A Letter from our Chief Sustainability Officer

Dear Friends,

When I recently took over as PepsiCo’s Chief Sustainability Officer, I was thrilled by the chance to lead one of the most innovative, forward thinking corporate sustainability teams in the world.

Among the innovations we’re most proud of is our first ever Green Bond, a $1 billion offering being used to advance our ambitious sustainability agenda: to help build a more sustainable food system.

It’s been one year since we issued the bond, and we are pleased to report that we have put $447 million of the proceeds to use, supporting our efforts in three categories—packaging, decarbonization, and water—whilst also advancing several of the UN’s Sustainable Development Goals. You can read more in this report about some of our featured projects in these areas that the proceeds from the Green Bonds have helped fund, including how we’re working toward building a world where plastics need never become waste by using more recycled polyethylene terephthalate (rPET) in our packaging, the work being done to mitigate climate change at our Valhalla campus, and our water efficiency efforts at our Vallejo Sabritas Mexico City snacks plant. We are incredibly proud that we’re among the first corporations in the food and beverage industry to issue a green bond, and we’re excited about accelerating our momentum to further align business and purpose.

This alignment has taken on new importance over the past year, as society has endured challenges that were previously unthinkable. Through it all, we have continued advancing the important work to help make PepsiCo a Better company by integrating sustainability even more deeply into our business. This includes everything from implementing new agricultural techniques, to using water more efficiently, reducing plastic waste, improving choices across our portfolio, cutting greenhouse gas emissions, and lifting up people and communities. We are making investments in each of these areas, with the recognition that many of the sustainability issues we face are interconnected and need to be addressed holistically.

But we also know PepsiCo can’t tackle these immense challenges on our own. Partnership and collective action are critical. Only by working together can we make the progress that’s essential to long-term sustainability and resiliency. Ultimately, that’s what PepsiCo’s Green Bond is all about: action. While we know there is still much to be done, we look forward to continuing to work with our partners to invest in—and ultimately build—a more sustainable future for our communities.

JIM ANDREW
Chief Sustainability Officer
and Executive Vice President, Beyond the Bottle Businesses

pepsico.com/sustainability

Green Bond Highlights

» Approximately $200 million to procure recycled PET plastic (rPET) for our North American beverage packaging

» More than $110 million to help transition our company-owned fleet to lower-carbon models

» $98 million to build a green R&D facility in Valhalla, New York

» $9 million to improve water-use efficiency in our plants
Our Sustainability Journey

In 2006, PepsiCo started on a journey to transform the way we do business with the fundamental belief that the success of our company is inextricably linked to the sustainability of the world around us, and each year we continue to make valuable progress.

2006
- Performance with Purpose introduced, integrating sustainability into daily operations
- Naked Juice first 100% rPET bottle in the U.S.

2009
- Food for Good launches, an initiative that makes healthy food more accessible
- All-electric delivery trucks hit the road

2010
- 1st Demonstration Farm launches in India. In 2020, 230+ farms around the world are testing and sharing best practices
- 25% Water-use Efficiency Goal achieved ahead of target date

2012
- Sustainable Farming Program launches
- Wins prestigious Stockholm Industry Water Award

2013
- Climate Leadership Award recipient

2016
- SodaStream joins the family, the expansion of this business provides the potential to avoid ~67B single-use plastic bottles through 2025
- 1st ever PepsiCo Green Bond issued; proceeds from the $1B offering will fund key sustainability initiatives

2017
- Sustainable Farming Program launches

2018
- 1st Demonstration Farm launches in India. In 2020, 230+ farms around the world are testing and sharing best practices

2019
- Climate Leadership Award recipient

2020
- Safe Water Access Goal exceeded 5 years early, helping 44M+ people since 2006, with new goal to reach 100M people by 2030
- Transition to 100% renewable electricity in U.S. direct operations

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Helping to build a more sustainable food system

At PepsiCo, we believe that there is an opportunity to change how the world produces, distributes, consumes, and disposes of foods and beverages in order to tackle the shared challenges we face.

We aim to use our scale, reach, and expertise to help build a more sustainable food system; one that can meet human needs for nutrition and enjoyment, and continue to drive economic and social development without exceeding the natural boundaries of the planet.

Our sustainability agenda focuses on six overlapping priorities within our food system: agriculture, water, packaging, people, product, and climate. Our priorities meet three important criteria:

» They relate to the most pressing sustainability challenges, risks, and opportunities facing PepsiCo and our food system;

» They matter most to PepsiCo’s key stakeholders; and

» They offer the opportunity for PepsiCo to make a positive difference at a systemic level, within and beyond our own value chain.

