Performance with Purpose

2014 GRI Report
Table of Contents

CEO Letter 3
About PepsiCo 5
Performance with Purpose 6
Stakeholder Engagement 10
Material Aspects & Boundaries 17
Public Policy & Political Engagement 21

**Human Sustainability** 23
  Innovating Healthier Options 28
  Responsibly Marketing Our Products 36
  Pepsico Quality and Food Safety 42

**Environmental Sustainability** 45
  Water 53
  Climate Change 58
  Agriculture 64
  Packaging and Waste 69

**Talent Sustainability** 74
  Talent Attraction, Engagement & Growth 78
  Diversity & Engagement 85
  Workplace Safety 90
  Human Rights 94

**Global Citizenship** 97

**Corporate Governance, Risk Management and Compliance** 102

**GRI Index** 116

**Independent Verification Letters** 125
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

I invite you to offer your comments on this report and PepsiCo’s Performance with Purpose journey via email at performancewithpurpose@pepsico.com
About PepsiCo

PepsiCo is a leading global food and beverage company that generated more than $66 billion in net revenue in 2014, driven by a complementary portfolio that includes Frito-Lay, Gatorade, Pepsi-Cola, Quaker and Tropicana. PepsiCo’s product portfolio includes a wide range of enjoyable foods and beverages, including 22 brands that generated more than $1 billion each in estimated annual retail sales in 2014 and more than 10 brands that each generate between $500 million and $1 billion in estimated annual retail sales.

PepsiCo products are enjoyed by consumers in more than 200 countries and territories around the world.

Approximate headcount, as of 12/27/2014
271,000

2014 Financial Highlights

- Net revenue: $66.6B
- Total assets: $70.5B
- Total liabilities: $53.0B
- Total equity: $17.5B
- Share repurchases and dividends: $8.7B
- Diluted earnings per share: $4.27
- Long-term debt: $23.8B
- Annual tax rate: 25.1%

Current global divisions*
- Frito-Lay North America
- Quaker Foods North America
- North America Beverages
- Latin America
- Europe Sub-Saharan Africa
- Asia, Middle East and North Africa

*Effective as of the company’s third quarter of 2015.

Mix of 2014 net revenue
- Food 53%
- Beverage 47%
- U.S. 51%
- Outside U.S. 49%

Value chain

- Sourcing & Agricultural Raw Materials
- Manufacturing & Packaging
- Marketing & Sales
- Distribution
- Customer, Consumer Use & End of Life

Company’s headquarters are in Purchase, New York.

PepsiCo is a publicly traded company. The New York Stock Exchange is the principal market for PepsiCo common stock, which is also listed on the Chicago Stock Exchange and SIX Swiss Exchange.
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 have established 10 strategic goals across our key impact areas — our products, the environment and our people — to bring our vision to life.

<table>
<thead>
<tr>
<th>HUMAN SUSTAINABILITY</th>
<th>ENVIRONMENTAL SUSTAINABILITY</th>
<th>TALENT SUSTAINABILITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>We work to improve the nutritional profile of our products and offer a wider selection of nutritious foods and beverages, which we strive to market and sell responsibly.</td>
<td>We work to minimize our overall impact on the environment and to conserve natural resources throughout our operations and our supply chain.</td>
<td>We work to build a culture of diversity and engagement, and to ensure those in our supply chain are supported and treated with respect.</td>
</tr>
</tbody>
</table>

**Goals**

- 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
- 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

- Help protect and conserve global water supplies, especially in water-stressed areas, and provide access to safe water
- Innovate our packaging to make it increasingly sustainable, reducing our impact on the environment
- Work to eliminate solid waste to landfills from our production facilities
- Work to achieve an absolute reduction in greenhouse gas (GHG) emissions across our global businesses
- Continue to support sustainable agriculture by expanding best practices with our growers and suppliers

**Global Citizenship:** Responsible businesses such as ours seek to be a good citizen in the communities in which we have a presence. In addition, many of the issues that impact our business can be solved only in partnership with others. Our Citizenship strategy aligns with the three pillars of Performance with Purpose. This allows us to integrate our philanthropic efforts with our Human, Environmental and Talent Sustainability goals and those issues relevant to local communities.
Sustainability at PepsiCo

Companies today operate in a volatile world. Traditional business models are being disrupted. Societies around the globe face new challenges. A growing population threatens to make resources scarcer and competition fiercer.

Adapting to this changing world requires an understanding that business does not function in a vacuum — it operates under a license from society. Companies that recognize this and embed sustainable business practices into the fabric of their organization will be best placed to succeed.

We therefore seek to put sustainability at the core of our business strategy and ways of working so that we address how we make our money and not just how we spend it after we make it. We call this approach Performance with Purpose (PwP). Launched in 2007, PwP is our goal to deliver top-tier financial performance while creating sustainable growth and shareholder value. To achieve this, we strive to embed sustainability throughout every aspect of our business, from what products we make, to how we make them to how we develop our people.

Our efforts are focused on three key areas, or pillars, where we believe we can have the most positive impact and where we see challenges and opportunities for our business: Human Sustainability, which is about our products; Environmental Sustainability, which is about our planet; and Talent Sustainability, which is about our people. We have adopted 10 strategic goals across these pillars and measure progress through key performance indicators (KPIs) and targets, which are highlighted throughout this report. To be successful, we must also respect, support and invest in the local communities in which we operate, which we strive to accomplish through our Global Citizenship strategy, which aligns with the three key areas mentioned above.

While we manage and report on these issues separately, we recognize the increasing inter-relationship between them. For example, our ability to diversify our portfolio toward “better for you” or “good for you” products (defined on page 28) will depend on a sustainable supply of raw materials from the farmers that supply us. Assuring and maintaining human rights standards in our operations and supply chain can be more challenging as a result of changes in our climate. And, our ability to attract and retain the best people is increasingly linked to our ability to demonstrate that we are serious about embedding sustainability into our business. The programs and governance that we are building to deliver on our sustainability goals, such as the Sustainable Farming Initiative (SFI) and the Sustainable Supply Chain Council, increasingly reflect this interconnected reality, addressing social, economic and environmental factors. As we determine new Environmental Sustainability goals that will replace those due to expire at the end of 2015, we are looking at the interdependence between the products we make, how we make them, and the talent needed to continue to be a successful, sustainable company.

PepsiCo has been widely recognized for our sustainability efforts and achievements during 2014:

- PepsiCo was named among the World’s Most Ethical Companies by Ethisphere for the eighth consecutive year.
- PepsiCo was named among the World’s Most Reputable Companies and America’s Most Reputable Companies by Forbes/the Reputation Institute.
- PepsiCo was included on Corporate Responsibility Magazine’s 100 Best Corporate Citizens list for the ninth consecutive year.
PepsiCo was ranked among the Best Global Green Brands by Interbrand.

PepsiCo received an award for Best Governance, Risk and Compliance Program (Large-Cap Company) from the New York Stock Exchange Governance Services.

Sustainability governance

Because sustainability matters are integrated into, and not separate from, PepsiCo’s business, the full Board of Directors (Board) regularly considers sustainability issues as an integral part of its business oversight. For example, the Board considers sustainability issues in its oversight of such areas of focus as capital allocation, supply chain management, talent retention and portfolio innovation. We award our executive officers annual incentives for the achievement of annual business objectives against pre-approved targets. The business objectives reflect a combination of key financial drivers as well as strategic objectives based on an executive’s role and accountabilities aligned with PwP. These metrics may include:

- Customer satisfaction, product quality, brand contribution, portfolio transformation and sustainable innovation;
- Compliance, health and safety and environmental matters; and
- Development of a diverse and talented workforce and other personnel matters.

To ensure that pay is directly linked to the creation of sustainable shareholder value, 91 percent of Chief Executive Officer (CEO) target total direct compensation and 83 percent of average target total direct compensation of the named executive officers disclosed in PepsiCo’s 2015 proxy statement is performance-based.

Our Sustainability Council is made up of senior members of the organization, and is led by Vice Chairman and Chief Scientific Officer, Global Research and Development (R&D), Dr. Mehmood Khan. The leaders of our PwP pillars are responsible for advising the council on our overall strategy, driving implementation, and identifying and addressing issues and risks. The Sustainability Council has oversight responsibility for the Human, Environment and Talent Leadership Teams as well as the Sustainable Supply Chain Council and Human Rights Operating Committee. These teams and committees along with their subcommittees are discussed in greater detail throughout the Report.
Our sustainability governance structure reaches across the organization and focuses on three key areas:

- **Governance and Decision-Making**: Accountabilities are assigned to individuals or teams to set strategy, prioritize activities, identify gaps and facilitate decision-making needed to advance the sustainability agenda.

- **Metrics, Tracking and Reporting**: Specific, measurable, time-based targets — defined and standardized for tracking progress — are implemented according to our PwP pillars: Human, Environmental and Talent Sustainability. Reporting obligations are defined and protocols are in place to ensure compliance and data verification.

- **Facilitating Integration within Our Business**: We have identified owners for each pillar of our sustainability agenda; aligned them with clear roles and responsibilities; and developed scorecards, checklists and timelines specifically focused on measuring our progress against current targets. Each pillar is also tasked with developing long-term strategic plans and raising issues of potential future concern.

### GRI indicators

#### G4-35 Process for delegating authority for economic, environmental and social topics

#### G4-36 Executive-level responsibility for economic, environmental and social topics

#### G4-45 Report the highest governance body’s role in the identification and management of economic, environmental and social impacts, risks and opportunities

#### G4-51 Report the remuneration policies for the highest governance body and senior executives

#### G4-56 Describe the organization’s values, principles, standards and norms of behavior such as codes of conduct and codes of ethics
Stakeholder Engagement

Why does it matter?

PepsiCo is committed to continued engagement with our stakeholders. In order for us to meet the expectations of our stakeholders, we must first understand their perspectives on a wide variety of topics. Our stakeholders frequently contribute important external viewpoints that inform our decisions and our strategy. When we work together, stakeholders are often powerful partners who encourage us to take action and/or improve our progress.

What is our strategy?

We work to incorporate the insights and expectations of our stakeholders at every stage of our operations. We receive valuable feedback from stakeholders, who have provided important external viewpoints that help us develop sound positions and make good business decisions. Stakeholder insights often inform our corporate strategy and can help guide our performance on high-level issues and specific topics alike. Stakeholder engagement also helps us identify significant and emerging issues as more fully discussed in the Material Aspects & Boundaries section of this report. A summary of our engagement approaches for each stakeholder group is outlined in the table on pages 12–14. PepsiCo seeks the expertise of Ceres, a nonprofit organization specializing in developing leadership in the field of sustainability to facilitate our engagement with certain stakeholders on critical issues such as climate change, water scarcity and public health. For more information please see Focus on Ceres: A Dialogue on Sustainability Leadership on page 15 of this report.

What are we doing about it?

Throughout the year, PepsiCo engages in proactive dialogue directly with individuals, groups and advocates who represent the interests of our consumers, customers, communities, employees, suppliers and investors on a wide variety of issues. We listen carefully and gather information and opinions that inform our strategy, goal-setting and decision-making and ultimately impact our performance.

PepsiCo also engages with organizations that are critical of our actions, to understand and address their concerns. When appropriate for our business, we have taken specific steps to incorporate their feedback into our policies and actions. Examples from 2014 are described below.

- PepsiCo participates in an ongoing dialogue with the Rainforest Action Network (RAN) regarding our sourcing of palm oil. As a result, we have developed a robust policy and action plan to source palm oil sustainably. We are also working with the Forest Trust, World Resources Institute, and Business for Social Responsibility (BSR) to address deforestation resulting from palm oil cultivation.

- As a result of engagement with Oxfam, PepsiCo has adopted a Land Policy outlining our zero-tolerance for land displacements of any legitimate land tenure holders. We are currently implementing our Land Policy and continue to meet on a regular basis with Oxfam to review our actions and discuss challenges.

- During 2014 and 2015, PepsiCo has been engaged in a dynamic dialogue with Sierra Club and Forest Ethics on fleet efficiency and fuel sources. PepsiCo has been a leader in fleet innovation, utilizing different fuels,
hybrids, electric vehicles, driver training, GPS, lightweighting, better maintenance, United States Environmental Protection Agency (U.S. EPA) SmartWay® Transport Partners, and aerodynamics. PepsiCo is also seeking alternatives to high-carbon fuels. PepsiCo brought other industry players, as well as other nongovernmental organization (NGO) leaders, into the discussion to assure these issues, which could potentially impact climate change, are addressed in a holistic manner.

PepsiCo is equally committed to regular engagement with our investor stakeholders. Throughout 2014, members of our management team met with a significant number of our shareholders to discuss our portfolio strategy, capital allocation, corporate governance, transparency in our public disclosures, executive compensation, and sustainability and corporate social responsibility initiatives, and to solicit feedback on these and a variety of other topics.

We also engaged with other key stakeholders through our active participation in prestigious corporate governance organizations such as the Harvard Law School Program on Corporate Governance, the Stanford University Rock Center for Corporate Governance, the Council of Institutional Investors and the Weinberg Center for Corporate Governance.

**PepsiCo was recognized for “Best Shareholder Engagement” by Corporate Secretary magazine at the 2014 Corporate Governance Awards.**

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**GRI indicators**

- **G4-15** Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or endorses
- **G4-16** Membership in associations and/or national/international advocacy organizations
- **G4-24** Provide a list of stakeholder groups engaged by the organization
- **G4-25** Report the basis for identification and selection of stakeholders with whom to engage
- **G4-26** Report the organization’s approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process
- **G4-27** Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns
Engagement approach

The following table provides a snapshot of our largest stakeholder groups and a sampling of some of the topics covered in our ongoing dialogues with them.

<table>
<thead>
<tr>
<th>STAKEHOLDER GROUP</th>
<th>ENGAGEMENT APPROACH</th>
<th>TOPICS INCLUDE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers</td>
<td>• Consumer insights</td>
<td>• Brand and product questions and comments</td>
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<tr>
<td></td>
<td>• Dedicated, 24-hour, toll-free phone line</td>
<td>• Product innovation</td>
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<td></td>
<td>• Contact pages on branded websites</td>
<td>• Nutrition and ingredients</td>
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<td></td>
<td>• Social media</td>
<td>• Recyclability</td>
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<td></td>
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<tr>
<td>Retail and Food Service Customers</td>
<td>• Annual retail customer survey</td>
<td>• Promotions/incentives</td>
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<tr>
<td></td>
<td>• Dedicated customer teams</td>
<td>• Brand marketing</td>
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<td></td>
<td></td>
<td>• Sales support and service</td>
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<tr>
<td>Communities</td>
<td>• Volunteer programs</td>
<td>• Promotion of healthy lifestyles</td>
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<td></td>
<td>• Community service</td>
<td>• Environmental initiatives</td>
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<td></td>
<td>• Outreach by local offices/</td>
<td>• Health and safety</td>
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<td></td>
<td>manufacturing sites, etc.</td>
<td>• Disaster relief</td>
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<td></td>
<td>• Availability of Speak Up</td>
<td>• Any concerns regarding company/supplier activity</td>
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<tr>
<td>STAKEHOLDER GROUP</td>
<td>ENGAGEMENT APPROACH</td>
<td>TOPICS INCLUDE</td>
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</tr>
</tbody>
</table>
| **Employees**     | • Human Resources tools and representatives  
                   • Individual action plans and performance goals  
                   • Organizational health surveys and pulse surveys  
                   • Speak Up  
                   • Employee forums  
                   • Social media | • Compensation and benefits  
                   • Career development  
                   • Business operations  
                   • Health and safety  
                   • Working conditions |
| **Suppliers**     | • In-person meetings  
                   • Environmental Supplier Outreach Program  
                   • Supplier Social Capability Management Program  
                   • Live and pre-recorded webinars | • Supply chain management  
                   • Local and regional regulations |
| **Investors**     | • Ongoing dialogue through in-person meetings and conference calls  
                   • Annual shareholder meetings  
                   • Earnings calls and investor forums  
                   • Participation in organizations such as the Harvard Law School Program on Corporate Governance, the Stanford University Rock Center for Corporate Governance, the Council of Institutional Investors and the Weinberg Center for Corporate Governance | • Financial performance  
                   • Corporate governance  
                   • Performance with Purpose |
<table>
<thead>
<tr>
<th>STAKEHOLDER GROUP</th>
<th>ENGAGEMENT APPROACH</th>
<th>TOPICS INCLUDE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Partnerships</strong></td>
<td>• Ongoing dialogue through in-person meetings and conference calls</td>
<td>• Progress toward shared goals</td>
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<tr>
<td></td>
<td>• Individual engagement plans for each partnership</td>
<td>• Transparency</td>
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<tr>
<td></td>
<td></td>
<td>• Health and nutrition</td>
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<tr>
<td></td>
<td></td>
<td>• Integration of sustainable initiatives</td>
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<tr>
<td><strong>NGOs</strong></td>
<td>• Individual discussions on specific issues</td>
<td>• Deforestation</td>
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<tr>
<td></td>
<td></td>
<td>• Land rights</td>
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<tr>
<td></td>
<td></td>
<td>• GMO use and labeling</td>
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<tr>
<td></td>
<td></td>
<td>• Nutrition and agriculture</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Climate</td>
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<td></td>
<td></td>
<td>• Colony collapse disorder and pesticides</td>
</tr>
</tbody>
</table>
Focus on Ceres: A Dialogue on Sustainability Leadership

In November 2014, PepsiCo partnered with Ceres — a nonprofit organization that specializes in developing leadership in the field of sustainability — to host a forum for dialogue between PepsiCo and our diverse Stakeholder Advisory Panel. The objective of this forum was to gather insight and feedback on PepsiCo’s PwP progress, challenges and plans for the future. During the meeting, we engaged with our stakeholders on topics related to all of our PwP initiatives, including health and wellness, environmental sustainability, sustainable agriculture, supply chain management and human rights, as well as on the inter-relatedness of our Sustainability pillars, sustainability governance and management, performance and transparency, and our engagement approach on these topics.

Representatives from prominent investor groups, NGOs, a foundation and Ceres participated in the forum. Our then-President, Zein Abdalla, opened the meeting and over 20 PepsiCo executives attended to hear feedback directly from our panel members.

Overall, stakeholders were pleased with PepsiCo’s PwP agenda, highlighting PepsiCo’s robust efforts to address Material Aspects and transparency on disclosure. Key areas where stakeholders requested further action and/or disclosure included:

- Additional data in an accessible format to demonstrate progress toward sustainability goals;
- Governance of sustainability issues;
- Collaboration on significant sustainability issues; and
- Efforts to engage supply chain on sustainability goals.

In particular, stakeholders suggested that we could strengthen our sustainability management by setting goals that were more clearly measurable and time-bound (and science-based, where relevant) and by identifying discrete steps toward achieving those goals. Additionally, they suggested focusing our efforts on impacts and disclosing performance results in relatable, contextual terms.

As part of the forum, we tested our Material Aspects with stakeholders. Based on their feedback, we incorporated suggestions into our Material Aspects disclosure, including separating Human Rights into a stand-alone Material Aspect and including Land Use as part of our Supply Chain Material Aspect. We are also utilizing “dashboards” and other suggestions in this GRI Report and are carefully considering how we can utilize the remaining recommendations to improve our PwP strategy over time.
External partnerships and charters

We take pride each day in serving as a good corporate citizen and acting in alignment with leading experts and organizations focused on emerging social and environmental issues. Many of the externally developed principles or other initiatives we have endorsed are listed on our website. Among them are:

- The Climate Declaration of Ceres' Business for Innovative Climate & Energy Policy (BICEP)
- Global Sullivan Principles of Social Responsibility
- MacBride Principles
- The Trillion Tonne Communiqué of the Prince of Wales's Corporate Leaders Group
- Universal Declaration of Human Rights
- United Nations (UN) Caring for Climate Initiative
- UN CEO Water Mandate
- UN Global Compact
- UN Guiding Principles on Business and Human Rights
- UN Millennium Development Goals
- UN Women's Empowerment Principles

We are a member of numerous industry and trade groups, and partners with various nonprofit organizations and NGOs. We list many of those key memberships and partnerships on our website.

Our group memberships include:

- American Beverage Association
- Business for Social Responsibility (BSR)
- Ceres
- Consumer Goods Forum
- FoodDrinkEurope
- Food Industry Asia
- Global Reporting Initiative (GRI)
- The Grocery Manufacturers Association
- International Council of Beverage Associations
- International Food & Beverage Alliance
- International Life Sciences Institute
- Mexican Council of Consumer Goods Products (ConMexico)
- Snack Food Association
- UN Global Compact
- U.S. Council for International Business
- World Business Council for Sustainable Development (WBCSD)
- World Economic Forum

We work with these groups because they represent the food and beverage industry and the business community on issues that are important to PepsiCo’s business and our stakeholders. Importantly, such organizations help develop consensus among varied interests. At times, we do not share or agree with all of the views of our various peers or partner associations and they do not always speak on our behalf. PepsiCo representatives on the boards and committees of such groups ensure that we voice PepsiCo’s positions regarding policies or related activities.
Material Aspects & Boundaries

GRI indicators

<table>
<thead>
<tr>
<th>G4-13</th>
<th>Significant changes during the reporting period regarding size, structure or ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>G4-17</td>
<td>Scope of financial and nonfinancial reporting</td>
</tr>
<tr>
<td>G4-18</td>
<td>Process for defining report content</td>
</tr>
<tr>
<td>G4-19</td>
<td>List all material aspects</td>
</tr>
<tr>
<td>G4-20</td>
<td>Boundary of the report</td>
</tr>
<tr>
<td>G4-21</td>
<td>Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities</td>
</tr>
<tr>
<td>G4-22</td>
<td>Explanation of the effect of any restatements of information provided in earlier reports</td>
</tr>
<tr>
<td>G4-23</td>
<td>Significant changes from previous reporting periods in the scope and aspect boundaries</td>
</tr>
<tr>
<td>G4-28</td>
<td>Reporting period</td>
</tr>
<tr>
<td>G4-29</td>
<td>Date of previous report</td>
</tr>
<tr>
<td>G4-30</td>
<td>Reporting cycle</td>
</tr>
<tr>
<td>G4-31</td>
<td>Sustainability contact point</td>
</tr>
<tr>
<td>G4-33</td>
<td>Policy and current practice with regard to seeking external assurance for the report</td>
</tr>
</tbody>
</table>

Material Aspects

Throughout the year, PepsiCo regularly engages with its stakeholders on a wide variety of issues. We listen carefully and gather information and opinions from our employees, shareholders, the communities in which we operate, our customers, consumers of our products, regulatory agencies, nongovernmental organizations and other interested stakeholders.

Our stakeholder engagement efforts throughout the year continue to inform our GRI reporting and overarching sustainability strategy. PepsiCo prioritizes the topics we report on publicly and focuses on those topics most important to PepsiCo and our key stakeholders.

In recent years, organizations such as the GRI, Sustainable Accounting Standards Board (SASB) and International Integrated Reporting Council (IIRC) have increasingly focused on identifying “materiality” as a best practice standard for sustainability reporting and transparency. PepsiCo publicly discloses our assessment of “Material Aspects” in accordance with the GRI G4 Reporting Guidelines for sustainability reporting purposes.

In 2013, we completed a formal assessment to identify Material Aspects, or what the GRI Sustainability Reporting Guidelines define as those matters that are most important socially, environmentally and economically to both our internal and our external stakeholders.¹ Our initial assessment of

¹ In this report and in our other sustainability reports, when we use the terms “material,” “materiality” and other similar terms, we are using such terms to refer to topics that reflect PepsiCo’s significant economic, environmental and social impacts or that substantially influence the assessments and decisions of stakeholders, or what the GRI Sustainability Reporting Guidelines define as “Material Aspects.” We are not using these terms as they have been defined by or construed in accordance with the securities laws or any other laws of the U.S. or any other jurisdiction or as these terms are used in the context of financial statements and financial reporting and nothing in this report should be construed to indicate otherwise.
Material Aspects resulted in 16 topics across our three PwP pillars (Human Sustainability, Environmental Sustainability and Talent Sustainability) and financial and corporate governance performance areas. These topics align with our corporate priorities and goals, reinforcing the integration of sustainability throughout our business.

In 2014, we presented our analysis and process for determining our Material Aspects as well as the final list of Material Aspects with stakeholders at our biannual Ceres Stakeholder Forum (for more information, see Focus on Ceres: A Dialogue on Sustainability Leadership). No new topics emerged during this forum. However, based on stakeholder feedback, we have consolidated several topics, made Human Rights a stand-alone Material Aspect and included Land Use as part of our Agriculture Material Aspect.

Our list of Material Aspects represents issues that PepsiCo intends to continue managing, measuring and reporting on. In this GRI Report, many of the Material Aspects identified through this process align with GRI indicators, although some topics stand alone without a clear corresponding GRI aspect or indicator.

The following Material Aspects table outlines the topics that are currently most relevant to PepsiCo and our stakeholders and reflects our robust assessment process. While our efforts to manage these issues mainly focus on PepsiCo’s operations, we continually seek to understand our impact throughout our value chain.

Our Material Aspects may change in accordance with future materiality assessments. Future assessments of Material Aspects may add new Material Aspects should they rise in importance or delete current Material Aspects should they no longer be considered of significant importance.

<table>
<thead>
<tr>
<th>PEPSICO MATERIAL ASPECT</th>
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Sourcing & Agricultural Raw Materials
Manufacturing & Packaging
Marketing & Sales
Distribution
Customer, Consumer Use & End of Life
This represents PepsiCo’s third annual GRI Report and addresses PepsiCo’s activities and performance for the 2014 calendar year. During the reporting period between 2013 and 2014, there were no significant changes to the company regarding size, structure or ownership. Throughout the report some historic data and information have been included to provide context and to illustrate performance trends. The GRI Index, included at the end of this report, details our accordance with the GRI G4 Core Guidelines.

Content included in this GRI Report covers PepsiCo’s global operations only unless otherwise noted. The report includes activities occurring at all of our facilities, owned and leased, over which we have operational control unless otherwise noted. The scope of health and safety reporting includes facilities and operations over which PepsiCo has management control, including facilities and sales. We report on joint ventures when PepsiCo owns more than 50 percent of the interest and/or has management control. We do not report on franchise operations. If PepsiCo leases a building, but does not have management control and does not directly employ anyone working at the facility, we do not include that data for health and safety assessments.

PepsiCo seeks external assurance of its direct greenhouse gas emissions (Scope 1), indirect greenhouse gas emissions (Scope 2), energy consumption and production, waste generation, water consumption, and health and

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**Material Aspects & Boundaries**

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2 A consolidated list of our subsidiaries as of the fiscal year-end is disclosed in Exhibit 21 of PepsiCo’s 2014 Annual Report on Form 10-K.
safety data from our company-owned plants. For more information, please refer to the complete verification statement from Bureau Veritas shown on pages 125–127.

Any specific limitations of environmental performance data are disclosed in the relevant footnotes to that data. Environmental data presented in this report has changed from prior disclosures due to acquisitions and divestitures of business operations, including the acquisitions of Mabel Alimentos S.A., Dilexis S.A. and Wimm-Bill-Dann. Health and safety data presented in this report has changed from prior disclosures due to acquisitions and divestitures of business operations, including the acquisitions of The Pepsi Bottling Group, Inc. and PepsiAmericas, Inc., Wimm-Bill-Dann, Mabel Alimentos S.A. and Dilexis S.A.

No health and safety data were restated.

Our Sustainability Council, chaired by PepsiCo’s Vice Chairman and Chief Scientific Officer, Global R&D, Dr. Mehmood Khan who oversees our sustainability reporting efforts. To provide feedback on this report, please contact performancewithpurpose@pepsico.com.
Why does it matter?

Public policy affects PepsiCo’s ability to operate a successful business. To that end, we participate in public policy dialogue and share our expertise on key issues that support our business strategy and where we or others have identified that we can contribute ideas to solve policy issues, including health and wellness, water and climate change management, land, and human rights. We aim to make constructive contributions that will lead to policies that will help our business, our consumers and other stakeholders thrive.

What is our strategy?

PepsiCo’s Global Public Policy and Government Affairs (PPGA) team works with senior management to develop annual and long-term public policy priorities. Such priorities include efforts to protect and advance our business and strategic goals that are embodied in PwP. We believe we can have a greater positive impact by partnering with our peer food and beverage manufacturers through trade associations and other industry groups. We take part in multi-stakeholder debates and, when relevant, respond to public consultations. We also engage with NGOs and public interest groups that are critical of our actions, to understand and address their concerns.

What are we doing about it?

Our political engagement occurs on a wide variety of issues confronting a multitude of challenges. Following are two examples of how we strive to have a positive impact through public policy engagement.

• Many states in the U.S. are considering legislation requiring mandatory labeling of products containing genetically modified organisms (GMOs). Having different labeling requirements in different states would be difficult and costly to implement and confusing to consumers. Therefore, PepsiCo is helping to lead efforts for a national resolution to labeling issues by engaging in ongoing dialogue with industry and government regulators to find a federal solution to this issue.

• The UN Climate Change Conference (COP 21), scheduled for December in Paris, aims to achieve a legally binding, universal agreement on climate change by all nations. PepsiCo supports a global agreement to encourage progress in our own operations and supply chain, particularly agriculture, as well as by other businesses, governments and civil society.

