover and Recycling Rates

While we are focused on designing sustainable packaging, we know that just as important is the infrastructure enabling recycling, and building a culture that encourages it. Recovery and recycling rates throughout the world have significant opportunity for improvement, and while we cannot change those rates on our own, we do have the capacity to help influence them through our own resources and through strategic partnerships. **As part of our PwP 2025 agenda, we have set a goal to partner with associations, governments, and cross-sector collaborations to implement long-term recovery and recycling solutions.**

The PepsiCo Recycling program works with K-12 schools, college and university campuses and local communities in the U.S. through various programs and initiatives to boost recycling infrastructure and raise awareness. Since 2010, this program has recycled over 140 million post-consumer containers, translating to 7.3 million pounds of PET and aluminum. At the same time, we are utilizing

the connectivity of our brands to high-profile events to encourage recycling, such as at the 2017 NBA All-Star Game in New Orleans, when we encouraged about 2,000 fans to recycle through a series of games.

We are also engaged in strategic partnerships with organizations that are focused on raising recycling and recovery rates. We recently signed an agreement to join the New Plastics Economy as a core partner. This initiative, led by the Ellen McArthur Foundation, brings together industry, government, non-governmental organizations (NGOs), scientists and students to build a more sustainable global plastics value chain. We are also a partner of The Recycling Partnership, a grassroots organization with the goal of increasing curbside recycling rates across the U.S. through residential home bin placement.

Meanwhile, through funding from PepsiCo and the PepsiCo Foundation, we are a founding partner of the Closed Loop Fund, which is investing \$100 million by 2020 to raise recycling rates in the U.S., including through improved curbside recycling infrastructure and materials processing. The first 12 projects the Closed Loop Fund has supported has improved recycling access and diversion for at least 4.1 million households and delivered 4 million tons of postconsumer recycled feedstock.

We are also collaborating with organizations such as the Materials Recovery for the Future Collaborative in the U.S. and Circular Economy for Flexible Packaging (CEFLEX) in Europe to find solutions for recovery of flexible Snacks packaging, working to make it a part of the circular economy.

From a product standpoint, we piloted an initiative this year within our Quaker business to include new recycling instructions on product packaging. The How2Recycle logo developed by the Sustainable Packaging Coalition, provides a clear, concise, and harmonized way to convey the overall recyclability of the package along with instructions to the consumer on how to recycle it.

Going forward, we will continue to partner with a portfolio of organizations that collectively, provide the opportunity to address influence recycling and recoverability rates on a broader, systemic level.