PepsiCo’s sustainability strategy targets every stage of our complex value chain to use resources more efficiently, reduce greenhouse gas (GHG) emissions, replenish water, improve our products, and recapture packaging materials.

To learn more about how we’re working to use our global scale to help build a more sustainable food system, see our 2019 Sustainability Report.
About the Green Bond

In October 2019, PepsiCo issued its first Green Bond, a 30-year, $1 billion senior notes offering with a fixed rate coupon of 2.875% per annum.

The net proceeds from this offering have been and will continue to be allocated to investments in Eligible Green Projects (as defined below), giving further momentum to our sustainability agenda. PepsiCo expects to allocate the majority of the Green Bond proceeds within three years of the date of issuance.

This report describes PepsiCo’s use of proceeds to date, and the expected sustainability impact of these investments.

Our Green Bond Framework

PepsiCo’s Green Bond prospectus defines “Eligible Green Projects” as new and existing investments made by PepsiCo during the period from three years prior to the date of issuance of the notes through the maturity date of the notes, in three categories:

» Sustainable plastics and packaging;

» Decarbonization of our operations and supply chain; and

» Water sustainability.

We are focusing on these categories to make a lasting impact on environmental priorities within our sustainability agenda.

![Green Bond Details Table](image)

1 Investments include expenditures on capital projects and other sustainability related spend.
About the Green Bond

Eligible Green Projects

Sustainable plastics and packaging
» Purchases, either directly or via our intermediary suppliers, of:
  • Recycled PET ("rPET") for use in product packaging;
  • Bio-based PET ("Bio-PET") for use in product packaging;
  • Compostable, biodegradable and/or recyclable material for use in product packaging
» Investments\(^1\) in projects driving more sustainable product packaging.

Decarbonization of our operations and supply chain
» Improving the energy efficiency and/or reducing greenhouse gas emissions of our operations;
» Procurement of project-specific renewable energy;
» Cleaner transportation, such as replacement of fossil-fuel powered vehicles with electric vehicles;
» Green buildings that receive a third-party verified certification;
» Investments\(^1\) toward reducing the greenhouse gas footprint of our agricultural supply chain.

Water sustainability
» Investments\(^1\) linked to improving water-use efficiency at PepsiCo locations;
» Investments\(^1\) to replenish watersheds where PepsiCo operates in high water-risk areas;
» Working with small-holder farmers to access drip irrigation and other water saving technologies.

\(^1\) Investments include expenditures on capital projects and other sustainability related spend.
About the Green Bond

### Governance

The framework for our first Green Bond incorporates recommendations from the Green Bond Principles and is based on four core components:

- Use of proceeds;
- Project evaluation and selection;
- Management of proceeds; and
- Reporting

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<thead>
<tr>
<th>Use of Proceeds</th>
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<tbody>
<tr>
<td>» Net proceeds from the issuance of the Green Bond will be allocated to fund, in whole or in part, “Eligible Green Projects,” which is defined on Page 6. Allocations are made to investments¹ in Eligible Green Projects made by PepsiCo during the period from three years prior to the date of issuance of the notes through the maturity date of the notes.</td>
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<tr>
<th>Project Evaluation and Selection</th>
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<tr>
<td>» PepsiCo’s Sustainability team assesses and determines Eligible Green Projects</td>
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<tr>
<td>» Following final approval, PepsiCo’s Sustainability team recommends allocation of proceeds, and provision of description of Eligible Green Projects to PepsiCo’s Finance department</td>
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<th>Management of Proceeds</th>
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<td>» PepsiCo’s Finance department tracks the allocation of net proceeds to approved projects. Pending allocation, net proceeds are temporarily invested in cash, cash equivalents, short-term investments, or used to repay other borrowings</td>
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<th>Reporting</th>
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<td>» Second Party Opinion (from Sustainalytics), on alignment of our Green Bond Framework with the International Capital Markets Association (ICMA) Green Bond Principles 2018</td>
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<tr>
<td>» PepsiCo publishes Annual Use of Proceeds reports until full allocation, including progress allocating net proceeds and select impact metrics accompanied by management’s assertion of the amount of the net proceeds that was allocated to Eligible Green Projects</td>
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<td>» Independent Auditor provides Assurance Report on management’s assertion</td>
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¹ Investments include expenditures on capital projects and other sustainability related spend.
Progress: 2017–2019

As of December 31, 2019, PepsiCo had allocated $447 million in proceeds from the issuance of its first Green Bond to Eligible Green Projects. This represents more than 40% of the net proceeds and includes investments in all three eligible categories of packaging, decarbonization, and water. Individual investments have ranged from approximately $350,000 to $200 million, and spanned five continents. While projects within the three categories focused on a wide breadth of solutions, they all shared the common effect of supporting PepsiCo’s vision for a sustainable food system.