Throughout this report, we will highlight other areas where we are engaging in public debate and the actions we are taking to have a positive impact on policy development.
We recognize that the use of company resources in the political process is an important issue to our stakeholders, and we strive for transparency in all of our political policies, procedures, contributions and other engagements. We have adopted a number of policies and protocols to guide PepsiCo’s political engagement. These regulations were developed to align with the company’s Values (see page 112) and priorities and strictly adhere to all laws and regulations regarding political engagement, policy promotion and political giving. PepsiCo’s political action committee, the Concerned Citizens Fund (CCF), uses voluntary employee contributions to support U.S. federal and state candidates, political parties and other political committees that prioritize issues significant to PepsiCo, including product taxes, marketing/advertising restrictions, food security/agriculture programs and trade. We work closely with our trade associations and partners to establish consistent positions on these issues, where possible.

PepsiCo associates who lobby at the U.S. federal and state levels undergo annual ethics training by outside counsel. All CCF and other corporate contributions are reviewed by the Corporate Law Department and external expert counsel to ensure legal compliance. Information regarding PepsiCo’s political engagement policies and contributions is publicly communicated on our website.

The Nominating and Corporate Governance Committee of the PepsiCo Board of Directors oversees our Political Contribution Policy and annually reviews political activities and expenditures by PepsiCo and the CCF. PepsiCo generally does not provide political contributions outside the U.S. If these contributions are made, we report them on our website.

In 2014, PepsiCo’s total political contributions, including all U.S. political action committee and corporate political contributions, were approximately $4.8 million. In 2013, PepsiCo further enhanced our transparency by disclosing our direct lobbying and contributions made to trade associations that lobby in the U.S. at the state and federal level. Details are publicly communicated on our website and updated annually (http://www.pepsico.com/Company/Policies).
Human Sustainability

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

### PwP GOAL
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

### PROGRESS
- Five key countries have reached the saturated fats goal and two key countries have reached the sodium reduction goal.
- Nearly 60% of beverage launches in our key countries qualified as Better-For-You or Good-For-You* products in 2014.
- Approximately 20% of our net revenue came from our nutrition business in 2014.

### FUTURE PLANS
- Continue to explore healthier oil and alternative sweetener options
- Continue R&D efforts to uncover tools and processes that will aid in our sodium reduction efforts

### PwP GOAL
Continue to provide clear nutritional 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

### PROGRESS
- We adopted a Global Labeling Policy.
- Over 58% of our products complied with PepsiCo front-of-packaging guidelines (effective 2016).
- We strengthened our Responsible Advertising to Children Policy.

### FUTURE PLANS
- Fully implement our Global Labeling Policy and updated Responsible Advertising to Children Policy by the end of 2016
- Roll out marketing and labeling training programs

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*Defined on page 28.
**Why does it matter?**

Widespread obesity and related public health challenges have created both risks and opportunities for food and beverage companies. According to the World Health Organization (WHO), in 2014, more than 1.9 billion adults 18 years or older were overweight, of which more than 600 million were obese. The WHO further states that noncommunicable diseases such as diabetes and cardiovascular disease could be substantially reduced through a healthy diet, regular physical activity and avoiding the use of tobacco. Meanwhile, undernutrition remains one of the world’s most serious health problems. According to UNICEF, nearly half of all deaths in children under age 5 are attributable to undernutrition.

As a result of these issues, the food and beverage industry is facing increased regulatory pressure from governments to take steps to help consumers improve their diets and make appropriate food and beverage choices. These public health challenges have also created opportunities for our business. Consumers are increasingly demanding more nutritious foods and beverages, generating significant growth potential for PepsiCo in the Better-For-You (BFY) and Good-For-You (GFY) categories. See definitions on page 28.

**What is our strategy?**

We believe that by providing a wide range of high-quality, safe foods and beverages, we can positively impact our consumers’ lives. Our products are at the heart of Human Sustainability, which encompasses everything from the ingredients we use in our products to the marketing and selling of our products, with particular emphasis on our approach to health and wellness and our commitment to quality and food safety.

Our multi-pronged approach to addressing health and wellness includes our efforts to:

• Broaden the range of our product portfolio, including expanding our offerings of more nutritious products; and

• Label and market our products responsibly and promote healthy lifestyles in our communities through programs supported by the PepsiCo Foundation and PepsiCo.

As a leading food and beverage company, we believe we have an important role to play in helping people lead healthier lives. In fact, PepsiCo is taking aggressive steps to implement many of the actions recommended by the WHO Global Action Plan for the Prevention and Control of NCDs 2013–2020. We recognize, however, that these are complex problems with no single solution and that we cannot solve public health challenges alone. For this reason, we partner with a broad range of stakeholders, including our peers in the food and beverage business, NGOs and governments.

We are committed to producing high-quality products across all of our brands. We maintain consumer trust by manufacturing superior products,
starting with the purchase of our raw ingredients and continuing until the finished product reaches the consumers’ hands. We are also committed to developing new products in an ethical and responsible manner, and to following applicable ethical standards and guidelines relating to research.

What are we doing about it?

To drive action on PwP, PepsiCo adopted 10 PwP goals, with two goals specifically related to Human Sustainability:

• 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; and

• Continue to provide clear nutritional 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.

Each of our Human Sustainability goals is underpinned by specific metrics or policies to drive action and track progress. The governance, management, goals and policies are more fully discussed in each Material Aspect section.

The Human Sustainability Leadership Team (HSLT) was formed to facilitate PepsiCo’s success in achieving our Human Sustainability goals. The HSLT is composed of members from our Global R&D, Nutrition, Sales, Legal, Communications, Finance, and PPGA groups. The HSLT assigns specific responsibilities within the company for implementing, tracking and reporting progress against our goals. Additionally, PepsiCo’s Chief Scientific Officer, along with other senior leaders in R&D, regularly reviews our implementation strategy and progress against our goals to reduce sodium, added sugars and saturated fats, and reports results to the Sustainability Council and PepsiCo Executive Committee.
## GRI indicators

<table>
<thead>
<tr>
<th>MATERIAL ASPECT</th>
<th>ASSOCIATED GRI INDICATORS</th>
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| Innovating Healthier Options| \( \text{FP6} \) Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fats, trans fats, sodium and added sugars  
\( \text{FP7} \) Percentage of total sales volume of consumer products, by product category, that contain increased nutritious ingredients like fiber, vitamins, minerals, phytochemicals or functional food additives |
| Responsibly Marketing Our Products | \( \text{G4-PR3} \) Type of product and service information required by the organization’s procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements  
\( \text{G4-PR7} \) Total number of incidents of noncompliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes |
| Quality and Food Safety     | \( \text{FP5} \) Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards |
Innovating Healthier Options

Introduction

PepsiCo products are enjoyed by consumers one billion times a day in more than 200 countries and territories around the world. We offer three product portfolios to appeal to the wide variety of taste preferences among our consumers:

- Good-For-You (GFY): Our growing GFY portfolio consists of nutritious foods and beverages that include fruits, vegetables, whole grains, low-fat dairy, nuts, seeds and nutrients, with levels of sodium, added sugars and saturated fats that are in line with global dietary recommendations. Also included are offerings that provide a functional benefit, such as addressing the performance needs of athletes.

- Better-For-You (BFY): We have improved the nutritional profile of many of our snacks and beverages. In snacks, we have reduced saturated fats and sodium levels, and we are increasing baked and whole grain offerings. In beverages, we are increasing the number of low- and zero-calorie choices and reducing added sugars.

- Fun-For-You (FFY): Our FFY portfolio includes treats that are enjoyed all over the world, as well as regional, culturally relevant favorites.

We continue to innovate new products in all three of our portfolios because each has loyal consumers who love our products. However, given the increasing consumer focus on health and wellness, we have invested in R&D to improve the nutritional value and increase the appeal of our FFY products and have focused on expanding the GFY and BFY categories. We are accomplishing this by reformulating our FFF products and innovating new GFY and BFY products.

Our progress on Human Sustainability is led by PepsiCo R&D. In 2014, R&D changed its organizational structure to align with the PepsiCo Operating Model, which includes our three global businesses — Global Snacks, Global Beverages and Global Nutrition. The new structure includes R&D Global Snacks, R&D Global Beverages and R&D Global Nutrition product categories. R&D also created three additional cross-category groups — Global Functions, Governance & Compliance, and R&D Strategy and Portfolio Management — as well as a Technical Center of Excellence for Dairy and Chocolate. The R&D Nutrition Sciences team supports product innovation and reformulation across all three categories.

PepsiCo R&D supports our progress on Human Sustainability by delivering innovation built on a strong foundation of science and technology. R&D undertakes basic research to create technical solutions for product development, with platforms specifically focused on health and nutrition and provides tools to enable the development of products with improved nutrition profiles.

Performance

PRODUCT REFORMULATION

Many of our consumers who love our FFF products enjoy varieties of the same products with reduced sodium, saturated fats and added sugars. To meet the preferences of these consumers, we are reformulating many of our products. In addition, we look for opportunities to reduce the sodium, saturated fats and added sugars in the original varieties while continuing to focus on the great taste that consumers expect from our beverages, foods and snacks.
To drive action, PepsiCo has set ambitious goals for our key global brands in key countries:

- **Sodium:** Reduce the average amount of sodium per serving in key global food brands, in key countries, by 25 percent by 2020, against a 2006 baseline;

- **Saturated Fats:** Reduce the average amount of saturated fats per serving in key global food brands, in key countries, by 15 percent by 2020, against a 2006 baseline; and

- **Added Sugars:** Reduce the average amount of added sugars per serving in key global beverage brands, in key countries, by 25 percent by 2020, against a 2006 baseline.

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 target date with the target dates for reductions in saturated fats and added sugars.

Reformulation efforts are under way for many of the brands in our portfolio around the world. We have found that, in many cases, we cannot successfully make large reductions in sodium, saturated fats and added sugars at one time while meeting consumers’ high expectations for great taste. Making the changes too quickly often results in consumers switching to products that are higher in sodium, saturated fats and added sugar. Therefore, we are making incremental reformulations in high-volume parts of our portfolio, which we expect will bring more impact through greater reach. However, we cannot always predict whether reformulated or new products will be accepted or successful, particularly in developing or emerging markets, due to local or global competition, product price, cultural differences, consumer preferences or other reasons.

To measure progress against our Human Sustainability goals, we track our progress in 10 key countries that together represent approximately 80 percent of our net revenue. Each of these countries has developed tailored strategies that take into account local taste preferences, challenges and cultural differences to enable a greater likelihood of consumer acceptance. PepsiCo measures and reports our progress on the reduction of sodium and saturated fats in our key brands, which we periodically review and update as our business evolves. We measure and report our progress on the reduction of added sugars in all beverage brands.

We measure our progress against our Human Sustainability goals twice a year and report our progress annually. We review the data on an aggregated basis to provide an overview of our progress on each goal. We also review our results on a country-by-country basis to identify successes and opportunities in individual markets to address challenges and, if appropriate, refine individual countries’ action plans.

Our Ceres stakeholders requested that we provide additional information and context on our Human Sustainability goals. The table on page 30 lists our projected progress in each key country by 2020 against a 2006 baseline, and is followed by an enhanced discussion of our progress on each goal in certain key countries.
Currently achieved — Country has currently achieved the goal, subject to change, including due to product innovations and reformulations.

Country on track — Country is expected to remain on track to meet the goal, subject to change, including due to product innovations and reformulations.

Partial progress — Long-term plans are in place to make substantial progress, but may fall short of achieving the goal, including for reasons that are not within our control, as discussed below.

Limited progress — Limited/no progress has been made, and may fall substantially short of achieving the goal, including for reasons that are not within our control, as discussed below.

Sodium reduction

In 2014, we reduced sodium by over 10 percent per serving and removed over 1,800 metric tons of sodium from key global food brands in key countries as compared to 2006. In the U.K. and China, we have already met our 25 percent sodium reduction target in key brands. Brazil, Canada, Mexico, Russia and Turkey have all reduced sodium in key brands by more than 10 percent compared to 2006. Mexico, Russia and Turkey are expected to meet the goal by 2020. We expect Brazil, Canada and India to make substantial progress on the sodium reduction goal; however, they may fall short of the target in 2020. Our primary challenge in meeting the sodium reduction goal is consumer acceptance of reduced sodium products in the U.S. and Saudi Arabia.

We continue to prioritize the reduction of sodium in our flavored chips, as some seasonings can be high in sodium. In 2014, PepsiCo Mexico R&D further developed expertise on the combination of different supplier technologies.

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<tr>
<th>Country</th>
<th>Sodium 25% by 2020</th>
<th>Saturated Fats 15% by 2020</th>
<th>Added Sugars 25% by 2020</th>
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6 Projections are based on current product portfolio and planned innovations and reformulations.
Innovating Healthier Options

Human Sustainability

PepsiCo 2014 GRI Report

to reduce sodium between 8 and 28 percent per serving in Crujitos, Fritos Chorizo and Tostitos Flamin’ Hot brand snacks. PepsiCo India launched three new products in the extremely popular Lay’s and Kurkure brands that contained between 10 and 23 percent less sodium than the best-selling flavor in each brand.

We continue to invest in R&D to uncover tools and processes that will aid in our sodium reduction efforts.

Saturated fats reduction

PepsiCo strives to use healthier oils with lower saturated fats than traditional cooking oils. In our key global food brands in our key countries, on an average per serving basis, we have reduced saturated fats by just over 2 percent per serving and removed over 1,600 metric tons in 2014 compared to the 2006 baseline. As of 2014, the U.S., U.K., China, Turkey and Russia have met our goal of reducing saturated fats in key global brands by 15 percent, as compared to the 2006 baseline. Saudi Arabia is expected to make substantial progress on the saturated fats reduction goal; however, it may fall short of the target in 2020. In 2005, one year prior to the 2006 baseline, Canada made significant progress on reducing saturated fats. As a result, we expect it will be more challenging for Canada to meet the 2020 goal. 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 and monitor our progress against this goal.

Added sugars reduction

PepsiCo remains focused on reducing added sugars in many of our key global beverage brands, while retaining the great taste our customers enjoy. We are bringing balance to our beverage portfolio by increasing our low- or zero-calorie beverage options in key countries. Nearly 60 percent of beverage launches in our key countries qualified as BFY/GFY products in 2014, including:

- U.S. Pepsi True, which contains one-third fewer calories and 30 percent fewer added sugars than regular Pepsi;
- Russia utilized stevia to reduce added sugars in certain Lipton Iced Tea beverages by an average of 30 percent; and
- India’s two new Slice soft drink flavors, which contain approximately 7 percent fewer added sugars than the traditional Slice soft drink.

Although our goal with respect to reducing added sugars applies only to key global beverage brands, we measure our progress against all beverage brands. This allows us to determine where our greatest challenges lie and look for opportunities to use our successes as best practices to possibly “lift and shift” to other markets.

We’ve had mixed results in achieving this goal. Some countries are facing significant challenges, while other key countries are making progress in reducing added sugars with our popular low- and no-calorie beverages. In 2014:

- Seven key countries reduced average added sugars per serving compared to our 2006 baseline;
- Two key countries’ average added sugars per serving remained the same as our 2006 baseline; and
- One key country increased average added sugars per serving compared to our 2006 baseline.

Despite many challenges in reducing added sugars, some key countries are seeing some significant success. For example, despite the trend away from
Innovating Healthier Options

Human Sustainability

PepsiCo’s Beverage Transformation

PepsiCo transformed our beverage portfolio over the past 20 years to include products beyond the company’s iconic soft drink brands — beverages for every taste and occasion that meet consumer expectations for delicious, FFY and BFY and GFY options.

In 2014, close to 50 percent of PepsiCo’s U.S. beverage volume consisted of BFY and GFY products, which have become an important growth engine for our business. To help consumers manage beverage calories, we offer reduced-calorie options for almost every drink we make and smaller package options (12 ounces and smaller) for many of our most popular brands.

PepsiCo’s R&D investments drove this transformation, creating new product innovations like Propel, Pure Leaf, Pepsi MAX, Trop50, G2, Mountain Dew Kickstart, Starbucks Iced Coffee and, most recently, Pepsi True. Pepsi True has 30 percent fewer added sugars than regular Pepsi, is sweetened with real sugar and stevia leaf extract, and contains no high-fructose corn syrup or artificial sweeteners. Strategic acquisitions and joint ventures also added brands to our portfolio like Lipton Iced Teas, Starbucks ready-to-drink coffees, SoBe, Gatorade sports drinks, Tropicana juices, and high-profile premium brands like Naked Juice and IZZE.

Packaging innovations such as 12-ounce glass bottles and 7.5-ounce mini cans are making it easier for people to choose lower-calorie options resulting from the smaller portion sizes.

What’s on the horizon?

Future plans for PepsiCo beverage innovations include mid- to low-calorie sparkling beverages, protein-fortified beverages and a wider use of coconut water as an ingredient. We will continue to invest in R&D to explore new sweetener options and innovative ways to use existing sweeteners.

“PepsiCo beverages today aren’t what they were yesterday and, as we continue to drive change forward, aren’t what they’ll be tomorrow.” —Simon Lowden, Chief Marketing Officer of North America Beverages

diet sodas and artificial sweeteners, particularly in the U.S. and Canada, we removed approximately 434,000 metric tons of added sugars from our total beverage portfolio in these countries compared to our 2006 baseline. Other key countries have had some successful products with reduced added sugars; however, in certain countries, the original versions of our products are growing at faster rates (due to a variety of factors, including, among other things, evolving consumer preferences and consumer concerns or perceptions regarding artificial sweeteners), which increases the average added sugars per serving. These products in our key countries are then impacting the aggregated average added sugars per serving. Key countries that are not currently expected to meet this target have plans in place to help improve their results. Our greatest challenges are India and China, where the markets are growing so rapidly that it is more difficult to predict sales and consumer acceptability.

We are accelerating our R&D investments to uncover and develop sweeteners that are inherently low in calories. However, different products require different solutions. We continue to look at various sweetener options to help us improve our progress against this goal and meet consumer demand for great-tasting, lower-calorie and lower added-sugar products.
EXPANDING OUR NUTRITION BUSINESS

According to the U.S. Department of Agriculture (USDA), long-term consumer trends are transitioning away from staple carbohydrates (e.g., rice and wheat) toward higher-quality food items such as meat, dairy, fruits and vegetables. In order to maintain our role as one of the world’s leading food and beverage companies, it is essential that we reach the nutrition market with our nutritious product offerings.

There is significant potential growth for PepsiCo in the nutrition business. Consumers are not only demanding reduced sodium, added sugars and saturated fats, but also more options with whole grains, fruits, vegetables, protein and functional nutrition. PepsiCo is well-positioned to drive an integrated nutrition strategy that will unlock new opportunities for breakthrough innovation, while simultaneously maintaining the great taste consumers expect from our foods and beverages. We plan to continue to expand our portfolio of more nutritious products by building on our expertise and leveraging our iconic and trusted brands including Quaker, Tropicana, Naked Emerging Brands (Naked Juice, IZZE and O.N.E.) and Wimm-Bill-Dann in Russia. Our nutrition business also includes Gatorade sports nutrition for athletes. In 2014, approximately 20 percent of our net revenue came from our nutrition businesses.

We saw significant accomplishments with the introduction of whole grain products globally:

- In the U.S., Quaker launched four new on-the-go oat products, including two flavors of baked granola bars and two flavors of instant oatmeal. Quaker granola bars contain 8 grams of whole grains per serving, and Quaker oatmeal contains 40 grams of whole grains per serving.
- In 2014, India introduced a Quaker Oats Plus product that combines oats with traditional Indian grains to drive consumer acceptance. Each serving has 56 percent of the daily whole grain requirement and 15 percent of the daily fiber requirement.
- Mexico launched a sugar-free oat cookie utilizing the no-calorie sweetener Splenda. This product provides the consumer with 8 grams of whole grains and 2.5 grams of fiber per serving.
- Europe expanded the delivery of whole grain oats by launching three products in each of their Oats So Simple, Multigrain Pot and Cuppa Porridge product lines.

We also expanded some of our established fruit and vegetable products. For example, Naked Juice introduced two new flavors: Chia Cherry Lime and Chia Sweet Peach; and Tropicana expanded their Farmstand offerings by introducing four new flavors: Apple Green, Tropical Green, Pomegranate Blueberry and Peach Mango, all containing one serving of fruit and one serving of vegetables per 8 ounces.

Next steps

We will continue to monitor our progress in producing BFY/GFY foods and beverages, including exploring healthier oil options in developing and emerging markets and various sweetener options to help us meet consumer demand for great-tasting, lower-calorie and lower added-sugar products.
Addressing undernutrition and hunger in our communities
PepsiCo and the PepsiCo Foundation have taken a number of steps to address hunger and nutrition issues around the world. We developed social business models such as Food for Good (FFG), and we partner with NGOs and development agencies like the UN World Food Programme (WFP) to increase the availability of affordable nutrition and combat malnutrition and undernutrition among those most in need. PepsiCo and the PepsiCo Foundation also support programs that provide nutrition education and encourage people to be more active. We have found that partnering with other stakeholders is the most effective way to generate significant positive change.

Food for Good (FFG)
FFG was created in 2009 by PepsiCo employees who were inspired by PwP. FFG leverages our food logistics capabilities to create scalable, break-even solutions that help address nutrition and poverty in inner-city communities. Our current model includes summer and after-school meal programs, community-run farm stands and other pilot programs that make healthy food accessible for low-income families year-round. FFG currently has a presence in ten U.S. cities. Through our meal programs, along with other partners, we provided 1.4 million meals and 6.1 million servings of grains, dairy, fruit and vegetables in 2014. Since 2009, the FFG program has delivered over 4 million meals to low-income families.

The farm stand model, designed by FFG in partnership with community organizations, is a “pop-up dollar store” for fresh fruits and vegetables. Community groups such as YMCAs and recreation centers sell fresh produce in urban food “deserts” using the farm stand model. In Dallas, Texas, FFG partnered with Paul Quinn College, a historically black college, to convert its football field into an organically maintained urban farm. The farm has produced thousands of pounds of fresh fruits and vegetables and has become an essential part of the college’s curriculum across several disciplines, including a social entrepreneurship course led by the FFG team and executives from PepsiCo and Frito-Lay.

Spoon
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 a five-year program 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. Spoon is the first regional project of its kind that will address both challenges.

The program focuses on improving infant feeding practices, including breastfeeding, and promoting the use of a nutritional supplement that contains the vitamins, minerals and essential fatty acids children need during their first 6 to 24 months of life. The goal is to develop a behavioral change strategy that encourages parents and caregivers to adopt healthy feeding habits. Spoon will also integrate its nutrition efforts into existing health services for pregnant women and babies. Thousands of children are expected to benefit directly from this program.

World Food Programme (WFP)
Acute famine affects 13 million people across the Horn of Africa. In 2011, PepsiCo and the PepsiCo Foundation partnered with the WFP — the world’s largest humanitarian agency fighting hunger worldwide — and the U.S.
Agency for International Development (USAID) to develop an innovative market-based solution to economic, food and nutritional insecurity in Ethiopia. The goal of the project is to develop a lower-cost, locally sourced and locally manufactured chickpea-based ready-to-use supplementary food (RUSF) to combat moderate acute malnutrition (MAM). In addition, the project seeks to enhance an underperforming chickpea supply chain and encourage manufacturers to purchase high-quality commodities from smallholder farmer organizations.

We completed an acceptability trial for RUSF in 2013 and an effectiveness trial in 2014. The product’s pilot distribution is expected to be completed before the end of 2015, and the goal is to improve the nutrition of more than 40,000 children.
Responsibly Marketing Our Products

**LABELING**

PepsiCo is committed to helping consumers make informed choices through fact-based, simple and easy-to-understand information about how the key nutrients in each product fit in a balanced and healthy diet.

In 2010, PepsiCo 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 (Brazil, Canada, China, India, Mexico, Russia, Saudi Arabia, Turkey, the U.K. and the U.S.) by year-end 2015. In 2014, PepsiCo achieved over 92 percent compliance with this commitment.

In 2014, we also made significant improvements to our methodology for monitoring compliance with our labeling policy. These enhancements will provide greater consistency and reliability in the monitoring process. However, due to the change in methodology, we saw a decline in our global compliance rate in 2014 versus 2013.

**Product compliance in 2014 with our 2010 Labeling Commitment, effective Dec. 31, 2015**

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<thead>
<tr>
<th>10 KEY COUNTRIES (%)</th>
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<tbody>
<tr>
<td>2014*</td>
<td>92</td>
</tr>
<tr>
<td>2013</td>
<td>96</td>
</tr>
</tbody>
</table>

*Using enhanced monitoring methodology.

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**Introduction**

As a global company with brands that billions of consumers enjoy every day, it is important for PepsiCo to communicate responsibly about our products. Marketing and labeling can be tools for achieving this. Providing consumers with fact-based nutritional information, responsibly advertising to children and restricting direct sales to schools of only our most nutritious products are all critical parts of our strategy to market our products responsibly.

**Performance**

PepsiCo’s Human Sustainability goal related to responsible marketing is to continue to provide clear nutritional 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. This goal is supported by our Human Sustainability marketplace policies, which include:

- PepsiCo Global Labeling Policy
- PepsiCo Policy on Responsible Advertising to Children
- PepsiCo Global Nutrition Criteria for Advertising to Children
- PepsiCo Global Policy on the Sale of Beverages to Schools

In 2014, PepsiCo adopted an enhanced Global Labeling Policy and strengthened our Policy on Responsible Advertising to Children.
In 2014, PepsiCo adopted our Global Labeling Policy, which calls for the following information:

- Nutritional information on the amount of energy (as calories, kilocalories or kilojoules), protein, carbohydrates, total sugars, total fat, saturated fats and sodium per 100 grams, per milliliter or per serving on the side or back of our packaging. Nutritional information is also required for any nutrients for which a health or nutrition claim is made.

- Information on energy (as calories, kilocalories or kilojoules) per 100 grams, per milliliter or per serving on the front of our packaging in all countries.

- The percentage of the official Guideline Daily Amounts, Daily Values or equivalents for energy, total fat, saturated fats, sodium/salt and total sugars on either the front or the back of the packaging in countries where such values are available.

We are in the process of putting procedures and training in place to bring our packaging in line with this policy. Where doing so is not possible due to packaging constraints (e.g., small-sized packaging or recyclable glass bottles), we will provide nutritional information by other means such as PepsiCo websites. In 2014, more than 78 percent of our products complied with the side/back-of-package commitment and over 58 percent complied with the front-of-package commitment. Our goal is to fully implement our Global Labeling Policy by the end of 2016.


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<thead>
<tr>
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<th>SIDE OR BACK OF PACKAGE (%)</th>
<th>FRONT OF PACKAGE (ENERGY) (%)</th>
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<tbody>
<tr>
<td><strong>Global</strong></td>
<td>78</td>
<td>58</td>
</tr>
<tr>
<td><strong>10 Key Countries</strong></td>
<td>88</td>
<td>67</td>
</tr>
</tbody>
</table>

We believe that one of the most effective ways to provide consumers with nutritional information is to join our peer food and beverage manufacturers, as well as retailers, in developing front-of-package labeling programs. We participate in these programs in the U.K. and other European countries, Australia, New Zealand, the U.S., Canada, Mexico and Malaysia. In many countries, front-of-package labeling programs are accompanied by extensive consumer education campaigns to build consumer awareness and promote the use of the labeling program. We will continue to work with industry, governments and other stakeholders to seek out opportunities for providing nutritional information and education to consumers.

**RESPONSIBLE ADVERTISING**

As a multinational food and beverage company with global brands that millions of consumers enjoy every day, we understand that it is vital to responsibly advertise our products. Our strategy for accomplishing this involves ensuring that our marketing campaigns reflect PepsiCo’s Values, that we market only our most nutritious products to children and that we use our Nutrition brands to communicate positive messages about healthy lifestyles. Additionally, PepsiCo’s Agusha infant formula and baby food business markets its products in accordance with the aim and principles of the WHO’s International Code of Marketing of Breast-milk Substitutes.
Marketing with PepsiCo Values

PepsiCo is known around the world for the quality, creativity and effectiveness of our marketing campaigns. We strive to create cutting-edge and groundbreaking campaigns that reflect proudly on PepsiCo. Each time we promote our products — whether on television, in print, through social media or via any other method — we have an opportunity to send a message about who we are as a company and what we, as PepsiCo, stand for.

Each division and region within PepsiCo has an established process for reviewing and approving marketing campaign materials. While these processes may vary around the world, they all typically require cross-functional review, consultation and approval prior to the release of any content. This review results in campaigns that are in compliance with local laws, clear and truthful, not misleading, in line with our Values and Code of Conduct, and that appropriately handle sensitive topics.

In 2015, we rolled out “Marketing with PepsiCo Values,” a marketing training program that will help our marketing and other associates understand and uphold PepsiCo standards for marketing content.

Responsible marketing and advertising to children

We take special care when advertising to children. We have adopted and continuously improve global policies that ensure that we communicate responsibly with children and their caregivers.

In 2008, we made a global voluntary commitment to only advertise to children under the age of 12 products that meet specific nutrition criteria. Our strict, science-based criteria ensure that only our most nutritious products meet this standard. In 2012, we strengthened our Responsible Advertising to Children Policy by prohibiting advertising in programs that have an audience profile of greater than 35 percent children under the age of 12. We further strengthened our policy again in 2014 to include additional forms of media, a variety of marketing techniques and marketing in school environments. The policy now covers any marketing communications that use licensed characters (excluding company-owned, brand equity characters), celebrities and movie tie-ins primarily directed to children under 12. Media covered under the policy include TV, radio, print, cinema, online (including company-owned websites), DVD/CD-ROM, direct marketing, product placement, interactive games, outdoor marketing, mobile and SMS marketing. We are currently in the process of implementing this policy change and expect to have it fully in place by the end of 2016.

In 2014, we had 100 percent compliance with our U.S. and Canada Advertising to Children Pledges, as verified by the Children’s Food & Beverage Advertising Initiative in the U.S. and Advertising Standards Canada, respectively. We achieved 90 percent compliance with our Responsible Advertising to Children Policy in globally representative markets such as China (Beijing), Colombia, India, Malaysia, South Africa, Turkey and the United Arab Emirates and in six European countries, as verified by Accenture Media Management. This compliance rate declined from 99 percent in 2013 due to challenges with advertisements on satellite TV that were intended for countries with the appropriate audience profile but inadvertently became accessible in markets that did not have the appropriate audience profile. In two significant markets, we encountered a challenge when we adopted stricter parameters changing the percentage of children under 12 in the audience from 50 percent to 35 percent. Our marketers are working to address these issues with their media buying agencies.
Compliance with the WHO’s International Code of Marketing of Breast-milk Substitutes

PepsiCo entered into the infant formula and baby food market with the acquisition of Wimm-Bill-Dann and its Agusha baby food business in Russia and the Ukraine. PepsiCo and Agusha recognize the WHO’s public health recommendation that breast-feeding is the best nutrition for infants. However, there are cases where safe and healthy alternatives or specialty infant formulas are necessary. Agusha produces safe, high-quality, wholesome nutrition for babies.

Agusha markets its infant formula in accordance with the aim and principles of the World Health Organization’s International Code of Marketing of Breast-milk Substitutes. Agusha also adheres to all relevant Russian and Ukrainian laws, regulations and promotional standards regarding infant formula.

In order to ensure compliance with these regulations, Agusha:

- Developed an internal manual, called the Breast-milk Substitutes Marketing Manual, to provide guidance to all Agusha employees involved in marketing and sales of infant formula and powder;
- Requires relevant employees to provide written confirmation that they have read and understood the manual;
- Conducts in-person training on marketing of infant formula; and
- Conducts internal audits of its marketing procedures.

Marketing healthier lifestyles

As we expand our nutrition portfolio, we develop campaigns to market those products to create demand and ensure their success. Each of our nutrition brands, including Quaker, Tropicana, Naked Emerging Brands and Gatorade, emphasizes messages consistent with the brand profile and consumer proposition.

PepsiCo’s campaigns are generally focused on communicating with late teens and adults. However, when appropriate, our campaigns will emphasize the benefits of physical activity for children or healthy eating and drinking. For example, our Quaker Up campaign depicts physically active families and children. In 2013, Aquafina joined U.S. First Lady Michelle Obama and the Partnership for a Healthier America (PHA) to support the “Drink Up” water initiative designed to encourage Americans to stay hydrated by drinking more water. In conjunction with the PHA Drink Up initiative, Aquafina launched a national “Pledge. Drink. Win!” sweepstakes, giving fans the opportunity to submit personal hydration pledges. Sweepstakes participants were automatically entered for a chance to win a VIP experience at the 2014 MLB® All-Star Game at Target Field® in Minneapolis with the New York Mets®. The campaign was sponsored by New York Mets superstar Curtis Granderson and Sports Illustrated cover model and TV personality Chrissy Teigen, who encourage people of all ages to drink more water. Aquafina representatives attended various games on Mets Family Sunday at Citi Field® to encourage kids to sign up for the “Pledge. Drink. Win!” sweepstakes, and to provide games and activities for all ages. The campaign was covered by a number of media outlets, including the Huffington Post, NY Daily News, MLB.com, ABC.com and foxsportsradio.com, and received over 312 million online impressions and over 6 million Twitter impressions.
Next steps

Looking forward, we will continue to market our products responsibly and find ways to educate our consumers about our products. In fact, we have already rolled out “Marketing with PepsiCo Values” electronic training for our relevant associates and agencies. We will also develop and begin rolling out additional employee trainings on implementing our new Global Labeling Policy and updated Policy on Responsible Advertising to Children in 2015. Agusha will conduct regular internal audits to monitor compliance with the WHO’s International Code of Marketing of Breast-milk Substitutes and provide training sessions for Agusha staff in 2015.
Promoting healthy lifestyles in our communities

PepsiCo believes we have a key role to play in promoting healthy lifestyles in communities. PepsiCo and the PepsiCo Foundation seek to raise awareness about nutritious diets and the benefits of physical activity through a variety of community programs designed to promote healthy lifestyles. We also often partner with other members of the food and beverage industry, NGOs and other third parties.

Healthy Weight Commitment Foundation

PepsiCo co-chairs an effort with 16 leading food and beverage companies that launched the Healthy Weight Commitment Foundation (HWCF) in 2009. The objective of the HWCF is to reduce obesity in the U.S. Participating companies committed to collectively reduce 1.5 trillion calories from the U.S. food supply between 2009 and 2015. Collectively, HWCF members exceeded this goal by 400 percent, three years early. In 2014, the Robert Wood Johnson Foundation, an independent public health organization, confirmed that the group exceeded its goal and had reduced 6.4 trillion calories from the U.S. marketplace by 2012 compared to 2007. This reduction equates to 78 calories per person per day in the U.S.

In order to extend the reach of the program, HWCF partnered with Discovery Education to develop and deliver a standards-based curriculum to schools and afterschool programs. This component of the program, called “Together Counts,” helps teach and inspire young people about nutritious diets and the need to be physically active. The HWCF also recruits and equips third-party ambassadors to engage in social media dialogue about obesity. Over 275 nonprofit organizations help to further disseminate programming and messaging regarding the need to balance calories consumed with calories burned via physical activity.

HWCF provided First Lady Michele Obama with the first tangible commitment of the industry’s willingness to be a credible part of the solution to childhood obesity. Moving forward, calories will continue to be tracked and publicly reported on by NGOs, reinforcing the need for businesses to continue to bring reduced-calorie products to the market. The HWCF’s achievements are cited by members of the public health community and U.S. government leaders as a significant contributing factor to emerging findings that early childhood obesity rates are beginning to decline and that obesity rates, in general, have stopped rising. The McKinsey Global Institute ranked HWCF’s public-private partnerships as one of the two most effective programs in the global fight against obesity.

Get Active

Since 2006, PepsiCo India’s “Get Active” schools program has been promoting nutrition and physical activity through classroom activities, using modules such as “Breakfast Makes Me Smart,” “My Energy Balance” and “Go Whole Grains.” While the program started as a purely philanthropic initiative, it has quickly evolved to strongly benefit the business. Since program inception, we have reached more than 1.92 million children in 477 schools across 12 cities. Each year, we measure students’ knowledge of the nutrition and health topics before and after participating in the program, and have seen knowledge scores increase by between 18 percent and 49 percent depending on the module and year. Generally, scores in recent years have been higher as the program has evolved in its efficacy. Over time, we have linked the program more closely to our brands, growing the need for our oatmeal, juice and hydration products as children and their families understand the need for these types of nutrition.
PepsiCo Quality and Food Safety

Introduction

Millions of people fall ill every year as a result of eating unsafe food. The globalization of food trade and production has complicated food safety issues significantly. Safe, high-quality foods can be produced only when everyone in the production chain, from farmer to producer to consumer, observes safe food-handling practices.

Food safety and food “defense” are now, more than ever, front and center in the minds of governments and consumers, increasing the need for companies to implement robust processes and systems that provide for ingredient and product safety, quality and traceability. PepsiCo is committed to the development, manufacture and distribution of safe and high-quality products that consistently meet or exceed customer and consumer expectations. The safety and integrity of our products is one of our highest priorities, and our duty as a responsible company. By observing food safety regulations and following rigorous standards, we can build the trust of our consumers who count on the quality and food safety of our products, which is essential to our reputation, our business and our brands.

Performance

At PepsiCo, we sell only products we can be proud of. It is one of the six guiding principles we live by as part of our Values. That is why making and delivering foods and beverages that place consumer safety first is one of our top priorities.

Our Quality and Food Safety Vision:

Captivating the consumer with safe and wholesome products of outstanding quality, consistency and value with every serving, across the globe.

Our Quality and Food Safety Commitment:

We are committed to providing:
- Outstanding quality products that are safe, legal and meet consumer expectations;
- Consistency in how our products taste and appear wherever you go; and
- Highly competent and effective people and processes for procuring, producing, distributing, merchandising and monitoring our products across the globe.

The PepsiCo Quality and Food Safety Operating Model aligns with and directly supports the PepsiCo Operating Model and ensures effective collaboration between R&D, Procurement, Operations and Sales. The global Food Safety team ensures that our associates understand and have the tools to execute the requirements of the PepsiCo Food Safety Policy, which minimizes food safety risk; embeds food safety in the design of new products and processes; assesses risks in mergers and acquisitions (M&A), builds the expertise necessary for innovation; and operationalizes food safety-related regulations. Our Product Quality team ensures that our products across all brands are of the highest quality. The team is involved in every step of production, from the purchase of our raw ingredients through the manufacturing process and continuing until the finished product reaches the
consumer. We are also dedicated to developing new products in a responsible manner and to following applicable ethical standards and research guidelines.

Our Executive Product Integrity Council (EPIC) helps ensure that PepsiCo maintains the highest global food safety and quality standards by setting policy, prioritizing issues and allocating resources. EPIC is chaired by our Senior Vice President (SVP), R&D Global Functions, Governance & Compliance, and is supported by a cross-functional, cross-divisional leadership team comprising executive representatives from our Food Safety, Operations, Security, Supply Chain Management, Communications, PPGA, R&D and Legal departments. In addition, the team receives input and support from Risk Management and Human Resources (HR), and other experts as needed.

The Global Quality and Food Safety Council is a key contributor in achieving EPIC’s objectives for PepsiCo. This council operates through a set of guiding principles and provides strategic leadership for Global Quality and Food Safety Initiatives and stakeholder communications. This council also provides policies, procedures and standards for global business alignment.

PEPSICO QUALITY PROGRAM
The PepsiCo Quality Program (PQP) is a global, multi-year effort spanning both foods and beverages. It stems from a Board mandate to reduce global risk and simultaneously drive value for PepsiCo. PQP harmonizes, streamlines and shares the best food and beverage safety and quality data, insights, systems and processes across our organization. As a result, our consumers will directly benefit with consistently outstanding products.

PQP has made significant progress on its multi-year journey. In 2014, we created a new global ingredient standard, defining the information and substantiation required to ensure ingredient integrity. Also in 2014, PQP launched a new Technical Stage Gate (TSG) process to support new product development, which requires that every PepsiCo product passes through a formal, rigorous and disciplined review. This helps us ensure we are providing safe, stable, legal and fit-for-purpose innovation. We also created a dedicated training program to help familiarize associates with this new TSG process, and are offering both e-learning and classroom training modules to support the TSG as well as training on our Global Food Safety and Quality Handbook.

The American Institute of Baking conducts independent audits to assess our manufacturing sites’ food safety management practices and provides a detailed inspection to assess food safety hazards based on standard requirements. It also conducts a thorough physical review of each site it visits. In 2014, 95 percent of PepsiCo’s manufacturing sites received an independent third-party food safety audit by the American Institute of Baking.

SUPPLIER QUALITY ASSURANCE
It is critical that our direct material suppliers meet PepsiCo’s quality and food safety requirements. Our Supplier Quality Assurance (SQA) program standardizes the process for food safety parameters and the frequency and nature of on-site food safety audits, along with a supplier approval process, and includes certificates of analysis and testing of ingredients and packaging materials. Our SQA program includes PepsiCo’s Raw Material Quality and Food Safety Policy and defines required procedures with respect to ingredients and packaging materials (including intermediate, blend, mix or work-in-process of any packaging material or ingredient) or site of manufacture to help ensure the safety of our products.

BIOENGINEERED FOODS
Bioengineered crops, commonly referred to as GMOs, that have been reviewed and authorized by governmental food safety authorities are an increasingly valuable tool in sustainable food production to meet the needs
of the growing global population. One in eight people are affected by food availability issues. Safe and effective methods of food production, like crops produced through bioengineering technology, can help feed the hungry and malnourished around the world.

Many bioengineered crops are resistant to weeds, pests, diseases and climatic stress, cutting down on the need for agronomic chemicals, water and other potentially costly inputs. These cost efficiencies can help reduce the price of crops used for food (e.g., corn, soybeans and sugar beets) by as much as 15 to 30 percent. Today, 70 to 80 percent of the foods consumed in the U.S. contain ingredients that have been genetically modified.

Our Food Safety and Regulatory Affairs Department and our suppliers work together to ensure PepsiCo uses bioengineered ingredients that are safe and comply fully with all applicable requirements. In addition, our scientific and regulatory specialists track developments in the relevant science and ensure we maintain our high standards with regard to safety and compliance.

Individual PepsiCo business units may or may not choose to utilize bioengineered ingredients. Government approval of the use and labeling of bioengineered foods differs from market to market. Different regional markets can have different expectations and consumer preferences, as well as varied raw material availability. In some markets, where certain bioengineered ingredients have been approved by the responsible official authorities, we may offer bioengineered and non-bioengineered products. If bioengineered materials are used, we ensure that the products containing these materials comply with local regulations for their use, including any labeling requirements.

PepsiCo will continue to engage in informative dialogue with our consumers and stakeholders so that they understand the safety and benefits of bioengineered ingredients in our products and make informed choices for themselves and their families.

For more information on the use of bioengineered ingredients at PepsiCo, please refer to:

Global Policy on Bioengineered Food and Ingredients

PepsiCo Statement on Use of Genetically Modified Ingredients in the U.S.

Next steps

PQP will continue its multi-year journey by implementing its new global ingredient standards and the new TSG process to support our new product development.

8 See http://factsaboutgmos.org/disclosure-statement
Environmental Sustainability

We work to minimize our overall impact on the environment and to conserve natural resources throughout our operations and our supply chain.
## Environmental Sustainability

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<th><strong>PwP GOAL</strong></th>
<th><strong>PROGRESS</strong></th>
<th><strong>FUTURE PLANS</strong></th>
</tr>
</thead>
</table>
| Help protect and conserve global water supplies, especially in water-stressed areas, and provide access to safe water | • We met our target three years early to reduce water use per unit of production for our legacy operations by 20% compared to a 2006 baseline. In 2014, we used 23% less water per unit of production than in 2006.  
• We have met our revised goal a year early to partner to provide access to safe water to 6 million people (increased from 3 million) by the end of 2015. | • We are developing new Environmental Sustainability targets that address water stewardship.  
• Building on the success of our India business in reaching “positive water balance,” we are working with external experts to find a common, science-based definition of Positive Water Impact and develop best practices. |
| Work to achieve an absolute reduction in greenhouse gas (GHG) emissions across our global businesses | • In 2014, we achieved a reduction of nearly 16% in our energy use per unit of production for our legacy operations compared to a 2006 baseline. We are slightly below our 2014 expectations in order to meet our target of a 20% reduction per unit of production by the end of 2015.  
• We essentially held absolute GHG emissions flat in 2014 versus a 2008 baseline even while growing our business. | • We are developing new Environmental Sustainability targets that address climate change and energy.  
• We will continue to show our support directly through advocacy and actions, and through industry coalitions, for a global agreement by governments on climate change at the upcoming UN Climate Conference in Paris, France, in December 2015. |
### Environmental Sustainability

#### PwP Goal

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<th>PwP Goal</th>
<th>Progress</th>
<th>Future Plans</th>
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| **Continue to support sustainable agriculture by expanding best practices with our growers and suppliers** | • We have updated our Sustainable Agriculture Policy to reflect our new land rights and deforestation commitments.  
• We continue to roll out our Sustainable Farming Initiative (SFI) to our growers, to gather data at the farm level, and advance sustainable agricultural practices, continuous improvement, and long-term viability of the farm. In 2014, we reached nearly 600 growers covering 450,000 acres in 11 countries. | • We are developing new Environmental Sustainability targets that address sustainable agriculture.  
• We will continue to implement our SFI internally and work with others to create common sustainability standards for growers. |
| **Innovate our packaging to make it increasingly sustainable, reducing our impact on the environment** | • In 2014, PepsiCo eliminated over 89 million pounds of packaging material from the market and reduced our packaging costs by more than $48 million across our global food and beverage operations.  
• We continue to increase the amount of recycled content in our packaging. In 2014, we used 134 million pounds of food-grade recycled polyethylene terephthalate (rPET), an increase of 23% or 25 million pounds, versus 2013. | • We are developing new Environmental Sustainability targets that address packaging. |
| **Work to eliminate solid waste to landfills from our production facilities** | • We aimed to send only 10% of the total solid waste generated by our operations to landfills. In 2014, we sent approximately 7% of our waste to landfill, which equates to an estimated savings of $3.5 million as compared to the landfill waste generation rates in 2009 when we started our waste reduction tracking program. | • We are developing new Environmental Sustainability targets that address waste. |
Why does it matter?

The natural world is changing with potentially profound implications for people, governments and businesses. The 20th century delivered very positive and rapid progress in reducing mortality rates and improving prosperity, particularly in the developed world. However, these trends have created some acute problems for us to address in the 21st century, as demand for the world’s resources continues to increase at an unprecedented rate. The tensions between increasing population, shifting economic power and the planetary resource boundaries are highlighting that business as usual is simply not sustainable.

By 2030, it is expected that rising demand for the amount of food consumed will require either increasing food production by 50 percent⁹ or substantially reducing the 35 to 50 percent of food that is currently wasted or lost through the value chain. At the same time, a 40 percent gap between supply and demand for water¹⁰ and a 54 percent increase in energy needs¹¹ are projected to develop on current trends. If we follow business as usual, GHG emissions are expected to increase by 37 percent.¹² Managing the interrelationship between agriculture, climate change, energy and water in terms of both adaptation and mitigation will be crucial for food and beverage businesses seeking long-term, sustainable growth.

What is our strategy?

PepsiCo’s approach to environmental sustainability is led by our commitment to respect and uphold environmental standards that often go beyond local laws, our strategic PwP goals and our policies. By investing in a healthier future for people and our planet, we are also investing in a more successful future for PepsiCo.

Specifically, we strive to deliver continued progress across our most Material Aspects that impact environmental sustainability (see page 17 for full details of our materiality process):

- Water;
- Climate change and energy;
- Agriculture; and
- Packaging and waste.

Our goals, backed by performance metrics, shape our performance. We have committed to:

- Help protect and conserve global water supplies, especially in water-stressed areas, and provide access to safe water;
- Innovate our packaging to make it increasingly sustainable, reducing our impact on the environment;
- Work to eliminate solid waste to landfills from our production facilities;
- Work to achieve an absolute reduction in GHG emissions across our global businesses; and
- Continue to support sustainable agriculture by expanding best practices with our growers and suppliers.

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⁹ [http://www.nbcnews.com/id/24942035/ns/world_news-world_environment/t/un-percent-more-food-needed/#.VWy5Ys9Vi1g](http://www.nbcnews.com/id/24942035/ns/world_news-world_environment/t/un-percent-more-food-needed/#.VWy5Ys9Vi1g)


Environmental Sustainability

To support the delivery of our goals and to address specific issues that require additional attention, we have adopted policies on a wide range of environmental sustainability issues. These include our:

- PepsiCo Environmental, Health and Safety (EHS) Policy
- PepsiCo Sustainable Packaging Policy
- PepsiCo Global Sustainable Agriculture Policy
- PepsiCo Land Use Policy
- PepsiCo Forestry Stewardship Policy
- Global Code of Conduct (Code)
- Supplier Code of Conduct (SCoC)

See [http://www.pepsico.com/Purpose/Performance-with-Purpose/Policies](http://www.pepsico.com/Purpose/Performance-with-Purpose/Policies) for full details on our policies.

What are we doing about it?

During 2015, we are working to establish new goals and performance metrics to build upon our progress to date on environmental sustainability, and to reflect the relevance of the global crises we collectively face. More importantly, we are actively engaging to meet the changing needs of both our business and the world. We have sought and will continue to seek advice from expert stakeholders to inform our priorities and test the science-based credibility of the specific targets that we set.

Our aim is to work with others wherever possible to maximize our collective impact, share best practices and learn from others to understand the latest science and thinking. We therefore engage widely with other businesses directly, through industry forums, and with NGOs, governments and academia on a regular basis.

We recognize the critical need to limit global temperature increase to below 2 degrees Celsius, and strongly support a global agreement by governments on climate change at the upcoming UN Climate Conference in Paris, France, in December 2015. This would provide certainty and impetus for businesses such as PepsiCo who are willing to invest in a low-carbon future. Similarly, we have been actively involved in the dialogue around the UN Sustainable Development Goals (SDGs). We recognize that there is a supportive role for the private sector to play in helping to achieve these goals, and applaud the progress of the Open Working Group and others that produced the draft document for Member States to consider at the United Nations Summit to adopt the post-2015 development agenda in September 2015. Regardless of the outcome, we will continue to pursue our goals and aim to deliver a sustainable, successful PepsiCo over the long term.

Governance

Day-to-day governance takes place through our Environmental Compliance Council (ECC), Environmental Sustainability Council (ESC), Sustainable Packaging Council (SPC) and Sustainable Agriculture Council (SAGC). These councils are composed of environmental representatives and subject matter experts from across PepsiCo’s business sectors around the globe, including our Operations, Procurement, R&D, Sustainable Development, Public Policy & Government Affairs, Communications and Legal functions. The councils share
best practices and address common environmental challenges and emerging issues, work to assure regulatory compliance, continue the development of PepsiCo’s strategic environmental sustainability vision, develop new policies, and ensure that accurate information is presented to internal and external stakeholders. These councils report to the PepsiCo Environmental Sustainability Leadership Team (ESLT), which is led by a senior executive in the business with global responsibility. The ESLT in turn reports to the Sustainability Council, led by PepsiCo Vice Chairman and Chief Scientific Officer, Global R&D, Dr. Mehmood Khan.

ENVIRONMENTAL COMPLIANCE
The Environmental Health and Safety Leadership Team (EHSLT) is responsible for our EHS Policy, the foundation of our commitment to environmental protection and regulatory compliance at every level within PepsiCo. The policy also extends to franchise bottlers, suppliers and contractors. The EHSLT is led by PepsiCo's Vice President for Environmental, Health and Safety, Global Operations and is responsible for developing and implementing the environmental compliance aspects of PepsiCo's combined Global Environmental, Health and Safety Management System (GEHSMS), and its associated Environmental Technical Standards, in support of our EHS Policy.

In 2014, PepsiCo paid approximately $62,500 in environmental fines. These fines were the result of relatively minor infractions of local environmental regulations at some of our manufacturing locations, and were paid across PepsiCo's business regions, which include over 300 manufacturing operations.

SUPPLY CHAIN GOVERNANCE
PepsiCo manages a global supply chain comprising thousands of suppliers. We are committed to Responsible and Sustainable Sourcing (RSS), which means combining the traditional procurement aspects of cost, quality and consistent supply with tools and resources to help suppliers operate ethically and responsibly, respect the environment, and continue to provide innovation in packaging, ingredients and agriculture. RSS involves four strategic planks:

- Assure Sustained Supply
- Protect Corporate Reputation
- Ensure Social Human Rights
- Respect the Environment

Each strategic plank uses a clearly defined process to set expectations and deliver results that support our RSS vision and objectives. We draw on relationships within our global supply chains to ensure that those with whom we work operate ethically and responsibly. We are committed to continuously improving our procurement practices by leveraging our talents, programs and policies across the globe for all associates involved in purchasing functions and decisions.

PepsiCo’s SCoC defines our expectations of our suppliers to do business the right way. It is designed to help them meet their obligations, show respect to those in their workplaces, act with integrity in the marketplace and comply with all relevant rules and regulations. Our SCoC is based on the International Labour Organization (ILO) standards, the UN Guiding Principles and other internationally recognized standards. The SCoC includes 13 standards that address basic compliance with applicable law; respect for human rights; prohibition of all forms of forced or compulsory labor; ensuring that no child labor is used; and cooperation with reasonable assessment processes requested by PepsiCo. The SCoC has been translated into 25 languages and appears in procurement contracts globally.
While we use our SCoC to articulate our priorities, we use our Supplier Social Capability Management program to communicate with and educate our suppliers, evaluate compliance and facilitate continuous improvements within our supply chain. We partner with our industry peers, suppliers and third-party service providers such as Supplier Ethical Data Exchange (Sedex) and social audit providers to drive transparency and social accountability across our supply chain.

Management

PepsiCo has a long history of developing and deploying best practice initiatives to improve our environmental performance. One of the key tools for our food and beverage operations around the world is our Resource Conservation program, ReCon, which assists PepsiCo with water and energy conservation and the reduction of GHG emissions and waste, as well as delivering cost savings for the business. The approach is based on a combination of measurement, technologies, practical problem-solving and sharing of best practices. For each of these areas, ReCon tools include:

- A Profiler, which is a web-based accounting tool that allows detailed quantification of resource streams within a manufacturing plant;
- A Diagnostic, which is a set of focused questions tailored to identify specific conservation opportunities in a particular plant;
- A Scorecard, which tracks conservation progress; and
- A HotList, which is a prioritized set of resource conservation initiatives identified by manufacturing site personnel, for that specific site, that uses data and information customized for the location.
## GRI indicators

<table>
<thead>
<tr>
<th>MATERIAL ASPECT</th>
<th>ASSOCIATED GRI INDICATORS</th>
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<tbody>
<tr>
<td><strong>Environmental Sustainability</strong></td>
<td>G4-EN29  Monetary value of significant fines and total number of nonmonetary sanctions for noncompliance with environmental laws and regulations</td>
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<tr>
<td>Water</td>
<td>G4-EC7  Development and impact of infrastructure investments and services supported</td>
</tr>
<tr>
<td></td>
<td>G4-EN8  Total water withdrawal by source</td>
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<tr>
<td><strong>Climate Change and Energy</strong></td>
<td>G4-EN3  Energy consumption within the organization</td>
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<td></td>
<td>G4-EN6  Reduction of energy consumption</td>
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<td></td>
<td>G4-EN15 Direct greenhouse gas (GHG) emissions (Scope 1)</td>
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<td></td>
<td>G4-EN16 Energy indirect greenhouse gas (GHG) emissions (Scope 2)</td>
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<td></td>
<td>G4-EN17 Other indirect greenhouse gas (GHG) emissions (Scope 3)</td>
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<tr>
<td></td>
<td>G4-EN19 Reduction of greenhouse gas (GHG) emissions</td>
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<tr>
<td></td>
<td>G4-EN30 Significant environmental impacts of transporting products and other goods and materials for the organization’s operations, and transporting members of the workforce</td>
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<tr>
<td><strong>Agriculture</strong></td>
<td>FP1  Percentage of purchased volume from suppliers compliant with company’s sourcing policy</td>
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<td></td>
<td>G4-EN33 Significant actual and potential negative environmental impacts in the supply chain and action taken</td>
</tr>
<tr>
<td><strong>Packaging and Waste</strong></td>
<td>G4-EN1  Materials used by weight or volume</td>
</tr>
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<td></td>
<td>G4-EN2  Percentage of materials used that are recycled input materials</td>
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<tr>
<td></td>
<td>G4-EN23 Total weight of waste by type and disposal method</td>
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<tr>
<td></td>
<td>G4-EN28 Percentage of products sold and their packaging materials that are reclaimed by category</td>
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Water

Introduction

Our business relies on the continued availability of water of sufficient quality to grow the raw materials for our products, in manufacturing processes and as the key ingredient for most of our beverages. Recognizing that water is truly a shared resource, and underpinned by our commitment to respect water as a human right, our aim is to meet our water needs without compromising the ability of others to meet theirs. Achieving this for any business is increasingly difficult. While water is a local issue — the impact of using a liter of water in Chicago is not the same as using a liter of water in Calcutta — global trends are increasing freshwater demand and reducing its supply. On the demand side, global water withdrawals have tripled over the last 50 years to meet increasing agricultural, industrial and domestic use. Today, agriculture accounts for 70 percent of global water use, and as much as 90 percent in some developing and emerging economies that are critical to the future growth of our business.

This pressure will continue as the world population increases from over 7.2 billion today to a projected 9.6 billion in 2050, and on to over 11 billion (estimated) by the end of the century. In the meantime, climate change threatens to restrict supply, leading to a predicted increase in the frequency and severity of droughts and floods and overall drier conditions in some world regions. As a result, the World Economic Forum predicts in its latest Global Risk Report that water crisis is the eighth-likeliest risk for businesses and the one with the biggest impact. The report also, for the first time ever, has re-categorized water from an environmental risk to a broader societal risk. In addition to the physical resource challenges it poses, economic water scarcity is also a challenge as aging municipal infrastructure reaches the end of its functional viability and replacement costs become prohibitive for governments to manage. The potential risks that PepsiCo and other businesses face include, among other things, constraints on growth, operational and supply chain disruptions, conflicts with other stakeholders, loss of social license to operate and grow, and increasing production costs.

Performance

PepsiCo is reliant on water in our products, our supply chain and the communities of which we are a part. The sustained crisis of global water insecurity and the closely interlinked crises of food, climate and health insecurity have been increasing in awareness among diverse stakeholders, including influencers, investors, customers, academics, employees and consumers. With awareness of these global realities comes increased visibility of corporate practices and heightened expectations of performance. PepsiCo continues to activate a robust, comprehensive water-stewardship strategy, underpinned by our public commitment to respect water as a human right, based on five key imperatives:

- Improving water efficiency in our direct operations;
- Extending conservation to our supply chain, particularly agriculture;
- Pursuing integrated watershed management;
- Partnering to help provide community access to safe water; and
- Stewarding public water advocacy and engagement.