Green Bond impact metrics

3 brands
using or transitioning to 100% rPET packaging in the U.S. (Tazo, Naked, LIFEWTR)

Approximately 210,000 metric tons
CO₂e avoided in North America through incorporation of purchased rPET into beverage packaging

More than 60,000 metric tons
annual CO₂e emissions avoided through capital expenditures

1.2 megawatts
solar power generation capacity installed

1.3 billion
liters of water use avoided through CAPEX investments

Category breakdown

$1 billion Green Bond
issued October 2019
$447 million allocated between 2017–2019

Packaging / 45%
$201 million

Decarbonization / 53%
$237 million

Water / 2%
$9 million

Goal performance

The proceeds of PepsiCo’s Green Bond help us to invest in delivering our sustainability goals, including commitments to increase recycled content in our plastics packaging, reduce absolute GHG emissions, and improve operational water-use efficiency in high water-risk areas. Between 2017–2019, we made progress against these global goals, as illustrated below.

Increase recycled content in our plastics packaging to 25% by 2025
Goal performance during 3-year span of allocation

Total Emissions: Reduce absolute GHG emissions by at least 20% by 2030 (2015 baseline)
Goal performance during 2-year span of allocation

Improve operational water-use efficiency by 25% in high water-risk areas by 2025 (2015 baseline)
Goal performance during 3-year span of allocation

2 Performance measured against 2015 baseline for Decarbonization and Water metrics
Featured Projects

The projects described here illustrate how the Green Bond proceeds are being used to drive our sustainability agenda.

Ramping up rPET procurement

By displacing virgin plastic with recycled plastic, PepsiCo can help to reduce plastic waste while lowering our dependency on non-renewable fossil resources and boosting the carbon and resource efficiency of our packaging.

PET is the main material used to make beverage bottles and is the most widely recycled plastic. rPET is part of a closed-loop recycling solution for beverage bottles, carrying a lower carbon footprint than virgin PET—specifically, 63% lower GHG emissions and 79% lower energy consumption.³

PepsiCo is already one of the largest customers of food-grade rPET in the world. If there was more available, we would buy it, and if there were more markets where it could be used, we’d utilize it. Currently demand outpaces supply, especially for food-grade rPET.

PepsiCo purchased several hundred million pounds of rPET for beverage packaging in North America between 2017 and 2019, for an aggregate amount of $200 million allocated to the Green Bond’s net proceeds. This represents a 17% increase in rPET purchased in North America during this period and helped PepsiCo to increase the recycled content of our packaging from 3% to 4% globally at the same time. We estimate that incorporating this rPET into our packaging has also avoided nearly 210,000 metric tons of CO₂e emissions.⁴

³ GHG emissions reductions calculated between 0% rPET and 100% rPET at the raw material stage. Analysis conducted by Franklin Associates.

⁴ Emissions reductions from the incorporation of rPET instead of virgin PET into our North American beverage packaging were calculated by multiplying the volume of rPET purchased between 2017–2019 by the difference in the emission factor of 0% rPET and 100% rPET.
Featured Projects

Incorporating green design at PepsiCo’s Valhalla R&D Campus

PepsiCo’s Research & Development (R&D) function is an important driver of innovation worldwide. Now, following a $98 million investment, our new R&D campus in Valhalla, New York will reflect our commitment to a sustainable future for PepsiCo.

The blueprint for the campus expansion began nearly a decade ago as a vision for consolidating the R&D facilities in New York and Connecticut into one leading-edge campus to meet R&D’s needs not just for today, but for the future of innovation at PepsiCo. Now a reality, the project is almost completed. Sustainability has been a priority from day one, guiding our choices at every stage of planning, design, and construction. Upon completion, it is expected to receive LEED (Leadership in Environmental and Engineering Design) Gold Certification through elements designed to reduce energy consumption, generate renewable energy, and use resources sustainably both during construction and operation.