In addition, we continue to partner externally to seek innovative solutions to the challenges we face, and also explore competitive opportunities through our products and business models to use and transport less water.
During 2014, PepsiCo was involved in the development of Guidance for Companies on Respecting the Human Rights to Water and Sanitation. Shift, an NGO led by John Ruggie, responsible for developing the UN Guiding Principles on Business and Human Rights, focused on improving how businesses respect human rights, and the Pacific Institute worked with companies in the UN Global Compact CEO Water Mandate, including PepsiCo, that recognized that business was in need of practical guidance about how to effectively align corporate water stewardship practice with the corporate responsibility to respect the human rights to water and sanitation. The guide, released in January 2015, can be found here: [http://ceowatermandate.org/files/business-hrws-guidance.pdf](http://ceowatermandate.org/files/business-hrws-guidance.pdf)

### WATER EFFICIENCY IMPROVEMENTS IN OUR DIRECT OPERATIONS

Conserving water is good for our business and the environment wherever we operate. By the end of 2014, we had reduced our water use per unit of production by 23 percent since 2006, already exceeding our public target of a 20 percent reduction by the end of 2015 and delivering a cost saving of approximately $17 million in 2014. In addition to improving the efficiency of our water use, we decreased our absolute water use by approximately 1 billion liters in 2014, from 96.9 to 95.9 million cubic meters.

#### Water reduction per unit of production

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<tbody>
<tr>
<td>% reduction since 2006</td>
<td>6.3</td>
<td>8.4</td>
<td>13.7</td>
<td>17.6</td>
<td>19.4</td>
<td>20.4</td>
<td>20.5</td>
<td>23.2</td>
</tr>
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</table>

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.

### HUMAN RIGHT TO WATER

PepsiCo was among the first companies of our size to publicly recognize water as a basic human right. The UN defines the human right to water as all people’s right to safe, sufficient, acceptable, physically accessible and affordable water for personal and domestic use. In 2009, we established and published guidelines in support of water as a fundamental human right, in the context of the World Health Organization and the UN Joint Declaration on the Human Right to Water.

PepsiCo aspires to undertaking the following steps to ensure that our business engagement across the globe respects the human right to water:

- **Safety**: We will work to have our operations preserve the quality of water resources in the communities in which we do business.
- **Sufficiency**: We will develop operating objectives to manage our use of water with a view to the availability of community water resources for the individuals and the communities in the areas in which we operate.
- **Acceptability**: We will work to involve communities in our plans to develop water resources and will foster transparency regarding any risks or challenges to the local governments and community.
- **Physical Accessibility**: We will work to ensure that our operations will not adversely impact the physical accessibility of community water resources for community members and will seek opportunities to address community concerns in a cooperative manner.
- **Affordability**: We will engage, as appropriate, government bodies to ensure that our position is known concerning the human right to water and that supplies should be available in a fair and equitable manner to members of the community. Such water should be safe and of consistent and adequate supply and affordable within local practices.
• Trialing drip irrigation and other water-efficient irrigation methods where they are not already in wide use; and
• Providing water measurement technology to enable growers to better plan when and how much water they might use to maximize yields.

Our SFI includes water as a key component of the environmental program. See page 66 for more information.

PURSUING INTEGRATED WATERSHED MANAGEMENT

Identifying sites in water stressed areas

As the impact of water use is felt locally, we identify sites that are characterized as water-stressed to prioritize efficiency in our plants and to identify how we can help ensure that enough water for both our plants and the local communities where they are based is available for the long term. In some places, this means aiming to achieve what we characterize as positive water balance — giving back at least the same amount of water as we use.

Since no single tool can paint the entire picture of water risk, we use multiple externally recognized tools to monitor and assess the level of water stress for our sites, including the World Business Council for Sustainable Development (WBCSD) Global Water Tool’s mean annual relative water stress assessment, the World Resources Institute’s (WRI’s) Aqueduct baseline water-stress indicator, and a method developed at ETH-Zurich that incorporates the timing of water supply and demand in assessing stress.

In 2014, between 39 and 41 percent of our manufacturing facilities were located in water-stressed or water-scarce areas according to these tools. As the tools are not directly comparable, we consider the frequency of stress identification between them to be the best way to anticipate risk. In addition,
many sites also complete an in-house water stress assessment that provides further insights into local water quantity, water quality and other factors such as other water users, changing economic circumstances and any issues for the local community. Just under 60 percent of sites identified as being in water-stressed areas completed these local assessments in 2014.

The insight gained through these processes allows us to:

• Prioritize the application of our ReCon Water program to maximize water efficiency in a plant; and
• Focus investments in new technologies, led by our Water Technology group based in our R&D department and with external partners, to help us better manage our water use.

**Delivering a positive water balance**

In some areas, we seek to move beyond water efficiency and management of our own water use to help contribute positively to the availability of water for other users of the same watershed, since water is ultimately a shared resource. In India, our aim is to achieve a positive water balance through in-plant conservation, agricultural initiatives and recharging water communities around our manufacturing facilities.

Since 2009, PepsiCo India has achieved “positive water balance,” as verified by Deloitte Touche Tohmatsu India Pvt. Ltd. In 2013 (the latest year of data that has been assured), PepsiCo India delivered a country-level positive water balance of over 10 billion liters by investing in the direct seeding of rice, application of drip irrigation to our growers, and utilizing integrated water community programs. Five of our manufacturing sites in India also achieved positive water balance in their locality. PepsiCo in Jordan began its own positive water journey in 2012, with projects including constructing dams for rainwater harvesting and leveraging brands to launch a community water awareness campaign.

In the U.S., almost everyone lives in or is connected to a watershed, which serves as nature’s filtration system for drinking water. Through a partnership with The Nature Conservancy called Recycle for Nature, PepsiCo will both stimulate recycling and support six projects in iconic watersheds that supply drinking water to millions of Americans. By recycling plastic bottles and aluminum cans, consumers in the U.S. will help fund the preservation of the Green Swamp Preserve, Colorado River, Kings River, Front Range Forest, Verde River and Cape Fear watersheds.

**Partnering to help provide community access to safe water**

In developing countries, water provides the opportunity to catalyze social and economic development and sits at the intersection of education, health, gender empowerment, food security and productivity. Through the PepsiCo Foundation and in partnership with NGOs, PepsiCo has identified projects that provide access to safe water for millions of people through initiatives that include water conservation, distribution, water purification and hygiene in China, India, Mali, Brazil, Colombia and other Latin American countries. Partners include the China Women’s Development Foundation, the Inter-American Development Bank, the Earth Institute’s Columbia Water Center (CWC) at Columbia University, the Safe Water Network and Water.org. Many of our programs have informed local and state-driven policies and have been adopted by global development organizations to support their sustainability over time.

PepsiCo and the PepsiCo Foundation originally set a goal in 2008 to partner with NGOs and other organizations to provide access to safe water to 3 million people in developing countries by the end of 2015. We achieved this goal
early, in 2013, and announced a new goal of reaching 6 million people in the same time frame. At the end of 2014, we reached our revised target.

To capture the overall impact of the PepsiCo Foundation’s various safe water investments across the globe, we first developed an integrated theory-of-change model with our partner, True Impact, to harmonize social outcome objectives across our implementation partners. Then, we developed standardized performance indicators — including social value generated, cost per outcome and select process performance metrics — to ensure accountability and promote continuous improvement for our investment decisions and among our implementation partners. We envision expanding this measurement structure, inviting any safe water access funder or implementer to contribute to and learn from the successes and failures of the broader network, to help us all achieve our goals.

**STEWARDING PUBLIC WATER ADVOCACY AND ENGAGEMENT**

Our ability to achieve our goals is possible only by collaborating with other businesses, academic experts and NGOs.

- We are actively involved in the UN Global Compact’s CEO Water Mandate, the WBCSD water leadership group, the International Finance Corporation’s (IFC’s) 2030 Water Resources Group and the Beverage Industry Environmental Roundtable. These forums allow us to learn from other companies and share our own experiences across a spectrum of industries, including food and beverage manufacturing, power generation and construction. They also enable us to discuss water-related issues and advance solutions on a pre-competitive basis.

- PepsiCo has been partners with the CWC for seven years. During that time, CWC has developed, tested and delivered solutions related to water insecurity around the world, benefiting millions of people. These projects have included the development of low-cost tensiometers 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 freshwater to more than 4 million people in Brazil.

- In addition to PepsiCo’s partnerships with The Nature Conservancy and other groups, the PepsiCo Foundation works with Safe Water Network, Water.org, the IDB, the China Women’s Development Foundation, the 2030 Water Resources Group and True Impact to provide access to water and sanitation for communities where such access is lacking, and to robustly measure the impact these partnerships are having.

**Next steps**

We are developing new Environmental Sustainability targets that address water stewardship. We are leveraging our extensive involvement with industry groups and engagement with experts to develop our new goals.

We are also working with widely respected experts to develop a common, science-based definition of “Positive Water Impact” and define and share best practices. This is an important concept, as water stress becomes increasingly prevalent and businesses move beyond simply reducing their impact toward playing a positive role in the communities in which they operate. Currently, there is no commonly held definition of the term and there is an opportunity to identify good practices that can be shared with all water users. The findings will be made public to promote further dialogue and debate, and ultimately develop programs that will have positive impact on the ground.
Climate Change

Introduction

Climate change presents both risks and opportunities for businesses. We will need to adapt to the effects of rising global temperature and increasingly unpredictable and severe weather patterns while mitigating our contributions to this temperature increase by managing the amount and type of energy used in our operations, distribution and supply chain. Doing this successfully has several positive impacts: using less energy means lower costs and GHG emissions; moving away from traditional fossil fuels also lowers our emissions, potentially improves the security of our energy supply, and contributes to cleaner air in the communities in which we operate, giving us a route to climate adaptation.

The role of business in combatting climate change is also under continuous review. Governments around the world are looking at how regulatory frameworks can incentivize decreased use of fossil fuels and aid the transition to cleaner energy. There is also increasing regulatory and NGO scrutiny of how companies are responding to climate change and their own contributions to it. Our suppliers are grappling with the same issues. At PepsiCo, we have an opportunity to respond proactively to this changing landscape.

Understanding the importance of advocacy from the private sector to help advance the global climate dialogue, PepsiCo’s Chairman and CEO, Indra K. Nooyi, has stated publicly, “At PepsiCo, we support a limitation of global warming at 2 degrees Celsius because I think that it is absolutely critical to our future — to my company, our customers and consumers — and to our civilization. Now is the time for collective action.”

Performance

We are working to achieve an absolute reduction in GHG emissions across our business. We aim to achieve this by reducing energy use in our manufacturing operations, exploring renewable alternatives to fossil fuel, improving the efficiency of our fleet, and working with suppliers, especially farmers, to help them manage and reduce their energy use and GHG emissions.

As a first step toward reducing our overall GHG emissions while growing our business, PepsiCo set a target of holding direct and indirect GHG emissions flat against a 2008 baseline, even while growing the business. The commitment applies to global operations, excluding significant mergers and acquisitions after the baseline year and accounting for divestitures. In 2014, total direct (Scope 1) and indirect (Scope 2) GHG emissions for legacy operations were 4,145,000 metric tonnes (mT) of carbon dioxide equivalents (CO₂e), essentially flat compared to 2008. This performance was achieved despite production volume growth of over 8 percent for our legacy foods business and nearly 15 percent for legacy beverages business since 2008, indicating significant efficiency improvements in order to maintain emissions essentially flat over this time period.

Energy efficiency and GHG emission reductions go hand in hand. ReCon continues to drive energy efficiency and cost savings for the business. Based on the 2006 baseline, PepsiCo’s energy-efficiency programs and initiatives in our legacy plants helped our overall manufacturing operations to achieve an incremental improvement in energy efficiency of 2.1 percent in 2014. This was led by incremental improvements in energy efficiency in our food and beverage businesses of 8.6 percent and 0.5 percent, respectively.
Greenhouse gas emissions (Scopes 1 & 2) (in mT)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
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<th>2014</th>
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<td>Legacy PepsiCo</td>
<td>Scope 1</td>
<td>2,832,000</td>
<td>2,805,000</td>
<td>2,886,000</td>
<td>2,902,000</td>
<td>2,889,000</td>
<td>2,802,000</td>
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<tr>
<td></td>
<td>Scope 2</td>
<td>1,339,000</td>
<td>1,271,000</td>
<td>1,270,000</td>
<td>1,268,000</td>
<td>1,314,000</td>
<td>1,341,000</td>
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<tr>
<td></td>
<td>Total</td>
<td>4,171,000</td>
<td>4,076,000</td>
<td>4,156,000</td>
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<td>4,203,000</td>
<td>4,143,000</td>
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<tr>
<td>Total PepsiCo</td>
<td>Scope 1</td>
<td>2,832,000</td>
<td>2,805,000</td>
<td>3,706,000</td>
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<td>3,891,000</td>
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<tr>
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<td>Scope 2</td>
<td>1,339,000</td>
<td>1,271,000</td>
<td>1,765,000</td>
<td>1,930,000</td>
<td>1,941,000</td>
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<td>Total</td>
<td>4,171,000</td>
<td>4,076,000</td>
<td>5,471,000</td>
<td>5,830,000</td>
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Our GHG goal applies to global “legacy” operations as they existed in 2008, and excludes major acquisitions and mergers while accounting for divestitures after the 2008 baseline year.

REDUCING ENERGY AT OUR MANUFACTURING SITES

Delivering energy efficiency at our sites

The total energy consumption in 2014 for our legacy operations (our operations as they existed in 2006, i.e., not including any major acquisitions since the baseline year, and adjusting for divestitures) was 15.4 million megawatt hours (MWh). Our energy efficiency for our legacy operations improved by nearly 16 percent in 2014 when compared with our 2006 baseline. Based on projections of performance, PepsiCo anticipates improving energy efficiency by approximately 18 percent, narrowly missing our 2015 goal of 20 percent efficiency per unit of production as our growth outpaces the reductions we have made through our resource-conservation initiatives, which improve the energy efficiency of our operations, as well as by conversion to renewable forms of energy. Our progress in 2014 delivered estimated energy cost savings of more than $83 million.
**Total energy (fuel & electric, in millions of MWh)**

|------|---------|---------|---------|---------|---------|---------|---------|---------|---------|

Our energy conservation goal applies to global “legacy” operations as they existed in 2006, and excludes major acquisitions and mergers while accounting for divestitures after the 2006 baseline year.

**Investing in green buildings**

PepsiCo continues our commitment to saving energy through sustainable building and design worldwide. We encourage our facilities to meet the U.S. Green Building Council’s Leadership in Energy and Environmental Design (LEED) standards, which are among the most rigorous benchmarks for green building design, construction and operation in the world. So far, 40 facilities across PepsiCo have achieved LEED certification. PepsiCo’s Global Sustainable Engineering Guidelines (SEGs), which are based on LEED standards, were developed to ensure that our buildings are constructed using environmentally sustainable principles. The guidelines are applied globally to all new construction, as well as to major remodels. The SEGs can be accessed through a website available to all PepsiCo engineers and key partners worldwide. This website provides guidelines for the following:

- Site selection
- Construction activity management
- Water use reduction
- Building materials
- Building systems
- Plant process management
- Indoor air quality
- Site stewardship
- Lighting systems

In addition to evaluating the feasibility of LEED certification for new buildings, we apply PepsiCo’s SEGs to ensure that project managers around the world have a common set of directives and approved solution sets to design and build in an environmentally responsible way.

**ENERGY STAR program**

PepsiCo has been a U.S. EPA ENERGY STAR partner since 2004 and has been recognized at the Partner of the Year Awards for ten consecutive years. In 2015, we were awarded the Partner of the Year in Sustained Excellence Award for the eighth consecutive year. Taking full advantage of ENERGY STAR tools and programs such as the Energy Management Guidelines, the Challenge for Industry, the Energy Performance Indicators, the Product Efficiency Standards and Food Focus Group networking, PepsiCo has continuously improved
the energy efficiency of our own operations, as well as leveraged our partnership with ENERGY STAR to communicate the strength of our program to customers, consumers and other key stakeholders.

FLEET EFFICIENCY
Fleet emissions contribute approximately 25 percent of our total global Scope 1 (direct) and Scope 2 (indirect) emissions. Our fleet operations adopt sustainability in their everyday practices and long-term business plans by reducing emissions through efficiency, new technology and the sharing of best practices. In the U.S., PepsiCo is a certified member of the U.S. EPA’s SmartWay initiative. The program is a public-private initiative between the U.S. EPA, large and small trucking companies, rail carriers, logistics companies, commercial manufacturers, retailers, and federal and state agencies. Its purpose is to improve fuel efficiency and the environmental performance of goods-movement supply chains.

Our Frito-Lay North America electric vehicle program has one of the largest company-owned electric fleets in the U.S., with more than 267 trucks as of the end of 2014. We also have 331 compressed natural gas tractors on the road, which delivered productivity savings of over $3 million in 2014.

We have a number of programs that aim to ensure that we have the most fuel-efficient vehicles on the road. Our Right Truck, Right Route program helps us use the right vehicles for the routes they run, while also using the most fuel-efficient route; the Road to Green initiative teaches drivers fuel-efficient practices such as not idling trucks; and our internal parts, maintenance and mechanic efficiency programs focus on sustainability as a core concept.

REDUCING EMISSIONS IN OUR SUPPLY CHAIN
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 working with our suppliers to address “hot spots” in our value chain. Key Scope 3 emissions include those from the farmers who supply the raw materials for our products, such as potatoes, oats, corn and sunflower oil, and from the packaging materials for our products, as well as emissions associated with the storage and sale of our products further down the value chain by our customers and consumers.

We are also a member of the CDP Supply Chain, which demonstrates to our suppliers how important we feel predicted climate change is to business decision-making and our desire to work collaboratively to find solutions. In 2014, 48 percent of 205 suppliers invited to complete the CDP Supply Chain survey responded. Key findings from the 2014 survey included:

- 10 million mT CO$_2$e emissions were reduced;
- $868 million was invested in emissions-reduction initiatives;
- $62 million was saved as a result of emissions-reduction initiatives;
- 64 is the average disclosure score of participating suppliers, above the global average; and
- C is the average performance band for participating suppliers, on a par with the global average.
## Agriculture

As well as being a significant user of energy, agriculture is particularly vulnerable to the impacts of climate change. We therefore prioritize efforts that support the ability of our growers to manage their energy use. Among the approaches we have invested in and partnered with our growers to roll out are:

- Creating new potato varieties for our snack products that deliver higher yields and need fewer inputs, and therefore energy, to grow;
- Working with fertilizer companies to develop natural and other lower-carbon fertilizers; and
- Providing energy-measurement technology to enable growers to better identify and reduce energy use and therefore costs, while maintaining yields.

Our SFI includes energy and greenhouse gas emissions as key components of its environmental program. See page 65 for more information.

## Packaging

Our packaging policy addresses the climate change impacts of packaging and seeks to reduce them through using appropriate materials, lightweighting, encouraging energy efficiency throughout the manufacturing process, incorporating recycled materials, and encouraging consumers to reuse and recycle packaging where possible. Our approach is set out in more detail on page 69.

While we seek to minimize the climate change impacts of packaging, it also plays an important role in minimizing food waste by protecting the product through the manufacturing, distribution and retail process and by adding shelf life to the product.

## Beverage coolers

The beverage coolers that our customers, primarily retailers, use to store our products for sale to consumers are an important contributor to our Scope 3 emissions. Historically, cooling equipment has consumed significant amounts of energy. We continue to improve the energy efficiency of these units while also investing in sustainable refrigerants worldwide. PepsiCo provides refrigeration equipment at the point of sale, including coolers and vending machines, to our retail partners around the world.

PepsiCo improved efficiency by 53 percent for vending machines and by 67 percent for coolers in 2014, as compared to models available in 2004. As a result, per-unit emissions from these coolers are on the decline. In 2014, absolute emissions from these equipment totaled 4,363,000 mT, a decrease of 205,000 mT from 2013.

As part of an industry initiative working with the Obama administration in the U.S., PepsiCo announced in September 2014 a goal that all of our future point-of-sale equipment (coolers, vending machines and fountain dispensers) purchased in the U.S. will be hydrofluorocarbon (HFC)-free by 2020. To meet this goal, PepsiCo will begin purchasing new HFC-free equipment starting in 2015. Outside of the U.S., we have already begun this process by buying more than 290,000 HFC-free pieces of equipment since 2009.

## SUPPORTING A LOW-CARBON POLICY FRAMEWORK

The UN Climate Change Conference of the Parties (or COP21) will be held in Paris, France, in December 2015. The objective of the 2015 conference is to achieve, for the first time in over 20 years of UN negotiations, a binding and universal agreement on climate change from all member countries. PepsiCo recognizes the need to limit global temperature rise to 2 degrees Celsius and supports a clear, long-term, binding international agreement, as this
would provide the essential long-term signal for decision-making on assets, investments and business strategies.

In the run-up to COP21, PepsiCo has been heavily involved in advocacy to show our support for such an agreement. We want to ensure that agriculture is a key part of both the discussion and the solution to reducing GHGs and helping adapt to an ecosystem that is increasingly stressed by climate change. We are also seeking to leverage existing and new public-private partnerships to encourage support for an agreement and to drive progress between governments and business. PepsiCo is a signatory to the Ceres Business for Innovative Climate & Energy Policy (BICEP) Climate Declaration (http://www.ceres.org/bicep) and the Prince of Wales’s Corporate Leaders Group Trillion Tonne Communiqué (http://www.climatecommuniques.com/).

**Next steps**

We are developing new Environmental Sustainability targets that address climate change and energy. In addition, we have commissioned the Carbon Trust to help us identify our total carbon footprint, including Scope 3 emissions. We will use these data, our internal knowledge and external engagement to ensure that our approach to promoting environmental stewardship across our value chain is founded in science and consistent with our ambition and the needs of our business, as well as with our desire to be a responsible citizen wherever we operate.
Agriculture

**Introduction**

Our products depend on a reliable, safe, high-quality and affordable supply of agricultural raw materials to meet the demands of our business as well as the expectations of our consumers, customers and stakeholders. These raw materials are sourced within a complex, global supply chain involving independent farmers, large agri-businesses, intermediaries and company-owned farms. Increasing pressure on global food supplies from a growing population, the impacts of climate change and a depleting natural resource base creates challenges and opportunities for our business. In addition, forests are critical in managing climate and biodiversity issues. By addressing these issues head on and working with our growers, other businesses and experts, we can sustainably source our core agriculture ingredients, gain a strategic and competitive agricultural advantage, and be recognized as a global leader.

**Performance**

**SUSTAINABLE AGRICULTURE POLICY**

Our Sustainable Agriculture Policy reflects our principles and objectives for improving the sustainability and resilience of our agricultural supply chain. It sets standards of performance and expectations across 16 environmental, social and economic focus areas designed to represent broad-based objectives for our sustainability focus in agriculture. The policy is designed to have global reach that is applicable for all agricultural crops and adaptable for all sizes of farms. It comprises five key components: the policy itself, objectives and goals, governance, communication, and reporting and verification. In 2014, additional social and economic objectives were included as a result of our engagement with growers through our SFI.

The policy document has also been expanded to include reference to animal care from our work in building the Dairy Sustainable Farming Initiative (DSFI). We want to ensure proper animal care practices that support the production of high-quality, safe ingredients. These practices include nutritious diets, safe and appropriate living conditions, and medical care among many other routine animal care practices. We will work with dairy farmer-suppliers and partners in support of animal care standards that ensure a healthy herd.

PepsiCo’s Sustainable Agriculture Council (SAgC) operates within our sustainability governance framework and coordinates priorities and activities related to Sustainable Agriculture, reporting to the Environmental Sustainability Leadership Team and PepsiCo’s Sustainability Council. The SAgC contains cross-functional representation of members responsible for public policy, legal, procurement and operational excellence within PepsiCo Agriculture.

**SUSTAINABLE FARMING INITIATIVE**

Our SFI provides a comprehensive framework to help us meet the goals set out in our Sustainable Agriculture Policy. The SFI was officially launched in 2013 following peer review by external experts including Business for Social Responsibility, Ceres, Cornell University and Columbia University, among others, after global pilots conducted in 2011 and 2012. In 2014, the SFI continued to expand its coverage globally and was implemented across 11 countries, with nearly 600 growers of potato, corn and citrus (up from 500 in 2013) and covering in excess of 450,000 acres of direct cropping...
land (compared to 360,000 the previous year). In addition, the SFI was updated to ensure consistency with current and new PepsiCo policies on forest stewardship and land use. The DSFI was also completed in 2014 to complement the SFI, focusing on animal care to support the growing dairy business in PepsiCo.

The SFI is managed through the SFI Steering Committee and reports to the SAgC for the management and application of the SFI for PepsiCo’s agricultural supply chains. The Steering Committee, in turn, has responsibility for technical committees and an advisory board that is staffed with internal and external experts.

The SFI framework contains nine environmental, four social and three economic sustainability indicators, with detailed criteria and global standards completed for each, as well as a Farm Foundation pillar that contains those activities found in common across the three sustainability pillars. Since multiple crops are often grown on the same farm, it is critical that sustainable practices are deployed at the farm level, not only at the individual crop level. The SFI provides the framework within which to do this.

### Sustainable Farming Initiative indicators

<table>
<thead>
<tr>
<th>ENVIRONMENTAL PILLAR</th>
<th>SOCIAL PILLAR</th>
<th>ECONOMIC PILLAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>Health, wellness and safety</td>
<td>Management practices</td>
</tr>
<tr>
<td>Greenhouse gases (GHGs)</td>
<td>Employment conditions</td>
<td>Efficiency</td>
</tr>
<tr>
<td>Water</td>
<td>Employment practices</td>
<td>Commercial relationships</td>
</tr>
<tr>
<td>Agrochemicals</td>
<td>Community</td>
<td></td>
</tr>
<tr>
<td>Soil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nutrients</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waste</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Biodiversity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Air</td>
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<td></td>
</tr>
</tbody>
</table>

The SFI is unique in that it has broad applicability across global crops, is adaptable for all sizes and maturity of growers in developed or developing countries, is based on continuous improvement against a measured baseline, and is flexible and expandable. Individual markets and regions pursue programs and initiatives in alignment with the SFI indicators.

#### Energy and greenhouse gases

In our Sustainable Agriculture Policy, we communicate our aim to optimize energy use in crop production, field activities, and the management of herd and agricultural waste to improve farm economics and reduce GHG emissions.
We have been reducing our carbon footprint in our European agriculture supply chains since the introduction of our 50 in 5 initiative in the U.K. in 2010. This initiative has been successfully introduced in other European programs so that, in 2014, our Turkey potato program reported a carbon reduction of 34 percent in 2013 versus a 2010 baseline. Plans are in place in Turkey to achieve a similar reduction to the U.K. target of a 50 percent reduction across five years. The use of consistent recording tools, such as the Cool Farm Tool to measure CO$_2$e emissions and consistent metrics (e.g., kilograms CO$_2$e per tonne of raw potato produced) allows us to make comparisons between programs and leverage successful best practices in the field to achieve accelerated results. These practices include using varieties with a higher yield that require fewer inputs such as water and fertilizer, identifying alternative, lower-carbon fertilizer solutions and increasing energy efficiency in farm buildings and transportation.

**Water**

PepsiCo aims to optimize the applied water footprint in crop and livestock systems as well as responsibly manage runoff risks of pollution or contamination of ground or surface water by pesticides, nutrients or soil. We work with farmers to develop effective water management plans for addressing water risk.

In Saudi Arabia, PepsiCo’s potato production is located in water-sensitive areas that require efficient use of irrigation practices to ensure security of supply now and in the future. The center-pivot irrigation used in many places around the world, including Saudi Arabia, has limited application for sustainable water management and crop performance in Saudi Arabia due to the extreme climate. An initiative to replace center-pivot with drip irrigation for our potato crops resulted in 75 percent lower applied water volume, saving 1.2 billion liters annually across 340 hectares. The change to drip irrigation also delivered 60 percent fewer irrigation running hours (energy savings) and an 18 percent crop yield improvement. In India, we introduced drip irrigation in more than 1,700 acres with smallholder potato farmers in two states, driving 474 million liters of water savings in 2013. We continue to work with growers to invest in drip and other lower-water-use irrigation techniques to follow Saudi Arabia, India and the U.K., where drip irrigation trials showed similar results.

**Agrochemicals and nutrients**

We aim to optimize the use of pesticides, nutrients and other agrochemicals and support sustainable practices that substitute natural controls for some agrochemicals; foster ecosystem balance; reduce GHG emissions; and mitigate crop losses. We recognize the impact that pesticides can have on beneficial insects such as bees — an important issue within PepsiCo’s supply chain — and we are implementing procedures and policies to measure and address the use of pesticides in our supply chain in an effort to reduce their unintended impacts.

PepsiCo encourages our suppliers to use safer insecticides and alternative types of fertilizer and to recycle agrochemical containers and packaging in countries around the world. For example, in Turkey, we are cooperating with farmers in a trial using a natural fertilizer for potatoes, Naturalis, which is made from the waste from our Turkish potato chip factories. Natural fertilizer provides organic content and nutrients. It supports PepsiCo Turkey’s aim to reduce chemical usage in fertilizers for potato production by 40 percent. Our ultimate goal is to roll out this fertilizer to cover 100 percent of our fertilizer needs for potatoes in Turkey, and to sell excess capacity in the market.
Soil

PepsiCo aims to preserve and improve soil health, minimize soil loss through erosion, and avoid soil damage due to disease, compaction and contamination.

At two PepsiCo facilities in eastern Brazil that produce Kero Coco coconut water for Brazilian consumers, PepsiCo turns coconut husks, a waste by-product of the coconut water manufacturing process, into a crushed material that is used by local farmers as a mulch and fertilizer. The husk is high in potassium and helps to reduce the need for conventional commercial fertilizers. It is also an effective mulch or groundcover, which also helps to reduce the need for weed control chemicals and diesel to run the machines that are used to disperse these chemicals. Studies at three Brazil coconut farms between 2009 and 2013, and reported in 2014, identified that herbicide use had been reduced by 50 percent because the husk groundcover reduced weed development.

Air quality

We aim to minimize air emissions in farm operations by reducing particulate matter, minimizing drift from plant-protection products and eliminating potential odors. In countries where it is common to burn vegetation, such as residual rice stalks in India after harvest, we aim to work with growers to find alternative methods of disposal, such as incorporating the stalks into the ground to improve soil organic matter and quality.

Biodiversity

Through our sustainable agriculture programs, we work to ensure that a healthy and balanced ecosystem is maintained to mitigate the risks of biodiversity loss. For example, as a member of the Sustainable Agriculture Initiative platform, a global food and drink industry initiative for sustainable agriculture, PepsiCo is jointly working to define the scope and suitable metrics for measuring and improving biodiversity in arable crops using a recognized global standard. In the U.S., we have improved waterfowl and wildlife habitats by placing select Gold Dust potato fields under a flood/fallow program. Biodiversity is also a key SFI indicator.

Forest stewardship

Sustainable Palm Oil

The sourcing of palm oil by businesses is under extensive scrutiny from NGOs, governments and others. PepsiCo is a member of the Roundtable on Sustainable Palm Oil (RSPO), which was founded to increase the supply of sustainable palm oil products. In 2010, PepsiCo agreed, through RSPO, to source exclusively 100 percent RSPO-certified sustainable palm oil. While we remain committed to RSPO and its process and standards, we recognize that in some regions of the world, additional measures may be necessary.

As a result, in 2014, PepsiCo further committed that, by 2016, the palm oil that we source through our suppliers will be:

- Sourced exclusively through suppliers that are members of RSPO;
- Confirmed to have originated from responsible and sustainable sources;
- In compliance with our Forestry Stewardship Policy, which includes adherence to the following principles:
  - Compliance with the applicable legal requirements of each country in which we operate and from which we source;
  - No further development on high carbon stock forests or high conservation value forests; and
  - No new conversion of Peatlands.
Adherence to the Free, Prior, and Informed Consent Principles is defined and outlined in the PepsiCo Land Policy.

LAND USE
In March 2014, PepsiCo launched our Land Policy to suppliers. The policy upholds our commitment to zero tolerance for illegal activities in our supply chain and for land displacements of any legitimate land tenure holders, which are contrary to the IFC Performance Standards.

Our Land Policy outlines processes and assessments to avoid these situations. However, we recognize that they can occur and that PepsiCo has a responsibility to address them. As part of our Land Policy, we are committed to:

- Zero tolerance for land displacements of any peoples, in accordance with IFC Performance Standards;
- Fair and legal negotiations for land acquisitions; and
- Use of appropriate grievance mechanisms, such as the PepsiCo Speak Up hotline, for future dispute resolutions.

To further demonstrate our support of responsible land rights practices, PepsiCo joined the Committee on World Food Security in 2014.

In addition, we achieved our commitment to implement a third-party audit, based on available and accepted standards, of the social, environmental and human rights performance of our suppliers in our top sugar-sourcing country, Brazil, by the end of 2014. Working with our main supplier in Brazil, Copersucar, we identified three mills and the farms that supply them for assessment of their economic, social and environmental performance as well as their adherence to PepsiCo’s policies such as our Land Policy. We selected an independent third-party audit company to conduct the audits, which included detailed site observations, review of relevant documents and interviews with responsible managers and workers at both the mills and the farms.

Next steps
We are developing new Environmental Sustainability targets that address sustainable agriculture. In addition, we will continue to roll out our SFI program to more farmers, growing more crops in more countries. As we engage with farmers, peer companies, NGOs and others, we will continue to review the standards set out in the SFI to ensure they are relevant and ideally can be adopted by other customers of raw materials. As part of our roll out, we will continue to look for opportunities to “lift and shift” best practice where we have demonstrated success to programs that can benefit from implementation of these practices.

We plan to implement audit programs similar to the one carried out in Brazil in 2014 for our sugar supply chain in Thailand, our palm oil supply chain in Mexico and our coconut water supply chain in the Philippines by the end of 2016. PepsiCo will provide a public summary of critical findings, including the methodology used for each assessment, and will seek to hold appropriate discussions with relevant stakeholders. We are also immediately embedding detailed questions regarding land rights within SFI.
Packaging and Waste

Introduction

The increasing global demand for resources is putting a spotlight on how much waste companies produce and what they do with it. For fast-moving consumer goods companies, the use of packaging is also under scrutiny. According to the U.S. EPA, in most parts of the developed world, packaging constitutes as much as one-third of the nonindustrial solid waste stream. As consumption increases with higher living standards, more countries are seeing significant growth in their packaging waste. While most packaging is recyclable, recycling rates remain lower than expected.

Packaging materials represent a significant portion of our supply chain spend. Reducing the amount of packaging used for PepsiCo products both helps to reduce the amount of waste sent to landfills and reduces costs for the company. We are constantly working to design more recyclable packaging to increase recycling rates globally.

Performance

Packaging

PepsiCo’s Global Sustainable Packaging Policy outlines our commitment to strive for the smallest possible environmental footprint while still meeting the value, cost and performance criteria expected by consumers and customers. As stated in our policy, our principles and programs aim to Remove, Reduce, Recycle, Renew and Reuse packaging where possible and commercially viable. The policy provides the framework through which we aspire to:

- Increase the use of recycled content or materials from renewable sources;
- Optimize packaging design to use only the materials necessary;
- Promote the use of materials that can be recycled (beverage containers, cereal cartons, etc.);
- Reduce post-industrial waste;
- Avoid known negative impacts to the environment; and
- Achieve a lower carbon footprint by ensuring efficient energy usage across the product life cycle.

To uphold this Global Sustainable Packaging Policy, we have established the SPC, a multidisciplinary team that includes leaders from our R&D, Innovation, Procurement, Sales and Marketing, and PPGA which reports to the ESLT to support our packaging strategy, policy and commitments.

Our global packaging goal, to “innovate our packaging to make it increasingly sustainable, minimizing our impact on the environment”, is supported by three commitments. We continue to increase the post-consumer recycled content in our packaging globally. We are also working to help increase U.S. recycling rates by partnering with Walmart on several packaging initiatives, including the Southeast Recycling Development Council. Our R&D teams are actively looking for ways to improve our packaging through design for recycling, lightweighting and alternative materials with a lower environmental impact.

In 2014, PepsiCo used nearly 9.3 billion pounds of materials for packaging. Packaging reduction initiatives conducted in 2014 eliminated over 89 million pounds of packaging material from the market and reduced...
Packaging and Waste

Environmental Sustainability

Some specific initiatives that have driven these results include the following:

- Our East Europe region replaced traditional stretch wrap, applied by wrapping all four sides of a package from top to bottom in film, with an innovative shrink hood, eliminating 1 million pounds of plastic.
- Frito-Lay North America reuses its shipping cartons more than five times on average, avoiding the purchase of 295,000 new cartons, and reducing 240,000 pounds of CO₂e, which is equivalent to 44,750 gallons of gasoline. Spent cartons are recycled.
- Frito-Lay Canada ships many of its products to customers in reusable corrugate cartons that are used more than five times on average, eliminating the need to purchase over 30 million new cartons.

Increasing recycled content and recyclability of our packaging

We are committed to increasing the content of post-consumer or post-industrial material in our packaging. In some cases, this can be a challenge because we are dependent on the recycling market to make these materials available to us. Additionally, all packaging must meet our high safety standards. Our team continues to work to secure a greater share of the post-consumer material currently available, while also working to increase supplier capacity, advance new technologies to make recycling easier and more efficient, and increase consumer recycling rates, thereby increasing the amount of material available.

Recycled polyethylene terephthalate (rPET) comes from plastic that has already been used for packaging, such as plastic bottles. Prior to being transformed into a new plastic bottle, the plastic is sorted and cleaned in accordance with food safety standards. We are the only major beverage company consistently using rPET in its containers in the U.S.

Reducing our packaging

Initiatives to reduce packaging include lightweighting, film down-gauging, bag optimization, carton size reduction and much more. We have eliminated over 11 million pounds of film packaging and over 29 million pounds of corrugated packaging from our global food and snacks packaging by down-gauging, reducing seal widths and right-sizing both primary and secondary packaging, delivering a combined cost savings of nearly $20 million. On the beverage side of the business, PepsiCo eliminated 46 million pounds of packaging (20 million fewer pounds of plastic, 23 million fewer pounds of paper-based packaging, and 3 million fewer pounds of aluminum) versus 2013, through container lightweighting, packaging optimization and improved design for beverages globally.

our packaging costs by more than $48 million across our global food and beverage operations.

2014 PepsiCo packaging materials by weight

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>WEIGHT (MILLIONS OF LBS)</th>
<th>PERCENTAGE OF TOTAL PACKAGING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plastics (rigid)</td>
<td>1,991</td>
<td>21</td>
</tr>
<tr>
<td>Aluminum</td>
<td>420</td>
<td>5</td>
</tr>
<tr>
<td>Glass</td>
<td>563</td>
<td>6</td>
</tr>
<tr>
<td>Paper</td>
<td>4,555</td>
<td>49</td>
</tr>
<tr>
<td>Films (flexible)</td>
<td>1,759</td>
<td>19</td>
</tr>
</tbody>
</table>

2014 PepsiCo packaging materials by weight
In 2014, we used 134 million pounds of food-grade rPET, an increase of 23 percent, or 25 million pounds, versus 2013. In North America, our beverage packaging included 111 million pounds of rPET in the U.S., which is 30 percent of the food-grade rPET that was available in 2013. In Germany, we incorporated 18.7 million pounds of rPET into our bottles, an increase of approximately 85 percent versus 2013, nearly 42 percent of their total resin usage. Our France market sector used 4.4 million pounds of rPET, about 21 percent of their total PET packaging in 2014, with up to 50 percent content in individual product lines.

PepsiCo and the MyShelter Foundation partnered to build the Liter of Light program, which brings eco-friendly light to communities in the Philippines living without electricity by recycling packaging materials. The bottle lights make use of everyday materials: PET, water, corrugated sheet metal and chlorine. Each light, lasting 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 800 solar-powered night lamps and 33 street lamps, partly through Pepsi donations and awareness initiatives.

2014 PepsiCo estimated packaging recycling footprint

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>GLOBAL TOTAL LBS (MILLIONS)</th>
<th>U.S. PUBLISHED RECYCLING RATE (%)</th>
<th>RECYCLING FOOTPRINT – LBS (MILLIONS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PET</td>
<td>1,686</td>
<td>31.2</td>
<td>526</td>
</tr>
<tr>
<td>Closures</td>
<td>305</td>
<td>31.2</td>
<td>95</td>
</tr>
<tr>
<td>Can</td>
<td>420</td>
<td>66.7</td>
<td>280</td>
</tr>
<tr>
<td>Corrugate</td>
<td>3,138</td>
<td>88.5</td>
<td>2,778</td>
</tr>
<tr>
<td>Paper</td>
<td>602</td>
<td>63.5</td>
<td>382</td>
</tr>
<tr>
<td>Glass</td>
<td>563</td>
<td>34.1</td>
<td>192</td>
</tr>
</tbody>
</table>

PepsiCo set a target to help increase the U.S. beverage container recycling rate to 50 percent by 2018.

To contribute to this target, PepsiCo launched the PepsiCo Recycling program (formerly referred to as Dream Machine) in 2010. Since its inception, over 1,150 smart kiosks and 5,200 bins have been installed and more than 434 million post-consumer beverage containers have been recycled. In 2014, 119.9 million containers were collected from a range of locations including kiosks, schools and industrial locations. As of 2013, the U.S. beverage container recycling rate had reached 42 percent, according to an American Beverage Association report.

Helping consumers to recycle

Based on average recycling rates published by the American Beverage Association, the National Association of PET Container Resources, aluminum.org, corrugated.org, American Forest and Paper Association and the U.S. EPA department of Municipal Solid Waste, we estimate that, in 2014, approximately 4.3 billion pounds of the 9.3 billion pounds of packaging material used by PepsiCo was recycled by the consumer.
According to a PepsiCo national survey, 81 percent of Americans say they would recycle beverage containers at a retail location if proper bins were available. PepsiCo Recycling expanded its recycling on-the-go partnership with three new retailers in 2014, placing over 700 additional recycling bins and collecting 27,000 pounds of recyclable materials — approximately 540,000 plastic bottles and aluminum cans — from the program. This “recycle-at-the-pump” program is helping retailers divert recyclables from landfill and provide recycling opportunities in places where they did not exist. PepsiCo has also engaged over 500,000 K–12 students on environmental leadership. In 2014, PepsiCo teamed up with K–12 schools in 33 states, collected 5.9 million recycled beverage containers and awarded more than $188,000 in grants and rewards for recycling and other eco-initiatives. Since 2010, PepsiCo has donated $1.67 million to the Entrepreneurship Bootcamp for Veterans with Disabilities and will allocate additional funds over the next two years.

WASTE MANAGEMENT

We continue to make investments to conserve energy and raw materials, reduce waste in our facilities, recycle containers, use renewable resources and optimize package design to use fewer materials. PepsiCo is committed to reducing the generation of waste in all forms, eliminating waste disposed of in landfills or dumps, and reusing or recycling waste for beneficial use, where feasible, whenever the generation of waste cannot be avoided. In many countries, landfills are reaching capacity and the cost of solid waste disposal continues to increase. Proper waste management reduces the waste impact of our company’s operations on our local communities, reduces cost, increases revenue and supports PepsiCo’s sustainability vision of eliminating waste sent to landfill.

Diverting waste from landfill

In 2014, we aimed to increase the amount of waste disposed of through beneficial means, such as recycling and reuse, to 90 percent of all waste generated. Put another way, we aimed to send only 10 percent of the total solid waste generated by our operations to landfills. In 2014, we sent approximately 7 percent of our waste to landfill, which equates to an estimated savings of $3.5 million compared to our landfill waste generation rates when we started our waste reduction tracking program in 2009.
### Total waste generated that was sent off-site for beneficial use, such as recycling

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total waste generated</td>
<td>1,400,000</td>
<td>1,341,000</td>
<td>1,396,000</td>
<td>1,440,000</td>
</tr>
<tr>
<td>(mT)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total waste sent off-</td>
<td>1,260,000</td>
<td>1,231,000</td>
<td>1,287,000</td>
<td>1,336,000</td>
</tr>
<tr>
<td>site for beneficial</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>use (mT)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of total</td>
<td>90.0</td>
<td>91.8</td>
<td>92.2</td>
<td>92.8</td>
</tr>
<tr>
<td>waste sent off-site</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>for beneficial use,</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>including recycled/</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>reused</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

### Next steps

We are developing new Environmental Sustainability targets that address packaging and waste.
We work to build a culture of diversity and engagement, and to ensure those in our supply chain are supported and treated with respect.
Talent Sustainability

**What is our strategy?**

At PepsiCo, we believe that providing a safe and inclusive workplace and investing in the communities in which we operate is essential to our long-term success. We rely on a three-pronged approach to cultivate Talent Sustainability:

- **Talent Attraction, Engagement & Growth**: Develop and maintain an exceptional talent base to grow the business and deliver superior performance.

---

**Why does it matter?**

To be a successful, sustainable company, it is critical that we have a high-performing talent base. We want our associates to be passionate about their work and believe in PepsiCo and PwP. We believe this level of engagement leads to enhanced productivity, creativity and innovation, while contributing to improved retention rates.

---

<table>
<thead>
<tr>
<th>PwP GOAL</th>
<th>PROGRESS</th>
<th>FUTURE PLANS</th>
</tr>
</thead>
</table>
| Create a safe, healthy, diverse and inclusive workplace that reflects the global communities in which we operate | • We increased representation of women and people of color in senior executive positions from 2013 to 2014.  
• Lost time incident (global) rate (LTIR) across PepsiCo was 23% lower than in 2013.  
• We reduced our sales force LTIR by 31% compared to 2013. | • New emphasis on engagement  
• Increase efforts to celebrate our diversity and who we are as individuals  
• Increase our focus on safety in our sales force |
| Respect human rights in the workplace and across the supply chain | • We created a Sustainable Supply Chain Council to integrate management of human rights with other sustainability efforts.  
• We audited our sugar supply chain in Brazil on human rights, with specific focus on women and land rights. | • Roll out Sustainable Sourcing Program  
• Review and update our human rights policy |

**Lost time incident rate across PepsiCo was 23% lower than in 2013**

**1,900 suppliers trained on Supplier Code of Conduct**
• Diversity & Engagement: Create a workforce that reflects the diversity of our consumers and local communities and encourage our associates to incorporate their individual perspectives into their work.

• Safe, Healthy & Fair Workplaces: Ensure the safety of our workplaces and respect every employee’s human rights in order to sustain superior performance from our people.

The components of this approach align with our Talent Sustainability Material Aspects.

**What are we doing about it?**

Talent Sustainability is governed by PepsiCo’s Talent Sustainability Task Force. The Task Force is responsible for creating our overall strategy, driving implementation, and identifying and addressing talent-related issues. It is chaired by our Talent Sustainability Plank Leader and includes representation from various internal groups, including Global and Divisional Human Resource departments, Talent Acquisition, Compensation and Benefits, and Organization and Management Development. Our SVP, Diversity and Engagement, and Chief Human Rights Officer also participate in the Talent Sustainability pillar meetings. Further information on the management approach, programs and policies related to Talent Sustainability is discussed separately in each Material Aspect.
# GRI indicators

<table>
<thead>
<tr>
<th>MATERIAL ASPECT</th>
<th>ASSOCIATED GRI INDICATORS</th>
</tr>
</thead>
</table>
| **Talent Attraction, Engagement & Growth**    | **G4-LA1** Total number and rates of new employee hires and employee turnover by age group, gender, and region  
**G4-LA2** Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation  
**G4-LA10** Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings |
| **Diversity and Engagement**                 | **G4-10** Report the total number of employees by employment contract and gender  
**G4-LA12** Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity  
**G4-LA13** Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation |
| **Workplace Safety**                         | **G4-LA6** Type of incident and rates of incident, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender  
**G4-LA7** Workers with high incidence or high risk of diseases related to their occupation |
| **Human Rights**                             | **FP3** Percentage of working time lost due to industrial disputes, strikes and/or lock-outs, by country  
**G4-11** Report the percentage of total employees covered by collective bargaining agreements  
**G4-HR2** Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained  
**G4-HR9** Total number and percentage of operations that have been subject to human rights reviews or impact assessments  
**G4-LA4** Minimum notice periods regarding operational changes, including whether these are specified in collective agreements  
**G4-LA8** Health and safety topics covered in formal agreements with trade unions |
Talent Sustainability

Talent Attraction, Engagement & Growth

**Online recruiting**

The growth of social media and mobile technology has created new opportunities for employers to engage potential talent. PepsiCo’s global Talent Acquisition teams have embraced this shift by optimizing our global career site (www.pepsicojobs.com) for mobile devices in nearly 20 languages. The Talent Acquisition team manages the successful possibilities... employment brand through a very active presence on LinkedIn, Facebook, Google+ and Twitter.

As part of the possibilities... platform, PepsiCo developed a virtual "Talent Acquisition help desk" on Twitter (@PepsiCoJOBS) where we listen and strive to respond within a single business day to candidate inquiries ranging from help with the application process to finding an ideal job with PepsiCo or even general career advice. We now have over 36,000 followers on Twitter, and feedback is consistently above 99 percent positive since 2013. We use Twitter, as well as LinkedIn and Google+ to raise awareness about PepsiCo’s culture and provide news and updates related to PwP.

In 2015, PepsiCo introduced a new LinkedIn contest called Meeting of the Minds to reach potential student candidates on tools they already use in their career search. Through this contest, candidates can hear about valuable, career-shaping experiences directly from PepsiCo executives. Students enter the contest by producing a video that communicates their pitch on how to connect an up-and-coming musician to any or all of our PepsiCo brands. The winning student was awarded a summer internship in our newly opened New York Content Studio and will work side-by-side with PepsiCo executives.

**Introduction**

One of the biggest challenges facing corporations today is attracting and retaining highly talented leaders. PepsiCo aims to engage creative and innovative leaders who can fuel short-term success, while simultaneously fostering growth of the next generation of leaders whose skills, experiences and understanding of new technology will drive future success.

To attract the best talent, we strive to maintain our reputation as a great place to work. We do this by raising awareness about PepsiCo’s unique, high-performance culture where many of our associates have a great passion for their work and believe in PwP. We highlight PepsiCo’s traditional benefits — including comprehensive compensation, health care, savings and retirement programs — and emphasize our diverse culture and commitment to learning and development. We have branded our recruiting efforts “possibilities...”.

**Performance**

**TALENT ATTRACTION**

From digital engagement to campus recruiting, PepsiCo possibilities... is constantly striving to find innovative ways to strengthen our reputation as an employer of choice to attract fresh new talent.
**Campus recruiting**

We expanded our U.S. Campus Recruiting Program in 2014 to include a robust annual engagement calendar of on-campus activities. PepsiCo attended over 300 student career fairs and information sessions, which yielded over 1,800 offers and resulted in 1,300 acceptances, equaling a 73 percent acceptance rate. The 1,300 acceptances included approximately 650 interns and 650 full-time hires.

To further support these efforts, PepsiCo established a diverse team of executives from multiple functions and locations to serve as “Executive Leads” for campus teams at 12 of our largest core schools, including Purdue University, Arizona State University and Texas A&M University. In 2014, the Executive Leads engaged in year-round enrichment events and activities including faculty meetings and guest lectures as well as sitting on school advisory boards.

PepsiCo is expanding our focus on campus recruiting globally. In 2014, we developed a Global College Recruiting Center of Excellence to raise awareness of PepsiCo career opportunities on college campuses and to strengthen our relationship with key schools. The Center of Excellence will help us develop a cohesive global strategy that individual markets can adapt to address cultural differences.

In 2014, we also continued to partner with The Consortium, Management Leadership for Tomorrow, and the National Black MBA Association to recruit diverse MBA intern talent for multiple functions, including Marketing, Finance, Sales, Global Operations and Global Procurement.
Healthy Living Program

PepsiCo supports employee wellness through our Healthy Living program, which encourages employees and their families to focus on healthy lifestyles in an effort to “be a little bit better every day.” Healthy Living focuses on four key areas of wellness:

- Eat Healthy (nutrition)
- Find Balance (mental health)
- Get Moving (physical activity)
- Be Well (prevention)

Many of our locations around the world have Healthy Living programs that are based on these key areas and offer various benefits including: Personal Health Assessments (PHAs); on-site wellness programs (free biometric screenings and flu shots); expert resources and other benefits (including wellness coaching, a healthy pregnancy program, smoking cessation program, stress and sleep management programs, back care programs, disease management programs, and preventive care coverage); fitness and nutrition programs; weight management; and Healthy Decisions (including access to nurses, expert doctors for outside consulting, condition assessments and a healthy topics library).

In addition to traditional benefits including health care, savings and retirement programs, each of our locations offers Healthy Living programs designed to help our associates and their families achieve and sustain healthy behaviors at work and home. In 2014, we made a number of enhancements to our Healthy Living program, including the development of a wellness return-on-investment model, execution of two global employee education and engagement campaigns, and the development of an online best practice sharing tool. In the U.S., we added two on-site clinics in Chicago, Ill., and Wytheville, Va., expanding our Employee Health and Wellness Center footprint to 45 clinics. In addition, we offered free wellness screenings in nearly 540 locations, where more than 30,000 associates received a screening for blood pressure, glucose, body mass index and cholesterol. More than 20,000 associates also received flu shots at work.

Grassroots initiatives helped further drive health awareness throughout PepsiCo in 2014. A weight loss competition titled “Why Weight?” encouraged individuals at 93 different locations to collectively lose over 14,000 pounds. In addition, individuals at 37 locations took over 784 million steps as part of the physical activity program “Ready, Step, Move!”.

Another key aspect of PepsiCo’s employee wellness program is Healthy Money, a program through which employees are empowered to improve their financial fitness. This program provides the tools and resources, including telephonic counseling, on-site seminars or support via email, to help individuals achieve their financial goals. Healthy Money workshops and webinars have covered a broad range of employee financial concerns, including retirement and investing, funding college expenses, and cash and debt management. The program has also addressed timely topics such as understanding foreclosure and issues specific to certain segments of the employee population, such as financial planning for domestic partners. Healthy Money counselors have even been deployed in times of natural disaster and have assisted employees in applying for support from FEMA and other organizations.

In recognition of our efforts this year, PepsiCo was pleased to receive the Best Employers for Healthy Lifestyles Platinum Award from the National Business Group on Health.
TALENT ENGAGEMENT

One of the driving factors of our talent retention strategy is employee engagement. PepsiCo is ramping up associate engagement because engaged employees — employees who love their jobs and are committed to their company’s mission — tend to be more creative, more productive and less likely to leave their company. We are increasingly taking a holistic approach to associate engagement by employing both traditional methods of engagement as well as seeking out opportunities to enhance associates’ commitment to a career at PepsiCo through learning and development.

Learning and development

Our strategy for learning and development is to provide associates, from the front line to senior management, with opportunities to expand their skills and capabilities. This is accomplished through a variety of innovative solutions, including MyLearning, an enterprise-wide Learning Management System; functional learning; leadership development; and exposure to new professional “critical experiences”.

PepsiCo University is PepsiCo’s internal global learning resource. Through our Global Development Council, PepsiCo University sets priorities for global classroom and online curriculum needs. There are nine colleges within PepsiCo University:

- Finance College, which provides courses on Investor Relations/External Reporting, Audit/Risk Management, Control, Tax, Treasury, Operations and Supply Chain Finance, Sales Finance, Strategy/M&A, Business Planning, and Systems and Information Technology (IT);
- Global Procurement College, which includes a variety of e-learning courses designed to enhance the performance and professional development of procurement professionals;
- Sales College, a robust and continuously updated sales and customer management curriculum;
- Global R&D College, which provides specialized instruction in eight individual colleges: Packaging, Nutrition, Food Safety and Regulatory, Ingredient Application Science, Human Research and Science, Experience Design, Product Development and Process Engineering; and
- HR College, which is composed of seven courses that cover everything from organization design and business consulting skills to HR analytics and talent forecasting.

The remaining four colleges are Strategy College, Supply Chain College, BIS College and Marketing College.

In 2014, over 65 percent of associates in the target audiences completed courses through one or more of these colleges.

In 2014, we updated our internal learning offerings through PepsiCo University to include accelerated leadership courses around the world. In 2015, PepsiCo launched a new, global portal for PepsiCo University designed to help associates learn based on their unique needs and interests, and promote a culture of continuous learning and development. Through the portal, associates can access functional college content, information on leadership programs, a wide range of professional skills resources and connections to PepsiCo career tools.

We also encourage associates to increase their skillsets through immersive critical experiences. Critical experiences may include pioneering a new product or moving to a different country while tackling new roles and challenges over a relatively short period. These experiences expose associates to fresh perspectives and environments that help broaden their ways of thinking.
In order to drive engagement, we incorporate performance objectives related to increasing associate engagement and employee satisfaction into the annual objectives for HR associates and other key executives. We also use traditional annual and mid-year performance reviews and regular career conversations with staff to measure satisfaction. Based on the results of these reviews and regular organization-wide surveys, we can adopt the necessary changes at the work-group level and drive large-scale cultural initiatives.

**Associate retention**

An important benefit of having engaged associates is that it reduces turnover. High turnover rates may lead to a loss of institutional knowledge, decreased employee morale and costs associated with recruiting suitable replacements.

We are pleased to report that PepsiCo’s global retention rate of full-time permanent associates in 2014 was 89 percent and our hire rate for female associates was 3 percent greater than it was for males. We are working to improve these rates in the coming years where we have opportunities to improve representation in accordance with applicable laws and regulations.

### Global employment rates* (%)  

<table>
<thead>
<tr>
<th></th>
<th>ALL</th>
<th>FEMALE</th>
<th>MALE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hire Rate</strong></td>
<td>13</td>
<td>15</td>
<td>12</td>
</tr>
<tr>
<td><strong>Promotion Rate</strong></td>
<td>10</td>
<td>13</td>
<td>8</td>
</tr>
<tr>
<td><strong>Retention Rate</strong></td>
<td>89</td>
<td>89</td>
<td>89</td>
</tr>
</tbody>
</table>

*Reflects global full-time, permanent associates.