Through 235 kW of on-site renewable energy generation and energy-efficient technologies, the campus is contributing to PepsiCo’s goal of reducing absolute GHG emissions by 20% by 2030.

In addition to its low-carbon credentials, the Valhalla facility will also boast important water and waste features, including water-efficient fixtures that are expected to reduce water consumption by 40% and an 80,000-gallon rainwater harvesting system that will ensure only non-potable water will be used for irrigation. Nearly 90% of construction waste to date has been diverted from landfill and construction materials have incorporated recycled content where possible. In addition to reducing waste, this also lessens the carbon impact of the campus upgrade.

Solar Power

681 Solar Panels (345 watts/panel) will generate 235 kW of solar power

Valhalla R&D Campus Key Features

320,000 ft² across 3 buildings

Solar Control

Daylighting controls and occupancy sensors to reduce energy usage

Our R&D Campus in Valhalla, New York reflects our commitment to a sustainable future for PepsiCo.
Increasing water efficiency in our manufacturing plants

PepsiCo's operational water-use efficiency efforts focus on plants located within high water-risk locations. Within Latin America, projects implemented in these areas have reduced the water footprint in our Latin American food plants by an average of more than 28% since 2015. This reduction was the result of more efficient practices, such as implementation of water reuse technologies, conversion of water nozzles used in potato slicing to more efficient ‘Splash Cones,’ and installing low-spray nozzles in corn washing lines.

At our plant in Vallejo, Mexico, a $5.6 million investment from Green Bond proceeds enabled the expansion of the existing membrane bioreactor (MBR) water reuse system. By pairing membrane and biological wastewater treatment processes with a downstream reverse osmosis process, MBR enables the site to produce potable water for reuse in the plant—an important capability, given the site's location within a high water-risk area.

This project was fully installed and operational by the end of 2019, and will allow our Vallejo site to reduce its freshwater usage by an estimated 100 million liters per year, becoming one of the most water-efficient foods manufacturing plants in PepsiCo’s network. MBR technology is fully replicable across our foods business, and by rolling it out in additional sites around the world, we hope to further embed the principles of water circularity into our manufacturing plants.
Independent Accountants’ Report

PepsiCo, Inc.’s Management:

We have examined management of PepsiCo, Inc.’s (“PepsiCo”) assertion in the PepsiCo 2020 Green Bond Report (the “Report”) that PepsiCo has allocated $447 million in net proceeds from the issuance of its October 9, 2019 2.875% Senior Notes due October 15, 2049 (the “Green Bond”) as of December 31, 2019 to Eligible Green Projects as defined on page 6 of the Report (the “Allocation”) in accordance with the Use of Proceeds defined on page 8 of the Report. PepsiCo’s management is responsible for its assertion. Our responsibility is to express an opinion that the Allocation was performed in accordance with the Use of Proceeds based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management’s assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management’s assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management’s assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination was not conducted for the purpose of evaluating PepsiCo’s impact metrics, thus, we did not audit or opine on the sufficiency, appropriateness or accuracy of the impact reporting criteria, accounting impact methodology or the environmental impact of the Eligible Green Projects. Accordingly, we do not express an opinion or any other form of assurance other than on whether the Allocation was performed in accordance with the Use of Proceeds set forth in PepsiCo’s 2020 Green Bond Report.

In our opinion, management’s assertion that the Allocation was performed in accordance with the Use of Proceeds, is fairly stated in all material respects.

KPMG LLP

Boston, Massachusetts
October 12, 2020
Management Assertion

PepsiCo has allocated $447 million in net proceeds from the issuance of its Green Bond as of December 31, 2019 to Eligible Green Projects as defined on page 6 of this report in accordance with the Use of Proceeds defined on page 8 of this report.

PepsiCo is responsible for the completeness, accuracy, and validity of the information and metrics presented in this Green Bond Report.

Special Note on Forward-looking Statements

This report contains statements reflecting our views about our future performance that constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are generally identified through the inclusion of words such as “aim,” “anticipate,” “believe,” “drive,” “estimate,” “expect,” “goal,” “intend,” “may,” “plan,” “project,” “strategy,” “target,” and “will” or similar statements or variations of such terms and other similar expressions. Forward-looking statements inherently involve risks and uncertainties. For information on certain factors that could cause actual events or results to differ materially from our expectations, please see PepsiCo’s filings with the Securities and Exchange Commission, including its most recent annual report on Form 10-K and subsequent reports on Forms 10-Q and 8-K. Investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made. PepsiCo undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.