**Next steps**

PepsiCo’s work related to talent attraction, engagement and growth is ongoing and continuous. We will continue to work toward enhancing our reputation as a great place to work with particular attention on new and untapped talent and the next generation of talent. We will also look to provide new opportunities for learning and development and empowering mobility for our associates.
Community engagement

PepsiCo associates are proud community members, and one of the things that our associates appreciate about PepsiCo is that we foster associate engagement in our communities. PepsiCo provides ample opportunities for our associates to volunteer in their local communities. Additionally, the PepsiCo Foundation’s Matching Gifts program and annual Employee Giving Campaign encourage our associates to support causes they believe in with monetary donations, volunteering and/or board service. In 2014, we invested in new online tools that make giving simpler for associates and give us better visibility and control. These tools were used to pilot a “Dollars for Doers” program in 2015, where associates can earn money for a charity of their choice by volunteering their time. Additionally, in 2014, we piloted a program with Kiva.org, in which associates can direct the use of PepsiCo Foundation dollars to combat poverty by making loans to individuals who may have limited access to credit so they can start or enhance their own business, go to school and more. The program is expected to roll out globally by 2016.

One example of how our employees engage with their community takes place in Mexico, where PepsiCo associates are invited to fight youth unemployment through A Ganar, a program focused on teaching employment and entrepreneurship skills through sports. Conducted in partnership with the PepsiCo Mexico Foundation and the IDB, A Ganar focuses on “sports for development” activities to help at-risk youth acquire job expertise by building on six core sport-based skills: teamwork, communication, discipline, respect, focus on results and continual self-improvement. The program also incorporates community service activities to draw youth closer to their communities and encourage them to actively drive changes they want to see.

PepsiCo associates participate as mentors throughout all stages of the program, which enables opportunities for program participants to be identified as potential candidates for jobs within PepsiCo. Our associates are also invited to review program curriculum and provide expertise on valuable skill development. Since its inception, A Ganar has graduated over 900 young adults.

These programs help strengthen PepsiCo’s connection to our associates and our communities. For more examples on employee engagement and community activities at PepsiCo, please see the Global Citizenship section on page 97.
PepsiCo 2014 GRI Report  

Talent Sustainability  

Talent Attraction, Engagement & Growth

**PepsiCo Awards**

In 2014, it was gratifying to see the benefits of all our talent management activities — especially in the area of diversity and inclusion — reflected in numerous talent rankings. Notable recognitions include:

- Hay Group’s “Best Companies for Leadership”
- Universum’s “World’s Most Attractive Employers”
- “Best Companies for Diversity” by *Black Enterprise* magazine
- “Best Companies for Diversity” by *Hispanic Business* magazine
- “World’s Most Ethical Companies” by Ethisphere.com

We also won a multitude of local awards and rankings as a high-quality employer:

- PepsiCo Europe was ranked as the #2 Top Employer in Europe
- PepsiCo China Foods ranked as a Top Employer in China
Diversity & Engagement

Diversity is multi-dimensional, crossing age, ethnicity, faith, sexual orientation and thought. As such, we strive to create a workplace in which associates can “bring their whole selves to work” and learn and grow from a mix of abilities and perspectives. This inclusive workplace culture encourages individuals to express their ideas, which, in turn, fosters creativity and fuels innovation.

In 2014, we began evolving our commitment to diversity and inclusion into a broader, more active strategy that extends beyond inclusion to engagement and action. We refer to this strategy as Diversity & Engagement (D&E). We use D&E to attract potential candidates, drive innovation, strengthen our reputation and encourage engagement with our internal and external communities worldwide. Through D&E, we also engage on topics such as empowering and advancing women, people of color, people with different abilities and youth around the world.

We are currently reviewing our D&E goals to ensure we meet the evolving needs of the business while also continuing to gain the necessary representation of women and people of color to reflect the communities in which we operate.

Performance

PepsiCo’s approach to D&E is aligned with our approach to our overall workforce. We focus on recruiting and advancing a diverse and talented workforce, driving employee engagement, and community engagement.

To manage our performance in this area, PepsiCo has multiple D&E councils around the world that focus on the development of locally relevant D&E strategies. Each of our business units has designed local plans and targets to address challenges in their locations. Our internal quarterly progress reports provide information on current and desired representation metrics, as appropriate locally. To inspire and empower a diverse workforce at PepsiCo,

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13 U.S. Census Bureau
14 A majority-minority nation is one in which more than 50 percent of the population is composed of groups currently identified as ethnic minorities.
we leverage diversity councils, leadership engagement and mentoring, career development, and learning and development as well as flexible work arrangements and recognition programs.

RECRUITING AND ADVANCING A DIVERSE AND TALENTED WORKFORCE

Following several years of consistent representation, PepsiCo was pleased to see increased representation of women and people of color in senior executive positions between 2013 and 2014.

Despite these accomplishments, the total global female workforce at PepsiCo remained consistent with 2013 at 23 percent in 2014. In addition, executives and managers of color in the U.S. also remained consistent with 2013 in 2014 at 22 and 27 percent, respectively.

U.S. diversity statistics

<table>
<thead>
<tr>
<th>2014</th>
<th>TOTAL</th>
<th>WOMEN</th>
<th>%</th>
<th>PEOPLE OF COLOR (a)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>13</td>
<td>5</td>
<td>38</td>
<td>4</td>
<td>31</td>
</tr>
<tr>
<td>Executive Officers (b)</td>
<td>11</td>
<td>3</td>
<td>27</td>
<td>4</td>
<td>36</td>
</tr>
<tr>
<td>Executives (U.S.)</td>
<td>2,781</td>
<td>889</td>
<td>32</td>
<td>617</td>
<td>22</td>
</tr>
<tr>
<td>All Managers (U.S.)</td>
<td>18,125</td>
<td>6,048</td>
<td>33</td>
<td>4,932</td>
<td>27</td>
</tr>
<tr>
<td>All Associates (U.S.)</td>
<td>99,305</td>
<td>18,424</td>
<td>19</td>
<td>35,151</td>
<td>35</td>
</tr>
</tbody>
</table>

The data for the Board of Directors are as of Dec. 31, 2013, and do not give effect to changes to the Board after that date. Other than the Board of Directors, this chart reflects full-time associates only.

a) U.S. only; primarily based on completed self-identification forms.
b) Composed of PepsiCo Executive Officers subject to Section 16 of the Securities Exchange Act of 1934.

Women in the workforce

As an endorser of the UN Women’s Empowerment Principles, an essential part of our commitment to recruiting and attracting diverse talent is growing the participation of women in business and empowering women in local communities. Recognizing that the needs of women vary from country to country, PepsiCo works to address region-specific issues that impact the advancement of women in each market.

The Pink Line is an example of a program developed to attract and retain a diverse and talented workforce and drive employee engagement. The Pink Line was developed by PepsiCo’s Vallejo Biscuit Plant in Mexico City as
Talent Sustainability

extend maternity leave for new mothers beyond federal guidelines, make sure recruiting agencies send diverse slates of candidates, and ensure that all associates are encouraged to lead a healthy life. Through the guidance of the MAPS Management team, PepsiCo Malaysia has increased career growth for women. In the last two years, 21 percent of women have been promoted into a higher grade level and, according to an independent third-party survey, we are seeing improvements in associates feeling valued at PepsiCo and willingness to recommend PepsiCo as an employer.

Talent Corporation Malaysia, a government bureau that addresses workforce development for the Malaysian Prime Minister, recognized PepsiCo Malaysia with its “Life at Work Award” in 2014. This award celebrates companies with workplace strategies that strive to assist associates in achieving success at work and in their personal lives by promoting diversity, work-life integration and flexible work arrangements.

To celebrate the accomplishments of women at PepsiCo, we also assembled a collection of essays titled *Sky’s the Limit* from female leaders in Asia, Middle East and Africa. These women shared their personal and professional journeys and offered tangible examples of how PepsiCo’s flexibility in addressing their needs empowered them both personally and professionally. Through these insightful and inspiring stories, we see the results of PepsiCo’s efforts within communities. *Sky’s the Limit* is more than just a book, it has become a motto for the women of PepsiCo.

**Equal remuneration**

PepsiCo is committed to equal pay for equal work regardless of race, color, religion, sex, sexual orientation, gender identity, age, national origin, disability or veteran status or any other protected category under applicable law. As the table on page 88 demonstrates, at the executive and management levels,
Talent Sustainability

Diversity & Engagement

female and male salaries were within less than 2 percent of each other. The greatest discrepancy is at the non-management level, where women are earning base salaries 46 percent higher than the base salaries for men in similar roles because men typically occupy the lowest-level jobs that require the most manual labor.

<table>
<thead>
<tr>
<th>Ratio of average women’s salaries to men’s salaries</th>
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<tbody>
<tr>
<td><strong>Average Executive Base Salary</strong></td>
</tr>
<tr>
<td><strong>Average Management-Level Base Salary</strong></td>
</tr>
<tr>
<td><strong>Average Management-Level Remuneration</strong> (base salary + other cash incentives such as bonus)</td>
</tr>
<tr>
<td><strong>Average Non-Management-Level Base Salary</strong></td>
</tr>
</tbody>
</table>

DRIVING EMPLOYEE ENGAGEMENT

PepsiCo’s Employee Resource Groups (ERGs) provide opportunities for connection and support for associates while serving as an important resource for the company. ERGs are strategic business partners committed to driving an engaged culture, while also fostering innovation and growth. Our active ERGs play an important role in driving employee engagement opportunities.

Each PepsiCo division has the following core ERGs:

- MOSAIC (African Americans);
- PAN (PepsiCo Asian Network);
- EQUAL (Gay, Lesbian, Bisexual & Transgender);
- Adelante (Latinos/Hispanics);
- EnEnable (People with Different Abilities); and
- Women’s Inclusion Network (WIN).

Some divisions have additional groups such as Women of Color Multicultural Alliance, ASPIRE (support professionals), RISE (Native Americans), VALOR (U.S. veterans) and CONN3CT (young professionals).

These groups help connect PepsiCo to our markets through strategic events and initiatives. For example, MOSAIC sponsored a first-of-its-kind event titled “Dream Bold: Impacting Culture,” at iHeartMedia’s headquarters in New York City. The event assembled thought leaders from the business community to discuss multicultural marketing and the impact of African-American culture on PepsiCo’s brand. The event, co-hosted by the Marcus Graham Project, gathered more than 100 associates, media partners, innovators and influencers. Speakers included Bozoma Saint-John, head of consumer marketing, iTunes and Beats Music, among others. In addition to the rich discussion, the event raised awareness about MOSAIC, and there were nearly 800 tweets and more than 50,000 online media impressions.

Around the globe, we conducted several campaigns to engage associates to express their individuality and celebrate diversity at PepsiCo. In celebration of International Women’s Day, associates sent in pictures and a one-word description of themselves. PepsiCo Europe executed a campaign called “Be the face of PepsiCo” in which European associates submitted photos of themselves to contribute to the development of a new brand identity for D&E in Europe.

PepsiCo India unveiled a music video for a PepsiCo Anthem, sung by 20 associates and performed by 40 associates across the country in celebration of its 25th anniversary. The music video is a tribute to India, its diversity and the millions of people from all walks of life who consume
Talent Sustainability

Next steps

We will continue to grow our leading-edge work in diversity and inclusion by evolving our efforts to create and leverage engagement. Through our Global Diversity councils and ERGs, we will continue to drive locally relevant initiatives to bring to life the very model of a company where diverse talent and thinking thrives and fuels innovation and growth.

Community engagement

The PepsiCo Foundation supports youth development around the world through a variety of grants aimed at providing safe and enriching educational opportunities for girls.

For example, in 2014, the PepsiCo Foundation provided funds for the Healthy School, Healthy Community project at the Gashora Girls Academy of Science and Technology (GGAST) in Rwanda. GGAST is a university-prep boarding school founded through a partnership between the Rwandan government and the nonprofit Rwanda Girls Initiative (RGI) that seeks out the best and brightest students across the country. Its approach to education is focused on the “whole girl,” offering quality education through science, technology, engineering and mathematics (STEM) curriculum and 21st century skills such as leadership, critical thinking and problem solving.

The PepsiCo Foundation grant supported the implementation of the Healthy School, Healthy Community project at GGAST, expanding the existing GGAST agriculture program through the development, operation and replication of a productive farm on the school’s campus. This program furthers PwP goals under each of the Human, Environmental and Talent PwP pillars:

1. Under Environmental Sustainability, it furthers sustainable agriculture through the training of girls and the community through the school’s agricultural, health and community center program.

2. Under Talent Sustainability, it furthers youth employability, as the revenue stream (from selling products in the community) and cost savings (from consumption of the produce in the dining hall) enables more girls to stay in school and receive more education.

3. Under Human Sustainability, it furthers healthy lifestyles and affordable nutrition by providing healthy meals for the improved neurocognitive development of the students and makes fresh produce and health education available to the community.
Workplace Safety

Introduction

There are inherent risks in any business operation. At PepsiCo, one of the greatest risks to the health and safety of our associates are motor vehicle accidents. As of 2010, the total number of road traffic deaths worldwide was consistently high, at 1.24 million per year with only 7 percent\(^{15}\) of the population protected by road safety laws that address key risk factors associated with driving. The nature of our business requires that many of our associates face these risks every day. Keeping our associates safe is critical to our success. By empowering our associates through awareness and safety training, we can also reduce lost time, prevent shutdowns and avoid costly lawsuits.

Protecting the safety, health and well-being of our associates around the world is one of our top priorities. We aim to support and sustain a culture of safety within PepsiCo, with the aspiration of achieving an incident-free workplace. This aim underpins our core Values and helps us deliver on PwP.

In 2014, Indra Nooyi, our CEO and Chairman, urged PepsiCo health and safety leaders from around the world to:

- Go beyond their businesses to think and act like a global function, recognizing that environmental incidents or unsafe practices reverberate throughout the entire company;
- Go beyond compliance with local regulations, because simply complying with the law will not make us best-in-class; and

\(^{15}\) World Health Organization Global Status Report on Road Safety 2013.

Performance

At PepsiCo, we believe that systems can be put in place to help prevent environmental incidents and occupational injuries. We adopted our EHS Policy to establish our commitment to environmental protection and occupational health and safety at every level.

In order to ensure compliance with our EHS Policy throughout our operations, each PepsiCo business develops an annual health and safety plan that includes site-specific strategies and targets. The implementation of these plans is administered by health and safety professionals within each business. These leaders have specific health and safety objectives within their Performance Development Reviews. Safety committees or coordinators are also present and active in all company-owned manufacturing plants.

In 2014, our Global ECC and the HSLC came together as one function within PepsiCo to form the Environmental, Health and Safety Leadership Council (EHSLC). The EHSLC governs environmental compliance and occupational health and safety throughout the company. The EHSLC reports to the PepsiCo EHS Executive Committee, which meets twice a year. The EHS Executive Committee is responsible for implementing our Global Roadmap to Health and Safety Excellence.

Implementation of our EHS Policy is further supported by the PepsiCo GEHSMS, which sets global standards for risk areas across our business.

In 2014, all company-owned plants completed GEHSMS assessments to investigate the effectiveness of their health and safety programs and developed action plans. During a GEHSMS assessment, a site is evaluated on...
the implementation of each of our 42 EHS Standards. Answers are scored as Red, Amber or Green according to specific evidence requirements. If a site scores Red or Amber on a question, it generates a “nonconformance” finding, against which corrective actions are created. We also conducted independent, third-party GEHSMS audits at 68 company-owned plants in 2014. Our review of health and safety programs emphasized performance in the “Top 6” health and safety risk areas:

- Confined spaces
- Machinery safety
- Hazardous energy
- Working at height
- Vehicle safety
- Contractor management

Globally in 2014, we improved our internal “Top 6” audit score by an average of 14 percent compared to 2013, when comparing the sites that completed the assessment in both years. Furthermore, a total of 65 PepsiCo plants have achieved OHSAS 18001 certification by independent consultants, equaling 24 additional plants since 2011. There are also 31 facilities in the U.S. that have joined the Occupational Safety and Health Administration Voluntary Protection Program, which recognizes the implementation of effective health and safety programs in the workplace.

In 2013, PepsiCo began rolling out a global EHS information system called myEHS. The system, powered by Enablon software, allows us to record and track incidents in real time, conduct audits on mobile devices and tablets, automate our metric reporting, track corrective and preventative actions, share safety alerts and best practices, and set performance goals and objectives. We continued deployment of the system in 2014 with modules for document control, environmental sustainability, water, GHGs and objectives. We had over 3,000 active users in the system and logged more than 5,000 training hours last year.

With the help of these EHS initiatives, we aim to achieve world-class health and safety performance. In 2014, the total lost time incident rate (LTIR) across PepsiCo was 23 percent lower than in 2013. PepsiCo has reduced employee LTIR by 36 percent since 2012 and 58 percent since 2011.

<table>
<thead>
<tr>
<th>Total global LTIR</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global LTIR (per 1 million hours)</td>
<td>8.99</td>
<td>5.80</td>
<td>4.80</td>
<td>3.68</td>
</tr>
</tbody>
</table>

Our scope of LTIR reporting, based on hours worked, consists of 50 percent operations (manufacturing plants) and 50 percent sales (salespeople, drivers, warehouses not attached to plants). It is important to note that the health and safety risk profile of our sales force differs from that of our operations force. The nature of work in the sales sector has inherently greater ergonomic risks presented by stocking shelves and lifting products, as well as additional challenges in implementing alternative duties after an incident. We set intentionally aggressive goals for improving our health and safety performance within this sector to try and minimize these risks.

In 2014, our sales force LTIR was 5.33, while operations LTIR was only 2.05. We reduced the sales LTIR by 31 percent compared to 2013 and 40 percent compared to 2012. Looking forward, we will work to maintain our health and safety performance in our operations and increase our focus on safety in our sales force.
PepsiCo is equally concerned with the health and safety of our contract workers. We record and report LTIR of dependent contractors, who accounted for around 18 percent of our total hours worked in 2014. LTIR was 1.00 per one million contract hours worked for PepsiCo. This is 3 percent less than 2013 and 65 percent less than 2011.

PepsiCo EHS Standards describe our expectations for managing contractor health and safety, including selection and hiring of contractors, as well as risk assessment, contractor safety rules, training, auditing and monitoring. Many of our contractors are employed as suppliers and are governed by the SCoC. We conduct internal audits of the implementation of EHS Standards related to contractors and have improved our internal conformance score to 76 percent in 2014. The average improvement in scores for sites that completed the assessment in both 2014 and 2013 was 11 percent.

### Global LTIR by employment type

<table>
<thead>
<tr>
<th>GLOBAL LOST TIME INCIDENT RATES (PER 1 MILLION HOURS)</th>
<th>FY 2011</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employees</strong></td>
<td>10.15</td>
<td>6.65</td>
<td>5.55</td>
<td>4.29</td>
</tr>
<tr>
<td><strong>Contractors</strong></td>
<td>2.85</td>
<td>1.53</td>
<td>1.03</td>
<td>1.00</td>
</tr>
</tbody>
</table>

We regret that in 2014, 11 PepsiCo associates and four contractors lost their lives while working for us. The majority of our fatalities were the result of motor vehicle accidents and security-related incidents. We operate large fleets in many high-risk countries where traffic fatalities are a serious public health and safety issue. We continue to actively implement defensive driver training by mandate and in accordance with our global EHS Standard for Commercial Vehicle Safety. We train our drivers using either Smith System defensive driver training or our in-house training called TEST (Ten Easy Safety Tips) Drive. In high-risk countries, we have implemented state-of-the-art behavior-monitoring devices to provide drivers with feedback on their speed, harsh accelerations or decelerations, wearing of seatbelts and other safety factors.

In 2014, PepsiCo became a founding member of the Together for Safer Roads (TSR) Coalition. This coalition was founded by PepsiCo, Anheuser-Busch InBev, AIG, AT&T, Chevron, Ericsson, Facebook, IBM, iHeartMedia and Walmart. It supports the goals of the UN Decade of Action for Road Safety and aims to improve road safety, vehicles and systems; reduce deaths and injuries from road traffic; and promote safer road users, advocacy and thought leadership. TSR Coalition members together employ over 3 million people, operate in 200 countries and drive at least 3 billion miles each year.

We believe that occupational fatalities are unacceptable. We continue working to enhance safety in our “Top 6” risk areas and have seen a significant decrease of fatalities in those areas.

### Next steps

Our strategy moving forward with health and safety is to focus on sales associates, while not losing momentum in operations. We will use proactive approaches based in behavioral science and technology to support behavioral changes and drive performance improvement. We will continue to use the PepsiCo Operating Model to standardize and replicate best practices across sectors, including vehicle design and black box technology, capability building with training and systems, employee and community engagement, wellness, care, and occupational health.
Health and safety excellence in Thailand
In 2014, the PepsiCo Thailand Foods Lamphun Plant received the “National Outstanding Establishment Award in Safety, Occupational Health and Working Environment.” The award, presented by the Department of Labor Protection and Welfare of Thailand’s Ministry of Labor, recognizes the plant’s advancement of occupational safety, health and the environment in the workplace.
Human Rights

Introduction

Respecting human rights is a critical issue for PepsiCo and is enshrined in our values, policies and strategy. The UN Guiding Principles on Business and Human Rights establishes the role of business to respect human rights by knowing their actual and potential impacts, preventing and mitigating abuses, and addressing adverse impacts. While the aim is clear, achieving this is complicated, as evidenced by the number of new external initiatives to guide and rate business performance on human rights. These include, among others, the UN Guiding Principles Reporting Framework, the Corporate Human Rights Benchmark and the emergence of National Action Plans, which define country-specific government expectations for businesses to respect human rights around the world. We utilize these frameworks and others to benchmark and improve our human rights programs and performance.

Performance

As a signatory to the UN Global Compact, PepsiCo is committed to respecting all of the human rights described in the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work.

Our Human Rights Workplace Policy, Global Code of Conduct (Code) and Supplier Code of Conduct (SCoC) set out the standards we expect our employees and the people who do business with us to uphold. We have prioritized the following rights:

- Provide fair and equitable wages, benefits and other conditions of employment in accordance with local law;
- Recognize employees’ right to freedom of association;
- Provide humane and safe working conditions;
- Prohibit forced or child labor; and
- Promote a workplace free of discrimination and harassment.

We have in place programs to assess risk and audit and tackle problems found at our own sites and with key direct suppliers and farms in our value chain. We believe these are the parts of our value chain where we can have the greatest impact and where we believe the greatest risks to human rights exist. We regularly review potential areas of risk throughout our value chain so that we can consider and address emerging issues. Through our extensive engagement with NGOs and others, we know that while we apply our policies equally to everyone, there may be an opportunity to provide additional support for women and migrant workers involved in agriculture in our value chain, as they can be particularly vulnerable to food security, land rights and poor management issues.

In 2014, we prioritized 170 on-site social audits of our top 1,500 supplier sites based on supply criticality to our operations, country of origin, material type, and site function using the Supplier Ethical Data Exchange (Sedex) risk assessment tool. We also extended our SFI tool for farmers to nearly 600 growers in 2014, which includes a social pillar that addresses human rights issues.

GOVERNANCE

PepsiCo’s Human Rights Operating Council (HROC), chaired by our SVP, Chief Counsel, Global Human Resources and Chief Human Rights Officer, is made...
TRAINING

Our Code, which sets out our expectations on human rights as well as related issues such as compliance and ethics, applies to all employees of PepsiCo, its subsidiaries and joint ventures over which PepsiCo has management control and every officer and director of these companies. The Code is available in 30 languages on our internal and external websites and is promoted annually through our global Training Program and Awareness Campaign, which, in 2014, included internal distribution to employees, online training and certification for over 65,900 salaried employees and face-to-face training sessions for over 173,000 hourly employees.

Our SCoC is based on the ILO, UN Global Compact and other internationally recognized standards. Its 13 principles include basic compliance with applicable law; respect for human rights and prohibition of all forms of forced or compulsory labor, ensuring no child labor is used; and cooperation with reasonable assessment processes requested by PepsiCo. The SCoC has been translated into 25 languages and is included in procurement contracts globally, as defined in our Contract Management Policy. We have controls in place to ensure policy compliance.

In 2014, our SCoC e-learning training module was made publicly available in six languages on www.pepsico.com to ensure understanding of this code. All of our top 1,500 targeted key suppliers completed the SCoC training, along with an incremental 400 contracted suppliers. The SCoC e-learning module was also made available to over 1,100 outsourced contract workers who also certified compliance to our SCoC. This action helps to ensure suppliers understand the SCoC principles, including our communicated expectation that our suppliers “do business the right way” and support our goal of long-term sustainable supply by addressing known social risks and building management capability in their operations.

Respect for human rights is also one of the key pillars of our SCoC, alongside health and safety, environmental compliance, business integrity, and quality and food safety. In 2014, PepsiCo established a Sustainable Supply Chain Council to monitor compliance with this code.

Please see the Compliance section of this report for more information on our Code and SCoC training and grievance mechanisms.
Talent Sustainability | Human Rights

GRIEVANCE MECHANISMS
All employees are encouraged to ask questions, raise issues and seek guidance when a course of action is unclear. Furthermore, all employees have an obligation to report suspected violations of our Values, our Code, our policies or applicable law whenever they arise. Our employees have several avenues for reporting issues and seeking advice, including their manager, HR, the PepsiCo Law Department, the Global Compliance and Ethics Department, and the Speak Up hotline. Our Speak Up program is an important component of our culture of ethics and integrity. It is operated by an independent third-party vendor to provide employees, consumers, business partners and other third parties with a 24/7 anonymous and confidential means of seeking guidance and reporting potential violations of our Values, our Code, our policies or applicable law. Reports can be made via dedicated toll-free phone lines in 61 countries and 38 languages or by using the Speak Up Webl ine, which is available in 25 languages. Speak Up is widely promoted at PepsiCo through on-site posters at all facilities and office locations, on company internal and external websites, and in our annual online Code training, which is completed by 65,900 employees annually.

ANTI-HARASSMENT
PepsiCo adopted our zero-tolerance Global Anti-harassment and Anti-discrimination Policy to protect our associates from any type of harassment or discrimination based on race, color, religion, sex, sexual orientation, gender identity, age, national origin, disability or veteran status, or any other protected category under applicable law. This includes harassment by other associates and third persons encountered at work, including customers, visitors or vendors of PepsiCo. The policy sets forth guidelines to define and identify harassing conduct.

FREEDOM OF ASSOCIATION
Unions represented 46 percent of union-eligible PepsiCo associates around the world in 2014. PepsiCo fully complies with all laws regulating collective bargaining and recognizes the right to freedom of association. This means that, consistent with the law and company policy and procedures, associates shall have the right to assemble, communicate and join associations of their choice or not. PepsiCo works closely with union representatives in order to ensure that the rights and safety of these associates are protected. We are committed to respecting the freedom of association, and this principle is embodied in our Code, SCoC and Human Rights Workplace Policy. In 2014, 286 collective bargaining agreements addressed health and safety. Minimum notice periods regarding operational change and human rights vary in these agreements between zero and 120 days. Less than one percent of working time was lost due to industrial disputes, strikes and/or lockouts.

Next steps
We are evolving our ability to assess risk, audit and solve issues with our suppliers through our enhanced Sustainable Sourcing Program (SSP). In 2014, we contracted a global service provider for program management. Through the SSP, we seek to ensure that our suppliers, vendors and business partners are doing business the right way and that PepsiCo looks beyond traditional aspects of cost, quality and consistent supply to human rights and related issues. We developed the SSP to help ensure PepsiCo meets our ongoing commitment to continuously improve responsible sourcing practices throughout our supply chain. The program will roll out during 2015.

PepsiCo will also continue to engage with a wide range of stakeholders on human rights issues to improve our understanding of potential risks, share best practices and ensure that our human rights policy and programs are fit for purpose. During 2015, we will undertake a fundamental review of our human rights policy with an external NGO.
Global Citizenship

Why does it matter?

As an organization that operates in every corner of the world, we believe in respecting, supporting and investing in the people and communities that we serve. We are committed to being the best neighbors we can be.

PepsiCo has the ability to support positive social change around the world. We are committed to giving back to the communities that support us and understand the need for responsible corporate citizenship. The ways in which our products and our company are viewed by the public, especially our consumers, is critical to our long-term business success. Many communities around the world continue to struggle to address fundamental societal and systemic challenges. By aligning our Global Citizenship strategy with PwP, we aim to help address these challenges for people and communities around the world.

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What is our strategy?

The PepsiCo Global Citizenship strategy focuses on pursuing internal and external efforts that can create new possibilities for the communities in which we live and work. We align our strategy with the three PwP pillars to ensure we are addressing issues of importance to our stakeholders, communities and business. Within the pillars, we have defined six strategic imperatives to help communities build and secure strong futures:

**Human Sustainability**
- Encourage Healthy Lifestyles
- Improve Availability of Affordable Nutrition

**Environmental Sustainability**
- Provide Access to Safe Water
- Enhance Sustainable Agriculture Capability

**Talent Sustainability**
- Improve Youth Employability
- Empower Women Economically

This strategy allows us to integrate our philanthropic efforts with our Human, Environmental and Talent Sustainability goals to deliver great performance while doing the right thing.

What are we doing about it?

“We believe doing good is good for business, and our Global Citizenship vision guides the philanthropic efforts of PepsiCo, the PepsiCo Foundation, and our employees to respect, support and invest in the local communities we serve.”
— Sue Norton, Vice President, Global Citizenship and Sustainability

We implement our Global Citizenship strategy through the PepsiCo Foundation, which is committed to developing sustainable partnerships and programs in underserved regions that provide opportunities for improved health, environment and education. The Foundation engages
employees through the Matching Gift programs, Employee Giving Campaigns and secondary education assistance. PepsiCo also advocates associate volunteerism and community involvement.

Key elements of PepsiCo’s philanthropic activities include:

- **Employee Engagement Programs:** We actively encourage our employees to participate in PepsiCo’s community programs. One such opportunity is the PepsiCorps program, which offers a month-long, international, skill-based volunteering experience that gives PepsiCo employees insights into societal challenges and leverages their business skills to make a positive impact on the world. For additional information on employee engagement activities related to PepsiCo’s philanthropic giving, including the Matching Gifts program and Employee Giving Campaigns, see page 83 in the Talent section of this report.

- **Commercial Initiatives and In-Kind Giving:** Our efforts are most impactful when we can bring the strength of our brands to our Citizenship efforts and demonstrate to our customers and consumers the spirit of PwP. We seek to integrate our philanthropic and business initiatives where possible, helping communities while growing our business. We also leverage PepsiCo’s products, assets and expertise to further the Citizenship agenda, such as providing critical food and beverages to victims of natural disasters or lending the expertise of our senior supply chain executives in a six-year project that ended in 2013 to improve the World Food Programme’s global capability.

- **Strategic Partnerships:** We collaborate with and award grants to organizations that can help advance our progress in Human, Environmental and Talent Sustainability priority areas. PepsiCo recognizes that we can realize an even greater impact on critical social issues by offering not only funding solutions, but also our own best resource — professional expertise. Our Community Consult Program provides professional expertise to nonprofit organizations to help them learn how to improve their operations.

### Performance

An important element of the impact of our Global Citizenship is financial giving. We seek out organizations working in areas that align with our strategy and provide financial support to develop programs, enhance capabilities and build project resilience. In 2014, PepsiCo’s combined corporate and Foundation giving totaled more than $107 million. Our associates also dedicated over 81,000 volunteer hours to various nonprofit causes, which is likely only a small portion of the actual total due to limited tracking mechanisms.

<table>
<thead>
<tr>
<th>2014 PEPSICO CITIZENSHIP</th>
<th>CONTRIBUTIONS (IN MILLIONS)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Foundation</strong></td>
<td>$30.1</td>
</tr>
<tr>
<td><strong>Corporate</strong>*</td>
<td>$6.6</td>
</tr>
<tr>
<td><strong>Divisions</strong></td>
<td>$11.5</td>
</tr>
<tr>
<td><strong>Estimated in-kind</strong></td>
<td>$58.8</td>
</tr>
</tbody>
</table>

*Corporate contributions include estimated in-kind donations of $100,000.*
Our financial contributions and volunteer efforts have helped make an impact across all of our PwP pillars. The following examples demonstrate our Global Citizenship strategy in action.

**Healthy Lifestyles (Human Sustainability)**

In 2014, the PepsiCo Foundation announced a five-year $5 million grant to the IDB to prevent malnutrition and obesity among children in Colombia, Guatemala and Mexico. The program, called Spoon, is the first regional project of its kind that seeks to simultaneously prevent undernutrition and reduce the risk of obesity in babies living in the poorest communities in Latin America.

**Access to Safe Water (Environmental Sustainability)**

We achieved our goal of partnering to provide safe water access to 3 million people by 2015 two years ahead of schedule. To date, we have contributed more than $39 million to initiatives that include water conservation, water distribution, water purification and hygiene for underserved communities in China, India, Mali, Brazil, Colombia and other Latin American countries. Based on the 2014 data submitted by grantees, PepsiCo has also already achieved its previously stated goal of partnering to provide access to safe water to 6 million people by end of year 2015.

**Improving Youth Employability (Talent Sustainability)**

As the Founding Partner of Johns Hopkins University’s Communities in Schools and City Year’s “Diplomas Now” program, the PepsiCo Foundation has committed over $16 million toward improving youth graduation rates in the worst-performing high schools since 2008. Starting from just one school in Philadelphia, today Diplomas Now is operating in 33 schools in 13 cities, reaching approximately 26,000 primarily African-American and Latino students. Our employees further support these programs by acting as mentors to students at high schools in our New York and Chicago headquarters locations. In core schools, early results show a 62 percent decrease in suspended students, a 58 percent decrease in students failing English and a 54 percent decrease in students failing math. A government-supported randomized control test is expected to show an increase in graduation rates of 20 percentage points by 2018. Already, independent school districts across the U.S. are adopting the model, benefiting 5 million students. In 2015, the PepsiCo Foundation adopted a similar model of partnership for sustained impact with “Clavo para el Futuro” (Key to the Future), a partnership with the International Youth Foundation with a goal of helping to improve the workforce readiness of 30,000 students in Mexico’s public technical high school system, CONALEP.
Employee volunteerism in our communities

PepsiCo employees and the PepsiCo Foundation support communities all over the world. The following examples illustrate the efforts of PepsiCo’s dedicated volunteers and the impact our people have made in their communities and the communities of others.

PepsiCo days of service in North and South America

During the month of October, nearly 3,800 PepsiCo employees in 17 countries across North and South America donated their time and talent to improve local communities and provide assistance to the people who live there. As part of this event, PepsiCo sponsored the seventh annual “PepsiCo Gives Back” in the Greater New York City area. Employees from PepsiCo’s headquarters and other regional offices and facilities volunteered for programs that support the sick and disabled, children and underprivileged youth, low-income and disadvantaged families, the unemployed, and veterans and servicemen and -women. Similar events and programs were held in Chicago and the Dallas/Plano, Texas, area.

Building communities in South and Central America

PepsiCo employees from 16 countries in South and Central America supported PepsiCo’s “Building Communities” initiative, which works in the region to improve access to water and education, empower women, and help children grow and develop through infrastructure improvements, community organization and the development of human capabilities. Volunteer efforts supported programs near PepsiCo plants and distribution centers, as well as PepsiCo supplier farms.

“I am a Volunteer” in Mexico

In Mexico, hundreds of PepsiCo employees took part in “I am a Volunteer,” a three-week community service program sponsored by PepsiCo Mexico. Organized through a social media campaign, the effort turned out employees from more than 25 PepsiCo facilities. PepsiCo volunteers supported efforts to assist underserved communities in eight cities across Mexico. In Vicentina City, for example, PepsiCo volunteers provided long-overdue facility maintenance at Ciudad Vicentina, a primary school that serves approximately 800 underprivileged children.

Helping Hands in Asia Pacific

PepsiCo Asia Pacific associates participated in Helping Hands Month, the region’s employee volunteer and community program in August. The program brought together more than 550 associates to volunteer more than 2,300 hours and raised more than $50,000 for local charity partners. Helping Hands builds upon our existing corporate Citizenship projects in the region, such as providing disadvantaged communities access to safe water through WaterHope in the Philippines and Vietnam; feeding the hungry through the Australia Food Bank; mentoring female students through Pakistan’s “I Am PepsiCo” program; and minimizing possible flooding in rural communities through the Check Dam project in Thailand.
Next Steps

PepsiCo will continue to find ways for the company and our employees to improve and strengthen the communities where we live and work. Moving forward, the PepsiCo Global Citizenship program will continue the “Dollars for Doers” program through which U.S.-based employees can earn money for a charity of their choice by volunteering their time.
Corporate Governance

Why does it matter?

Strong corporate governance is and has been a long-standing priority at PepsiCo. We believe it is the foundation for financial integrity, investor confidence and superior performance. Our reputation depends on strong leadership and the superior management of all aspects of our business. Our resilient governance structure creates long-term value for our shareholders while allowing us to prioritize ethical business practices. We maintain open channels of communication between stakeholders and PepsiCo senior leaders, which enables us to respond to the issues that matter most. Finally, we believe that it is our responsibility to incorporate our corporate Values into every aspect of our business and every decision that we make. This integration of value-based decision-making is embedded into our governance structure and sets us apart from our competitors and safeguards our integrity as a sound corporate citizen.

“While not new, the importance of strong corporate governance has been amplified in recent years by the rise of digital technology and increased access to information. Thanks to Performance with Purpose and our solid foundation of governance, we are well-positioned to lead in a world that will continue to be defined by these key forces.” Indra K. Nooyi, Chairman and Chief Executive Officer, PepsiCo, Inc., Annual Shareholder Meeting, May 6, 2015

What are we doing about it?

PepsiCo is guided by PwP — our goal to deliver top-tier financial performance while creating sustainable growth and shareholder value. At PepsiCo, sustainability is not viewed as tangential to the business, or a program solely owned by a dedicated team. Because sustainability matters are integrated into, and not separate from, PepsiCo’s business, the full Board considers sustainability issues an integral part of its business oversight. For example, the Board considers sustainability issues in its oversight of such areas of focus as capital allocation, supply chain management, talent retention and portfolio innovation. The Board has delegated day-to-day responsibility for sustainability to senior management of the company.

We approach Board succession planning with the same rigor that we apply to our business strategy. The Board has a robust, year-round succession planning process and spends a significant amount of time and effort evaluating director candidates, including maintaining an “evergreen” compilation of...
potential candidates organized by strategic skillset that is reviewed generally at every regularly scheduled Board meeting. The Board is particularly focused on identifying individuals whose skills and experiences will enable them to make meaningful contributions to the shaping of our business strategy and who will bring diverse and balanced perspectives to the boardroom. As one would expect of a large, global organization, our Board is highly diverse in terms of experience, capability, nationality, ethnicity and gender.

Talent development and aligning pay with performance are essential to our success. Our Board’s involvement in leadership development and succession planning is systematic and ongoing, and the Board provides input on important decisions in each of these areas. In particular, our executive officer succession plans, including for our CEO, are reviewed regularly by the full Board, and our Board members meet regularly in both small-group and one-on-one settings with our senior executives as part of the process of assessing their potential to succeed to the CEO position. Our commitment to talent development also includes providing market-competitive compensation programs that enable our company to attract and retain highly talented individuals, with pay directly linked to the achievement of short- and long-term performance goals that foster the creation of sustainable shareholder value.

Our corporate governance policies reflect best practices, including:

- Annual election of all directors;
- Majority voting and director resignation policy for directors in uncontested elections;
- Independent presiding director with clearly defined and robust responsibilities;
- Maintaining director independence, with 13 out of 14 current directors independent;
- Required attendance of incumbent directors at Board and committee meetings — in 2014, attendance was 98 percent on average;
- Rigorous stock ownership requirements for directors;
- Annual Board and committee self-evaluations;
- Robust, year-round Board succession-planning process;
- Executive sessions of independent directors held at each regularly scheduled Board meeting; and
- Prohibition of hedging or pledging company stock.

The following are some of the corporate governance documents, committee charters and policies that are the basis for managing our governance efforts:

- Amended and Restated Articles of Incorporation
- By-Laws
- Corporate Governance Guidelines
- Audit Committee Charter
- Compensation Committee Charter
- Nominating and Corporate Governance Committee Charter
- Global Code of Conduct
- Related Person Transaction Policies and Procedures
## GRI indicators

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<thead>
<tr>
<th>MATERIAL ASPECT</th>
<th>ASSOCIATED GRI INDICATORS</th>
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| **Corporate Governance** | **G4-34**  Governance structure of organization, including committees of highest governance body  
**G4-37**  Process for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body  
**G4-38**  Report the composition of the highest governance body and its committees  
**G4-39**  Report whether the chair of the highest governance body is also an executive officer  
**G4-40**  Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members  
**G4-49**  Report the process for communicating critical concerns to the highest governance body  
**G4-51**  Report the remuneration policies for the highest governance body and senior executives  
**G4-56**  Describe the organization’s values, principles, standards and norms of behavior such as codes of conduct and codes of ethics  
**G4-LA16**  Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms  
**G4-SO4**  Communication and training on anti-corruption policies and procedures |
Board leadership structure (G4-34, G4-38, G4-39, G4-40)

PepsiCo’s Board of Directors is responsible for overseeing the business strategy and affairs of the company. The Board is currently composed of 14 directors, including our Chairman and CEO and 13 independent members. One of the independent directors serves as the Presiding Director, providing effective independent oversight of PepsiCo’s business and Board activities. Under the Corporate Governance Guidelines, the Board must be composed of a majority of independent directors. An independent director is a director who meets the New York Stock Exchange definition of independence, as determined by the Board. The independent directors hold executive sessions without company management present at all regularly scheduled Board meetings. The independent directors met in executive session at all six regular Board meetings in 2014.

The Board of Directors has three standing committees:

1. **Audit Committee**: The Audit Committee reviews and assesses the guidelines and policies governing PepsiCo’s risk management processes and assists the Board in its oversight of financial, compliance and employee safety risks. Our Audit Committee comprises independent directors with the financial literacy, knowledge and experience to provide appropriate oversight. The Audit Committee’s responsibilities include retaining and overseeing the work of the company’s independent registered public accountants in auditing our consolidated financial statements.

2. **Compensation Committee**: The Compensation Committee assists the Board in overseeing PepsiCo’s policies relating to compensation of our executives and makes recommendations to the Board, as appropriate, with respect to such policies. The Committee also monitors potential risks that may be associated with our compensation programs.

3. **Nominating and Corporate Governance Committee (Nominating Committee)**: The Nominating Committee is responsible for identifying qualified candidates for membership on the Board and for developing and recommending to the Board corporate governance principles and policies. The Nominating Committee is also responsible for annually reviewing our key public policy issues, including sustainability initiatives and our engagement in the public policy process.

Indra K. Nooyi serves as both the Chairman of the Board of Directors and the CEO of PepsiCo. Each year, our Board of Directors elects one of its members as Chairman by considering the best interests of PepsiCo and our shareholders. Our Corporate Governance Guidelines provide that, if the Chairman of the Board is not an independent director, the independent members of the Board will, based on the recommendation of the Nominating Committee, designate an independent director to serve as the Presiding Director.

Although our Board regularly considers and is open to different structures as circumstances may warrant, the Board believes that the current arrangement of having a strong, independent Presiding Director combined with the leadership of our combined Chairman and CEO is in the best interests of PepsiCo and its shareholders at this time.

The Presiding Director is expected to serve a three-year term and the Board evaluates the Presiding Director’s performance annually under the guidance of the Nominating Committee. The duties of our Presiding Director are as follows:

- Preside at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors;
- Serve as a liaison between the Chairman and the independent directors;
- Authority to approve information sent to the Board;
• Approve meeting agendas for the Board;
• Approve meeting schedules to assure that there is sufficient time for discussion of all agenda items;
• Authority to call meetings of the independent directors; and
• If requested by major shareholders, ensure that he or she is available for consultation and direct communication.

Our current Presiding Director is an engaged and active director who, as a current CEO of a multinational consumer products company, is uniquely positioned to work collaboratively with our Chairman and CEO, while providing strong independent oversight.

**Board diversity**

In selecting a Board, the Nominating Committee seeks diverse opinions and perspectives that are representative of our global business. While not a formal policy, PepsiCo’s director nomination processes call for the Nominating Committee, during the review and selection process, to consider a range of types of diversity, including race, gender, ethnicity, culture, nationality and geography. The Nominating Committee annually assesses the diversity of the Board and Board Committees as part of its self-assessment process.

In fulfilling its responsibility to identify qualified candidates for membership on the Board, the Nominating and Corporate Governance Committee considers the following attributes:

• Relevant knowledge, diversity of background, and experience in areas including business, finance, accounting, technology, marketing, international business and government.
• Personal qualities of leadership, character and judgment, and whether the candidate possesses a reputation in the community of integrity, trust, respect, competence and adherence to the highest ethical standards.
• Roles and contributions valuable to the business community.
• Whether the candidate is free of conflicts and has the time required for preparation for, participation in and attendance at the meetings.

**Our Board is currently composed of:**

• 50 percent female or ethnically diverse individuals
• Four women
• One African-American, one Asian and two Hispanics
• Five citizens of countries other than the U.S.
• 13 of 14 individuals from large public companies with complex multinational operations
• 13 of 14 individuals with significant global experience
The table below includes the skills and qualifications of each director:

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<tr>
<th>SKILL/QUALIFICATION</th>
<th>BROWN</th>
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Shareholder engagement  G4-37

We believe that regular, transparent communication with our shareholders and other stakeholders is essential to PepsiCo’s long-term success.

Our engagement activities have provided us with valuable feedback from shareholders and other stakeholders, who have contributed important external viewpoints that inform our decisions and our strategy. Our active engagement with investors has included direct engagement by our Presiding Director and other independent directors.

We enhanced our Proxy Statement disclosure by providing disclosure in a more accessible format and incorporating additional voluntary disclosures, including disclosures regarding our Board leadership structure and the responsibilities of our Presiding Director; the Board’s role in strategy oversight and management succession planning; and the responsibilities of the Audit Committee. The PepsiCo Board further enhanced its corporate governance policies and practices based on feedback from shareholders and other stakeholders by amending our Corporate Governance Guidelines and Committee Charters to specify the:

- Presiding Director’s duties with respect to management succession planning;
- Director and executive officer stock ownership requirements;
- Compensation Committee’s oversight of engagement efforts with shareholders on executive compensation matters; and
- Nominating Committee’s review of sustainability initiatives.

PepsiCo has had an ongoing dialogue with various shareholders and stakeholders on the important topics of Board oversight of risk and strategy; management and Board succession planning; capital allocation; nutrition; the use and labeling of genetically modified crops, which are widely used in the U.S.; the impact of PepsiCo’s supply chain on human rights and environmental matters; and various other issues.

Please see PepsiCo’s 2015 Proxy Statement for more information about Stakeholder Engagement.

PepsiCo was recognized for “Best Shareholder Engagement” by Corporate Secretary magazine at the 2014 Corporate Governance Awards.

Communications with the Board  G4-49

The PepsiCo Corporate Law Department reviews all communications sent to the Board of Directors and regularly provides a summary of communications to the Board that relate to the functions of the Board or a Board Committee or that otherwise warrant Board attention. Directors may at any time discuss the Board communications received by the company and request copies or summaries of such communications. In addition, the Corporate Law Department may forward certain communications only to the Presiding Director, the Chair of the relevant committee or the individual Board member to whom a communication is directed. Concerns relating to PepsiCo’s accounting, internal control over financial reporting or auditing matters will be referred directly to members of the Audit Committee. Those items that are unrelated to a director’s duties and responsibilities as a Board member may not be provided to the Board by the Corporate Law Department, including,
without limitation, solicitations and advertisements, junk mail, product-related communications, job referral materials such as resumes, surveys and material that is determined to be illegal or otherwise inappropriate.

Shareholders and other interested parties may send communications directed to the Board of Directors, a Committee of the Board, the Presiding Director, and the independent directors as a group or an individual member of the Board. Information on communicating with the Board is provided in PepsiCo’s 2015 Proxy Statement. Communications may also be submitted online through our website www.pepsico.com under Who We Are — Corporate Governance — Contact the Board.

Executive compensation

PepsiCo’s executive compensation programs are designed to align the interests of PepsiCo’s executive officers with those of our shareholders. We provide market-competitive programs that enable PepsiCo to attract and retain highly talented individuals with pay directly linked to the achievement of short- and long-term performance goals that foster the creation of sustainable long-term shareholder value. Our Compensation Committee sets financial targets for executive officer incentive pay aligned with the external financial goals communicated to shareholders at the beginning of each fiscal year because we believe executive officers should only receive target payouts if PepsiCo meets our financial goals.

To ensure that pay is directly linked to the creation of sustainable shareholder value, 91 percent of Chairman and CEO target total direct compensation and approximately 83 percent of the average target total direct compensation of the named executive officers disclosed in PepsiCo’s 2015 Proxy Statement is performance-based.

Our executive officers are awarded annual incentives for the achievement of annual business objectives against pre-approved targets. The business objectives reflect a combination of key financial drivers as well as strategic objectives based on an executive’s role and accountabilities aligned with PwP. These metrics may include:

- Customer satisfaction, development of a diverse and talented workforce, product quality, brand contribution, portfolio transformation, sustainable innovation; and/or
- Compliance, safety and environmental and personnel matters.

PepsiCo has a long-standing practice of engaging with shareholders on executive compensation matters. During 2014, PepsiCo’s senior management conducted a substantial number of meetings with shareholders to discuss our executive compensation programs and governance. Our Compensation Committee incorporates the feedback we receive from our shareholders into its annual review of program components, targets and payouts to maintain awareness of emerging executive compensation practices, ensure the continued strength of our pay-for-performance alignment and maintain strong shareholder support. Taking into account the strong support demonstrated by our shareholders, the Compensation Committee determined to maintain our existing executive compensation programs for 2014. At our 2015 Annual Meeting, shareholders again showed strong support for our executive compensation programs, with approximately 91 percent of the votes cast approving our advisory resolution.
Our Compensation Committee has incorporated the following market-leading governance features into our programs:

- No employment agreements for executive officers;
- No supplemental executive retirement plans for executive officers;
- Double-trigger vesting of long-term incentive awards upon change in control;
- Responsible use of shares under our long-term incentive program with share utilization below our peer group median;
- Balanced mix of top-line and bottom-line external and internal performance metrics, each set against rigorous, measurable goals within our incentive programs;
- No backdating or repricing of stock option awards;
- Hedging and pledging of company stock is prohibited;
- Financial targets for performance awards never reset;
- Clawback policy applies to executive officer annual incentive, long-term incentive and deferral programs; and
- Executive officers are subject to rigorous stock ownership requirements that continue for 12 months beyond employment.

Please see our 2015 Proxy Statement for additional information on Executive Compensation.

**Risk Management**

The achievement of our strategic and operating objectives involves taking risks. To identify, assess, prioritize, address, manage, monitor and communicate these risks across the company’s operations, PepsiCo leverages an integrated enterprise risk management (ERM) framework. This framework includes the following:

- PepsiCo’s Board of Directors has oversight responsibility for PepsiCo’s integrated risk management framework. One of the Board’s primary responsibilities is overseeing and interacting with senior management with respect to key aspects of the Company’s business, including risk assessment and risk mitigation of the Company’s top risks. The Board receives updates on key risks throughout the year. In addition, the Board has tasked designated Committees of the Board with certain categories of risk management, and the Committees report to the Board regularly on these matters:
  - The Audit Committee of the Board reviews and assesses the guidelines and policies governing the company’s risk management and oversight processes and assists the Board’s oversight of financial, compliance and employee safety risks facing the company; and
  - The Compensation Committee of the Board periodically reviews the company’s employee compensation policies and practices to assess whether such policies and practices could lead to unnecessary risk-taking behavior.
- The PepsiCo Risk Committee (PRC), which comprises a cross-functional, geographically diverse senior management group, meets regularly to identify, assess, prioritize and address our top strategic, financial, operating,
business, compliance, safety, reputational and other risks. The PRC is also responsible for reporting progress on our risk mitigation efforts to the Board.

- **Division Risk Committees (DRC),** comprising cross-functional senior management teams, meet regularly to identify, assess, prioritize and address division-specific business risks.

- **PepsiCo’s Risk Management Office,** which manages the overall risk management process, provides ongoing guidance, tools and analytical support to the PRC and the DRCs; identifies and assesses potential risks; and facilitates ongoing communication between the parties, as well as with PepsiCo’s Board of Directors and the Audit Committee of the Board;

- **PepsiCo’s Corporate Audit Department** evaluates the ongoing effectiveness of our key internal controls through periodic audit and review procedures.

- **PepsiCo’s Compliance and Ethics Department** manages the infrastructure of an integrated compliance program that involves multiple PepsiCo departments and functional experts. The department also reviews and updates the company’s processes to reflect legal, regulatory and market changes and collaborates internally to conduct both broad-based and targeted risk assessments.

Our integrated risk management framework helps us align risks and opportunities to our strategic objectives. This is achieved through a formal risk process:

- **Identification:** Annual top-down review to identify risks, which includes interviews with senior leaders and bottom-up assessments from our operating sector and key countries. Identification includes both extensive internal and external risk sources, including peer company analysis and leveraging of industry experts.

- **Assessment & Prioritization:** Each party assesses the most significant risks from a probability, impact and future outlook perspective and prioritizes them based on ability to influence/mitigate. The Risk Management Office aggregates the risk assessment information to look for trends, risk correlations and common solutions.

- **Mitigation & Monitoring:** Risk owners explicitly determine the response to each significant risk. Senior executives are assigned to each key risk, and metrics are defined to measure progress against targeted action plans.

- **Communication & Reporting:** PRC and DRCs summarize risk management efforts through regular risk maps, dashboards, heat maps and scorecards. Regular updates are provided to the PRC and Board, and include capability assessments, mitigation plans, progress, and key metrics and milestones.

- **Management:** Risk discussions are integrated into our planning process and ongoing business operating reviews, to ensure mitigation plans are fully funded and risk-tolerance levels are linked to the company’s strategic objectives and key business decision-making.

We continue to enhance the integration of our risk management framework into our strategic planning process, thereby enhancing the linkage of our key business risks and global business strategies. We leverage risk management practices not only to identify long-term trends that help formulate strategies, but also to identify key risks that could impede achieving those strategies. Integrating risk with strategy helps protect the organization from future uncertainty and exploit opportunities, thereby increasing the probability of success in achieving our corporate goals and driving improved decision-making across the organization. It is also an important element in driving a risk-aware culture across the organization. By integrating risk and strategy, we can help ensure our senior leaders are focusing on the appropriate risks and priorities for the organization as a whole.
Our strategies are designed to address our key challenges, including uncertain macroeconomic conditions; evolving consumer tastes and preferences, and changes in customer channels; and resource scarcity. We believe that many of these challenges create new growth opportunities for us. For example, we believe that continued consumer focus on health and wellness and changes in consumer and distribution channels will provide us with new opportunities to expand our product offerings and interact with our customers and consumers.

Please refer to our Form 10-K “Item 1A. Risk Factors” and 2015 Proxy Statement for additional information.

**Mission, Values and Global Code of Conduct**

Our corporate Mission and Values are the cornerstone of our governance strategy and guide the way we do business.

Our Mission is to be the world’s premier consumer products company focused on convenient foods and beverages. We seek to produce financial rewards to investors as we provide opportunities for growth and enrichment to our employees, our business partners and the communities in which we operate. As in everything we do, we strive for honesty, fairness and integrity.

PwP underpins all aspects of our operations and is our vision to succeed in the long term by creating sustained value. Our Values and our Code are the essential building blocks of PwP. Our Values and our Code provide a common set of behavioral standards and business goals, uniting all PepsiCo employees across the globe and defining how we do business the “right way.” Simply put, we believe that we do business the right way when we act ethically and consistent with our Values, our Code, our policies and the law.

Our Values are a reflection of the socially and environmentally responsible company we aspire to be. They are the foundation for every business decision we make. Our commitment is to deliver sustained growth through empowered people, acting with responsibility and building trust. We uphold our Values with six guiding principles:

- 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 the short term and long term; and
- Respect others and succeed together.

Our Code is our road map to acting ethically and in compliance with all applicable laws. It was updated in 2012 to address changes in laws and evolving risk areas, and undergoes minor edits each year to reflect new processes and policies. Our Code is organized around four principles:

- Show respect in the workplace;
- Act with integrity in the marketplace;
- Ensure ethics in our business activities; and
- Perform work responsibly for our shareholders.

Our Code applies to all PepsiCo employees (including employees of our subsidiaries), members of the PepsiCo Board of Directors when they act...
in their capacity as directors, our joint ventures over which PepsiCo has management control, and every employee, officer and director of such joint ventures. Our Code is available in 30 languages on our internal and external websites and is promoted annually through our global Training Program and Awareness Campaign. The full text of our Code is publicly available on our website: PepsiCo Global Code of Conduct

Code of Conduct training and awareness

PepsiCo’s Chief Compliance and Ethics Officer, supported by the Global Compliance and Ethics Department, maintains responsibility for overseeing the promotion, monitoring and enforcement of our Code. Each year, we conduct an annual worldwide Code of Conduct Training and Awareness program to ensure our employees understand their obligation to comply with the Code and to provide specific guidance on behaviors that are expected under the Code.

In our 2014 program, over 65,900 salaried, email-enabled employees with Internet access completed a web-based Code of Conduct training course and certified compliance to our Code. Our custom-written training course featured the theme of “Make Ethics Part of Your Daily Routine.” It was an interactive, scenario-based training written in the context of the PepsiCo business environment, and was available in 25 languages. We require 100 percent completion among all employees who meet our eligibility criteria for online training. Moreover, over 173,000 frontline employees in our plants and warehouses received in-person training on the principles of our Code and our Values through workshops.

Accompanying our training is our annual Code Awareness Campaign that promotes the Code throughout all levels of the organization. The Awareness Campaign is kicked off by a series of broadcast email messages from our CEO and other senior leaders to stress the importance of, and to set an example for, making a personal commitment to follow our Code. Awareness activities include a series of Code and Speak Up posters in 25 languages, a variety of Code-related learning aids and training tools, and distribution of our Code in some form to employees via training or other means. All Awareness Campaign activities conducted in each sector and region are reported to Global Compliance and Ethics for tracking purposes.

Throughout the year, our Code message is continually reinforced on our internal websites with dedicated online resource centers where employees can access materials to learn more about our Values, our Code, our policies and our Speak Up program. In addition, we occasionally publish articles in our PepLine employee newsletter.

In addition to our annual Code training and Awareness Campaign, other subject-matter training was conducted in 2014 to address specific compliance risk areas:

- Over 65,900 employees completed an online anti-bribery training course;
- 150 managers completed a sexual harassment prevention course;
- 10,950 U.S. beverage employees completed a course for compliance with a Federal Trade Commission Consent Order relating to our 2010 bottler acquisition;
- Over 3,400 employees completed an online “Living Our Values” online course;
- 27,900 employees completed an online Information Security training course available in 20 languages; and
- Over 20,600 employees completed an online Records Management Training course.
Supplier Code of Conduct training

Our Supplier Code of Conduct (SCoC) is based on the ILO, UN Global Compact and other internationally recognized standards. Its 13 principles include basic compliance with applicable law; respect for human rights and prohibition of all forms of forced or compulsory labor, ensuring no child labor is used; and cooperation with reasonable assessment processes requested by PepsiCo. The SCoC has been translated in 25 languages, and is included in procurement contracts globally, as defined in our Contract Management Policy. We have controls in place to ensure policy compliance.

In 2014, our SCoC e-learning training module was made publicly available in six languages on www.pepsico.com to ensure understanding of our SCoC. All of our top 1,500 targeted key suppliers completed the SCoC training, along with an incremental 400 contracted suppliers. The SCoC e-learning module was also made available to over 1,100 outsourced contract workers who also certified compliance to our SCoC. This action helps to ensure suppliers understand the SCoC principles, including our communicated expectation that our suppliers “do business the right way” and support our goal of long-term sustainable supply by addressing known social risks and building management capability in their operations.

Speaking up

Speaking up is an integral part of our ethical culture at PepsiCo. All employees are expected to ask questions and raise concerns, and every employee has an obligation to report suspected violations of our Values, our Code, our policies or the law.

We provide several avenues for our employees to report suspected misconduct. Employees can contact their managers, their HR representative, the PepsiCo Law Department, the Global Compliance and Ethics Department or our Speak Up hotline.

Our Speak Up hotline is operated by an independent third-party vendor to provide employees, consumers, business partners, community members and other third parties with a 24/7 anonymous and confidential means of seeking guidance and reporting potential violations of our Values, our Code, our policies or applicable law. Reports can be made via dedicated toll-free phone lines in 61 countries and 38 languages or by using the Speak Up Webl ine available in 25 languages. We ensure that all of our employees are aware of and know how to use our Speak Up hotline by promoting it at facilities and office locations, on company internal and external websites, and in various training programs.

When reports are received, our Global Compliance and Ethics team reviews the issue in accordance with an incident management process and our Escalation Policy. Global Compliance and Ethics works closely with and provides oversight to investigators assigned to each case within each Sector/Region to foster consistency of the investigative process, discipline and appropriate corrective actions. In 2014, our Speak Up hotline received over 5,100 contacts and reports.

PepsiCo protects our employees who raise concerns and report suspected misconduct so that they may do so without fear of retaliation. Our Global Code of Conduct and Non-Retaliation Policy prohibit retaliation against an individual who in good faith:

- Reports what he or she believes is a violation of our Values, our Code, our policies or the law;
- Raises a compliance question or seeks advice about a particular business practice, decision or action; or
- Cooperates in an investigation of a potential Code violation.
Anti-corruption

We are dedicated to operating in compliance with all applicable laws and regulations wherever we do business. Our Anti-Bribery program and our related policies reflect our strong commitment to anti-corruption in all aspects of our operations and supply chain.

Our Global Code of Conduct and our Anti-bribery Compliance policies are at the core of our anti-bribery and anti-corruption program. Our Code prohibits unethical business practices such as corruption, bribery, extortion, kickbacks and money laundering, and our Global Anti-bribery Compliance Policy prohibits any payment or any offer, promise or authorization to give anything of value to any government official or other person or entity in the private sector with intent to obtain or retain business, influence decisions or obtain an unfair advantage. These prohibitions apply to all employees, as well as to our business operations and anyone acting on our behalf, including agents, consultants, suppliers and contractors. Our commitment to anti-bribery extends into our supply chain as well. All of our suppliers and contractors are required to abide by our SCoC, which lists similar prohibitions against corruption and bribery.

Our Anti-bribery program at PepsiCo includes annual training on our Global Anti-bribery Compliance Policy. In 2014, over 65,900 salaried, email-enabled employees with Internet access completed an online training course on anti-bribery and certified compliance with our updated Global Anti-bribery Compliance Policy. We require 100 percent completion among all employees who meet our eligibility criteria for online training. The course, custom-written to address issues specific to PepsiCo, is available in 25 languages. In addition, over 8,800 employees participated in in-person anti-bribery training sessions in countries around the world. Members of our Law Department or our Global Compliance and Ethics Department conduct the in-person anti-bribery training, which includes variances in country-specific laws, real case studies and face-to-face question-and-answer sessions.

Our commitment to anti-bribery and anti-corruption is also reflected in our Worldwide Gifts Policy and Travel & Entertainment Policy. These policies prohibit employees from giving or accepting a gift to or from a customer or supplier unless it is nominal in value and frequency, has a legitimate business purpose, is in good taste, is consistent with accepted business practices, is not offered to gain unfair advantage, will not create an appearance of impropriety and is permitted by our policies and applicable law. Similar rules govern the exchange of meals and entertainment. Our commitment to acceptable gift-giving is also reinforced in our annual Code training.
This report was developed “in accordance” with the Global Reporting Initiative’s (GRI) G4 Guidelines at the core level. Through our materiality determination process we have identified aspects that reflect PepsiCo's economic, environmental and social performance. Each aspect is specific to PepsiCo business operations and may cover multiple topics as defined by GRI. Unless otherwise noted, we use GRI-defined indicators to demonstrate performance for each aspect. Indicators with “FP” correspond to the G4 Food Processing Sector Disclosures. For more information on the Global Reporting Initiative, please visit globalreporting.org.

### FINANCIAL AND CORPORATE GOVERNANCE PERFORMANCE

<table>
<thead>
<tr>
<th><strong>Strategy and Analysis</strong></th>
<th>G4-1  CEO Letter</th>
<th>Fully</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company Profile</strong></td>
<td>G4-3  Name of the organization</td>
<td>Fully</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>G4-4  Primary brands, products and/or services</td>
<td>Fully</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>G4-5  Location of organization’s headquarters</td>
<td>Fully</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>G4-6  Number of countries where the organization operates</td>
<td>Fully</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>G4-7  Nature of ownership and legal information</td>
<td>Fully</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>G4-8  Markets served</td>
<td>Fully</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>G4-9  Scale of the reporting organization</td>
<td>Fully</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>G4-10 Report the total number of employees by employment contract and gender</td>
<td>Fully</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>G4-12 Describe the organization’s supply chain</td>
<td>Fully</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>G4-EC1 Direct economic value generated and distributed</td>
<td>Fully</td>
<td>5</td>
</tr>
<tr>
<td><strong>Performance with Purpose</strong></td>
<td>G4-35 Process for delegating authority for economic, environmental and social topics</td>
<td>Fully</td>
<td>8–9</td>
</tr>
<tr>
<td></td>
<td>G4-36 Executive-level responsibility for economic, environmental and social topics</td>
<td>Fully</td>
<td>8–9</td>
</tr>
<tr>
<td></td>
<td>G4-45 Report the highest governance body’s role in the identification and management of economic, environmental and social impacts, risks and opportunities</td>
<td>Fully</td>
<td>8</td>
</tr>
<tr>
<td>GRI Index</td>
<td>PARTIALLY (P) OR FULLY (F) REPORTED</td>
<td>PAGE #</td>
<td></td>
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<tr>
<td>-----------</td>
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<td></td>
</tr>
<tr>
<td><strong>G4-51</strong> Report the remuneration policies for the highest governance body and senior executives</td>
<td>Fully</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td><strong>G4-56</strong> Describe the organization’s values, principles, standards and norms of behavior such as codes of conduct and codes of ethics</td>
<td>Fully</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td><strong>Stakeholder Engagement</strong> <strong>G4-DMA</strong></td>
<td>Fully</td>
<td>10–11</td>
<td></td>
</tr>
<tr>
<td><strong>G4-15</strong> Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or endorses</td>
<td>Fully</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td><strong>G4-16</strong> Membership in associations and/or national/international advocacy organizations</td>
<td>Fully</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td><strong>G4-24</strong> Provide a list of stakeholder groups engaged by the organization</td>
<td>Fully</td>
<td>12–14</td>
<td></td>
</tr>
<tr>
<td><strong>G4-25</strong> Report the basis for identification and selection of stakeholders with whom to engage</td>
<td>Fully</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td><strong>G4-26</strong> Report the organization’s approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process</td>
<td>Fully</td>
<td>12–14</td>
<td></td>
</tr>
<tr>
<td><strong>G4-27</strong> Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns</td>
<td>Fully</td>
<td>12–14</td>
<td></td>
</tr>
<tr>
<td><strong>Material Aspects and Boundaries</strong> <strong>G4-13</strong> Significant changes during the reporting period regarding size, structure or ownership</td>
<td>Fully</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td><strong>G4-17</strong> Scope of financial and nonfinancial reporting</td>
<td>Fully</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td><strong>G4-18</strong> Process for defining report content</td>
<td>Fully</td>
<td>17–18</td>
<td></td>
</tr>
<tr>
<td><strong>G4-19</strong> List all material aspects</td>
<td>Fully</td>
<td>18–19</td>
<td></td>
</tr>
<tr>
<td><strong>G4-20</strong> Boundary of the report</td>
<td>Fully</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td><strong>G4-21</strong> Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities</td>
<td>Fully</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td>GRI Index</td>
<td>PARTIALLY (P) OR FULLY (F) REPORTED</td>
<td>PAGE #</td>
<td></td>
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<tr>
<td>-----------</td>
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</tr>
<tr>
<td>G4-22</td>
<td>Explanation of the effect of any restatements of information provided in earlier reports</td>
<td>Fully 20</td>
<td></td>
</tr>
<tr>
<td>G4-23</td>
<td>Significant changes from previous reporting periods in the scope and aspect boundaries</td>
<td>Fully 19</td>
<td></td>
</tr>
<tr>
<td>G4-28</td>
<td>Reporting period</td>
<td>Fully 19</td>
<td></td>
</tr>
<tr>
<td>G4-29</td>
<td>Date of previous report</td>
<td>Fully 19</td>
<td></td>
</tr>
<tr>
<td>G4-30</td>
<td>Reporting cycle</td>
<td>Fully 19</td>
<td></td>
</tr>
<tr>
<td>G4-31</td>
<td>Sustainability contact point</td>
<td>Fully 20</td>
<td></td>
</tr>
<tr>
<td>G4-32</td>
<td>GRI Index</td>
<td>Fully 116–124</td>
<td></td>
</tr>
<tr>
<td>G4-33</td>
<td>Policy and current practice with regard to seeking external assurance for the report</td>
<td>Fully 20</td>
<td></td>
</tr>
<tr>
<td><strong>Public Policy and Political Engagement</strong></td>
<td>G4-DMA</td>
<td>Fully 21</td>
<td></td>
</tr>
<tr>
<td>G4-SO6</td>
<td>Total value of political contributions by country and recipient/beneficiary</td>
<td>Fully 22</td>
<td></td>
</tr>
</tbody>
</table>
### Human Sustainability

<table>
<thead>
<tr>
<th>Human Sustainability</th>
<th>Category</th>
<th>Description</th>
<th>Reporting Status</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovating Healthier Options</td>
<td>FP6</td>
<td>Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fats, trans fats, sodium and added sugars</td>
<td>Partially</td>
<td>28–32</td>
</tr>
<tr>
<td></td>
<td>Omission Statement</td>
<td><em>PepsiCo reports reductions in saturated fats, trans fats, sodium and added sugars at the enterprise-wide level. However, at this time, PepsiCo does not report this data as a percentage of total sales volume.</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>FP7</td>
<td>Percentage of total sales volume of consumer products, by product category, that contain increased nutritious ingredients like fiber, vitamins, minerals, phytochemicals or functional food additives</td>
<td>Partially</td>
<td>33–35</td>
</tr>
<tr>
<td></td>
<td>Omission Statement</td>
<td><em>PepsiCo reports increases in nutritious ingredients at the enterprise-wide level. However, at this time, PepsiCo is unable to separate increases in nutritious ingredients by category or as a percentage of total sales volume.</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Responsibly Marketing Our Products</td>
<td>G4-PR3</td>
<td>Type of product and service information required by the organization’s procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements</td>
<td>Partially</td>
<td>36–37</td>
</tr>
<tr>
<td></td>
<td>G4-PR7</td>
<td>Total number of incidents of noncompliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes</td>
<td>Fully</td>
<td>37</td>
</tr>
<tr>
<td>PepsiCo Quality and Food Safety</td>
<td>FP5</td>
<td>Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards</td>
<td>Fully</td>
<td>43</td>
</tr>
</tbody>
</table>
**ENIRONMENTAL SUSTAINABILITY**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Reporting Level</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>G4-DMA</td>
<td>Fully</td>
<td>46–51</td>
</tr>
<tr>
<td>G4-14</td>
<td>Fully</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Response</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To protect our business and achieve positive returns year after year, PepsiCo takes into account environmental risks — as defined in the GRI definition of Precautionary Principle — when planning its operations, procurement and environmental initiatives. We look for opportunities to mitigate our impacts on our surrounding environments in many ways, including reducing our use of fuel, water and packaging. We thoroughly review current and potential threats, plan for a variety of scenarios and act where appropriate and feasible.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4-EN29</td>
<td>Fully</td>
<td>50</td>
</tr>
<tr>
<td><strong>Water</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4-EC7</td>
<td>Fully</td>
<td>55–57</td>
</tr>
<tr>
<td>G4-EN8</td>
<td>Fully</td>
<td>54–55</td>
</tr>
<tr>
<td><strong>Climate Change</strong>*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4-EN3</td>
<td>Fully</td>
<td>60</td>
</tr>
<tr>
<td>G4-EN6</td>
<td>Fully</td>
<td>59–60</td>
</tr>
<tr>
<td>G4-EN15</td>
<td>Fully</td>
<td>59</td>
</tr>
<tr>
<td>G4-EN16</td>
<td>Fully</td>
<td>59</td>
</tr>
<tr>
<td>G4-EN17</td>
<td>Partially</td>
<td>62</td>
</tr>
<tr>
<td>G4-EN19</td>
<td>Fully</td>
<td>58–63</td>
</tr>
<tr>
<td>G4-EN30</td>
<td>Partially</td>
<td>61</td>
</tr>
<tr>
<td>Significant environmental impacts of transporting products and other goods and materials for the organization’s operations, and transporting members of the workforce</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sector</td>
<td>Indicator</td>
<td>Reporting Level</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>---------------------------------------------------------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td><strong>Agriculture</strong></td>
<td>FP1  Percentage of purchased volume from suppliers compliant with company’s sourcing policy</td>
<td>Partially</td>
</tr>
<tr>
<td></td>
<td><strong>Omission Statement</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>While PepsiCo maintains policies on supplier standards, we do not currently track the volume of purchases from compliant suppliers and therefore the information requested by GRI is unavailable.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>G4-EN33  Significant actual and potential negative environmental impacts in the supply chain and action taken</td>
<td>Partially</td>
</tr>
<tr>
<td></td>
<td><strong>Omission Statement</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>PepsiCo suppliers to which this indicator applies (farmers) exercise due care and attention in their farming activities and practices. However, many do not commonly conduct formal impact assessments, therefore the information requested by GRI is currently unavailable.</td>
<td></td>
</tr>
<tr>
<td><strong>Packaging and Waste</strong></td>
<td>G4-EN1  Materials used by weight or volume</td>
<td>Partially</td>
</tr>
<tr>
<td></td>
<td>G4-EN2  Percentage of materials used that are recycled input materials</td>
<td>Fully</td>
</tr>
<tr>
<td></td>
<td>G4-EN23 Total weight of waste by type and disposal method</td>
<td>Fully</td>
</tr>
<tr>
<td></td>
<td>G4-EN28 Percentage of products sold and their packaging materials that are reclaimed by category</td>
<td>Fully</td>
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</tbody>
</table>
### TALENT SUSTAINABILITY

<table>
<thead>
<tr>
<th>Indicator</th>
<th>GRI Code</th>
<th>Reporting Status</th>
<th>Page(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Talent Attraction, Engagement &amp; Growth</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>G4-DMA</td>
<td></td>
<td>Fully</td>
<td>75–76</td>
</tr>
<tr>
<td><strong>G4-LA1</strong> Total number and rates of new employee hires and employee turnover by age group, gender, and region</td>
<td></td>
<td>Partially</td>
<td>82</td>
</tr>
<tr>
<td>G4-LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation</td>
<td></td>
<td>Fully</td>
<td>78</td>
</tr>
<tr>
<td>G4-LA10 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings</td>
<td></td>
<td>Fully</td>
<td>81–82</td>
</tr>
<tr>
<td><strong>Diversity and Engagement</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4-10 Report the total number of employees by employment contract and gender</td>
<td></td>
<td>Fully</td>
<td>86</td>
</tr>
<tr>
<td>G4-LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity</td>
<td></td>
<td>Fully</td>
<td>86</td>
</tr>
<tr>
<td>G4-LA13 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation</td>
<td></td>
<td>Fully</td>
<td>88</td>
</tr>
<tr>
<td><strong>Workplace Safety</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4-LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender</td>
<td></td>
<td>Partially</td>
<td>91–92</td>
</tr>
<tr>
<td><strong>Omission Statement</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>With more than 270,000 employees in over 200 countries and different safety requirements across facilities we cannot tabulate safety incidents at the level of granularity required by GRI.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4-LA7 Workers with high incidence or high risk of diseases related to their occupation</td>
<td></td>
<td>Partially</td>
<td>90–91</td>
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<tr>
<td><strong>Human Rights</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>FP3 Percentage of working time lost due to industrial disputes, strikes and/or lock-outs, by country</td>
<td></td>
<td>Fully</td>
<td>96</td>
</tr>
<tr>
<td>G4-11 Report the percentage of total employees covered by collective bargaining agreements</td>
<td></td>
<td>Fully</td>
<td>96</td>
</tr>
</tbody>
</table>
### GRI Index

| Indicator | Description | Reporting
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>G4-HR2</td>
<td>Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained</td>
<td>Fully 95</td>
</tr>
<tr>
<td>G4-HR9</td>
<td>Total number and percentage of operations that have been subject to human rights reviews or impact assessments</td>
<td>Fully 94</td>
</tr>
<tr>
<td>G4-LA4</td>
<td>Minimum notice periods regarding operational changes, including whether these are specified in collective agreements</td>
<td>Partially 96</td>
</tr>
<tr>
<td>G4-LA8</td>
<td>Health and safety topics covered in formal agreements with trade unions</td>
<td>Partially 96</td>
</tr>
</tbody>
</table>

### CITIZENSHIP, GOVERNANCE AND COMPLIANCE

#### Global Citizenship**

- G4-DMA

#### Corporate Governance, Risk Management, and Ethics & Compliance

- G4-DMA

| Indicator | Description | Reporting
<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>G4-34</td>
<td>Governance structure of organization, including committees of highest governance body</td>
<td>Fully 105–106</td>
</tr>
<tr>
<td>G4-37</td>
<td>Process for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body</td>
<td>Fully 108–109</td>
</tr>
<tr>
<td>G4-38</td>
<td>Report the composition of the highest governance body and its committees</td>
<td>Fully 105–106</td>
</tr>
<tr>
<td>G4-39</td>
<td>Report whether the chair of the highest governance body is also an executive officer</td>
<td>Fully 106</td>
</tr>
<tr>
<td>G4-40</td>
<td>Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members</td>
<td>Fully 105–106</td>
</tr>
<tr>
<td>G4-49</td>
<td>Report the process for communicating critical concerns to the highest governance body</td>
<td>Fully 108–109</td>
</tr>
<tr>
<td>G4-51</td>
<td>Report the remuneration policies for the highest governance body and senior executives</td>
<td>Fully 109–110</td>
</tr>
</tbody>
</table>
**GRI Index**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
<th>Reporting</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>G4-56</td>
<td>Describe the organization’s values, principles, standards and norms of behavior such as codes of conduct and codes of ethics</td>
<td>Fully</td>
<td>112–113</td>
</tr>
<tr>
<td>G4-LA16</td>
<td>Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms</td>
<td>Fully</td>
<td>114</td>
</tr>
<tr>
<td>G4-SO4</td>
<td>Communication and training on anti-corruption policies and procedures</td>
<td>Fully</td>
<td>113–115</td>
</tr>
</tbody>
</table>

* For additional information regarding our climate strategy, please refer to our 2015 CDP response.

** At this time there are no relevant GRI indicators that directly correspond with PepsiCo’s material aspect of Global Citizenship. PepsiCo monitors and reports on this aspect through the KPIs discussed in the Global Citizenship section.

For additional information about PepsiCo, see our 2014 Annual Report at [www.pepsico.com/Investors](http://www.pepsico.com/Investors).

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Verification Statements

Bureau Veritas North America, Inc. (BVNA) was engaged to conduct an independent verification of the greenhouse gas (GHG) emissions reported by PepsiCo Inc. (PepsiCo) for the period stated below. This Verification Statement applies to the related information included within the scope of work described below.

The determination of the GHG emissions is the sole responsibility of PepsiCo. BVNA’s sole responsibility was to provide independent verification on the accuracy of the GHG emissions reported, and on the underlying systems and processes used to collect, analyze and review the information.

Boundaries of the reporting company GHG emissions covered by the verification:

- Operational Control
- Worldwide

Emissions data verified:

- Scope 1: 3,931 thousands of metric tons of CO₂ equivalent
- Scope 2: 1,924 thousands of metric tons of CO₂ equivalent
- Scope 3: 4,363 thousands of metric tons of CO₂ equivalent (Category Downstream Other – CO2O Coolers)

Data and information supporting the Scope 1 and Scope 2 GHG emissions assertion were historical in nature.

Data and information supporting the Scope 3 GHG emissions assertion were in some cases estimated rather than historical in nature.

Period covered by GHG emissions verification:

- January 1, 2014 to December 31, 2014

GHG Reporting Protocols against which verification was conducted:

- World Resources Institute (WRI)/World Business Council for Sustainable Development (WBCSD) Greenhouse Gas Protocol (Scope 1 and 2)
- WRI/WBCSD Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Scope 3)

GHG Verification Protocols used to conduct the verification:

- ISO 14064-3: Greenhouse gases - Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions

Level of Assurance and Qualifications:

- Limited
- Qualifications: None

GHG Verification Methodology:

- Interviews with relevant personnel of PepsiCo;
- Review of documentary evidence produced by PepsiCo;
- Review of PepsiCo data and information systems and methodology for collection, aggregation, analysis and review of information used to determine GHG emissions at PepsiCo;
- Audit of sample data used by PepsiCo to determine GHG emissions. BVNA conducted visits to thirteen (13) manufacturing and warehouse sites and reviewed data associated with Fleet Operations. Manufacturing sites visited included: Cambridge, ON; Canada; Santiago, Chile; Sabritas and Gamesa, Obregon, Mexico; Little Island, Ireland; Tsaritsino, Moscow, Russia; Riyadh, Saudi Arabia; Lampang, Thailand; Bedford and Leicester, United Kingdom; Blue Ridge, VA, USA; Kern, CA, USA; and Cucamonga, CA, USA. Sales Operations visited included Cucamonga, CA, USA and Cartika, Santiago Chile.

Assurance Opinion:

Based on the process and procedures conducted, there is no evidence that the GHG emissions assertion shown above:

- is not a fair representation of the GHG emissions data and Information; and
- has not been prepared in accordance with the WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard.

It is our opinion that PepsiCo has established appropriate systems for the collection, aggregation and analysis of quantitative data for determination of these GHG emissions for the stated period and boundaries.

Statement of independence, impartiality and competence

Bureau Veritas is an independent professional services company that specializes in Quality, Health, Safety, Social and Environmental management with over 185 years history in providing independent assurance services.

No member of the verification team has a business relationship with PepsiCo, its Directors or Managers beyond that required of this assignment. We conducted this verification independently and to our knowledge there has been no conflict of interest.

BVNA has implemented a Code of Ethics across the business to maintain high ethical standards among staff in their day-to-day business activities.

The verification team has extensive experience in conducting assurance over environmental, social, ethical and health and safety information, systems and processes, has over 25 years combined experience in this field and an excellent understanding of BVNA standard methodology for the verification of greenhouse gas emissions data.

Attestation:

John A. Stangline, Lead Verifier
Manager of Business Development
Bureau Veritas North America, Inc.
Edison, New Jersey
June 16, 2015

Lisa, Technical Reviewer
Practice Leader, Sustainability & Climate Change
Bureau Veritas North America, Inc.
Denver, Colorado, USA

This verification statement, including the opinion expressed herein, is provided to PepsiCo and is solely for the benefit of PepsiCo in accordance with the terms of our agreement. We consent to the release of this statement by you to the Carbon Disclosure Project (CDP) in order to satisfy the terms of CDP disclosure requirements but without accepting or assuming any responsibility or liability on our part to CDP or to any other party who may have access to this statement.
INDEPENDENT VERIFICATION STATEMENT

Introduction and Objectives of Work

Bureau Veritas North America (BVNA) has been engaged by PepsiCo, Inc. (PepsiCo) to conduct an independent verification of its selected occupational health and safety data to be included in PepsiCo’s Dow Jones Sustainability Index (DJSI) submission and corporate sustainability report. This Verification Statement applies to the related information included within the scope of work described below for the time period of January 1, 2014 to December 31, 2014.

This information and its presentation in PepsiCo’s Dow Jones Sustainability Index (DJSI) submission and corporate sustainability report (Reports) are the sole responsibility of the management of PepsiCo. BVNA was not involved in the drafting of the Reports. Our sole responsibility was to provide independent verification on the accuracy of information included in the scope of work. This is the fourth year in which we have provided verification over selected occupational health and safety data included in PepsiCo’s Dow Jones Sustainability Index (DJSI) submission and corporate sustainability report.

Boundaries of the reporting company covered by the Verification:

- Operational Control
- Worldwide Manufacturing, Warehouse, Distribution Centers, Offices and Sales Operations

Scope of work

PepsiCo requested BVNA to verify the accuracy of the following data for the 2014 reporting period:

- Occupational Fatalities (total number) for Employees, Dependent Contractors, Independent Contractors and Third Parties;
- Hours Worked (total number) for Employees and Dependent Contractors;
- Lost Time Incidents (total number) for Employees and Dependent Contractors;
- Recordable Incidents (total number) for Employees and Dependent Contractors;
- Occupational Illnesses (total number) for Employees and Dependent Contractors; and
- Environmental Compliance Fines paid (in local country currency)

Methodology

As part of its independent verification, BVNA undertook the following activities:

1. Interviews with relevant personnel of PepsiCo;
2. Review of documentary evidence produced by PepsiCo;
3. Audit of performance data by conducting site visits to sample data back to source documents. BVNA conducted visits to thirteen (13) manufacturing and warehouse sites and also reviewed data associated with sales operations. Manufacturing sites visited were: Cambridge, ON, Canada; Santiago, Chile; Sabritas and Gamesa, Obregón, Mexico; Little Island, Ireland; Tsaritsino, Moscow, Russia; Riyadh, Saudi Arabia; Lamphun, Thailand; Buxford and Leicester, United Kingdom; Blue Ridge, VA, USA; Kern, CA, USA; and Cucamonga, CA, USA. We also visited California, USA and Cerrillos, Santiago Chile Sales Operations.

4. Assessment of PepsiCo’s internal review of all 2014 injury and illness cases registered with the Argentine Administradoras de Riesgos de Trabajo (hereafter known as “A.R.T”) at the following plants:
   - Florida (manufacturing plant)
   - Mar del Plata (manufacturing plant)

5. Review of PepsiCo’s overall systems for quantitative data aggregation and analysis.

Our work was conducted against BVNA’s standard procedures and guidelines for third party verification of sustainability reports and data in accordance with the requirements of the International Standard on Assurance Engagements 3000 (ISAE 3000).

The work was planned and carried out to provide limited, rather than absolute assurance and we believe it provides an appropriate basis for our conclusions. The materiality threshold for this verification was 5%.

Our findings

On the basis of our methodology and the activities described above:

- Nothing has come to our attention to indicate that the data within the scope of our verification are inaccurate and the information included therein is not fairly stated;
- It is our opinion that PepsiCo has established appropriate systems for the collection, aggregation and analysis of quantitative data within the boundaries of the reporting for determination of the following for PepsiCo employees, dependent and independent contractors and third parties: Number of fatalities;
- It is our opinion that PepsiCo has established appropriate systems for the collection, aggregation and analysis of quantitative data within the boundaries of the reporting for determination of the following for PepsiCo employees and dependent contractors: Lost Time Injuries, Occupational Illnesses, and Working Hours: Occupational illnesses are determined based on the definition by SAM “any abnormal condition or disorder - other than one resulting directly from an accident - caused by, or mainly caused by, work-related factors and recognized during the year as part of national schemes or regulations.”

Excluded from the scope of our work is any verification of information relating to:

- Activities outside the defined verification period;
Statement of Independence, Impartiality and Competence

BVNA is an independent professional services company that specialises in Quality, Health, Safety, Social and Environmental management with more than 185 years history in providing independent assurance services, and an annual 2014 revenue of 4.1 Billion Euros.

BVNA has implemented a Code of Ethics across the business to maintain high ethical standards among staff in their day to day business activities. We are particularly vigilant in the prevention of conflicts of interest.

No member of the assurance team has a business relationship with PepsiCo, its Directors or Managers beyond that required of this assignment. We have conducted this verification independently, and there has been no conflict of interest.

The assurance team has extensive experience in conducting verification and assurance over environmental, social, ethical and health and safety information, systems and processes, and an excellent understanding of BVNA standard methodology for the Assurance of Sustainability Reports.

BUREAU VERITAS NORTH AMERICA, Inc.
Edison, New Jersey
May 1, 2015