Our company connects people through some of the world’s greatest brands and most-loved foods and beverages. PepsiCo products are enjoyed by consumers more than one billion times a day in more than 200 countries and territories around the world. More than 260,000 passionate associates around the world make this possible. We strive to use our global scale for good and to create our products in a way that benefits our consumers, our suppliers, our communities and our planet—part of our mission to Create More Smiles with Every Sip and Every Bite.

ABOUT OUR REPORTING SUITE
Our 2018 Sustainability Reporting Suite includes multiple resources available online that explain our approach to sustainability and our progress to date:

• This 2018 PepsiCo Sustainability Report outlines our sustainability strategy, our priorities, our goals and our progress toward meeting them

• Our Environmental, Social & Governance (ESG) Topics site outlines detailed information by topic on sustainability programs, progress, governance and management

• Our 2018 Performance Metrics Sheet provides an accessible summary of our sustainability goals, metrics and progress

• Our Global Reporting Initiative (GRI) Index links to PepsiCo online disclosures aligned to GRI reporting standards

• For updates on our sustainability journey around the world, visit our Sustainability Stories page
Since becoming CEO last fall, I’ve spent a lot of time thinking about the responsibilities that come with leading an iconic global company. There’s the responsibility to serve our customers and consumers, to support our large and diverse workforce, and to deliver returns for the shareholders who have entrusted us with their investment. And at a time of such enormous challenges—from climate change and resource scarcity, to inequality and malnutrition—I also believe that business leadership in the 21st century must include a responsibility to our planet, our communities and future generations.

The way the world produces, distributes and consumes food is at the heart of many of the challenges we face. To put it simply, the modern food system is no longer fit for purpose. Rising demand from a growing population has contributed to the depletion of vital resources and increased pressure on the natural world. Too many farmers and workers still face poverty and discrimination. Single-use plastic packaging is disposed of in ways that litter many communities and pollute our oceans. And many people still struggle to access healthier diets.

In the past, these were problems exclusively for governments or NGOs. Today, stakeholders also expect companies to help lead the way. That’s a view we at PepsiCo share. As a food and beverage company whose products are enjoyed by consumers more than one billion times a day in more than 200 countries and territories around the world, and operates an agricultural supply chain that touches 60 nations and supports over 100,000 farm workers, we undoubtedly have a role to play in addressing these challenges.

Over the past decade, we have made significant progress in changing both the products we make and how we make them. But while we are extremely proud of our past achievements, I believe the future will require us to be even more ambitious and purposeful, at both the brand and corporate level.

That is why PepsiCo is embracing a new purpose behind our sustainability agenda: to help build a more sustainable food system. One that can meet human needs and continue to drive economic growth and social development, without exceeding the planet’s natural boundaries.

This ambition is part of our new vision for PepsiCo—to Be the Global Leader in Convenient Foods and Beverages by Winning with Purpose—as well as our aspirations to be Faster, Stronger and Better. It is a key part of our plan to further integrate purpose into our business strategy and our brands, including LIFEWTR, Gatorade, Lay’s and Stacy’s (see page 29 for more on our purposeful brands). And to help make this effort successful, we have identified six priority areas where we believe PepsiCo can make the greatest contribution to building a more sustainable food system.

I’m proud to say that we’re already making progress in many of these areas, and in the pages that follow, you can read about some of our efforts, as well as some of the long-term goals we’ve set, including:

Next Generation Agriculture – Advancing environmental, social and economic benefits to farmers and communities through more sustainable agriculture.

• On farms around the world, we’re working to raise standards for efficient resource use,
environmental consciousness and human rights. Through our Sustainable Farming Program (SFP), in 2018, over half of our farmer-sourced agricultural raw materials, like potatoes, whole corn, oranges and oats were verified as sustainably sourced.¹ Our aim is to reach 100 percent by the end of 2020. Already, 100 percent of potatoes used throughout our North America Frito-Lay portfolio, including Lay’s and Ruffles, have reached this standard.

**Positive Water Impact** – Improving water stewardship across our business and in regions where we operate.

- We’re striving to improve water-use efficiency and aiming to replenish 100 percent of the water we consume for manufacturing in high water-risk areas by 2025. Because PepsiCo has long believed that water is a human right, in 2018, we helped provide safe water access to over six million people—boosting the total number to 22 million people since 2006.

**Circular Future for Packaging** – Delivering our vision of a world where plastic packaging need never become waste.

- We recently unveiled a new target to reduce 35 percent of virgin plastic content across our beverage brands by 2025, driven by increased use of recycled content and alternative packaging materials. Beginning next year, LIFEWTR will be packaged in 100 percent recycled plastic in the U.S., and bubly will be packaged exclusively in aluminum. And we’re continuing to advance our Beyond the Bottle strategy, most notably by working to grow SodaStream, which offers consumers the chance to prepare customized beverages at home without the need for single-use plastic bottles.

**Improved Choices Across Our Portfolio** – Reducing added sugars, sodium and saturated fats in many of our products.

- In the U.S. alone, we have nearly 500 beverage choices with 100 Calories or less per 12-ounce serving, and around the world zero-sugar Pepsi Black is now available in over 80 countries. We’re also offering more snacks with lower sodium and less saturated fat, from Lay’s Baked to Kurkure Multigrain. And we’re introducing more convenient foods with nutritious ingredients, like Tropicana Whole Fruit and Sunbites Veggie Harvest, to complement acquisitions like Bare Snacks.

**Climate Change Mitigation** – Curbing greenhouse gas (GHG) emissions across our value chain.

- We have set a goal to reduce absolute GHG emissions across our value chain by 20 percent by 2030, from a 2015 baseline. We will do this by continuing to drive down emissions throughout our value chain, from our fleet of electric vehicles to using 100 percent renewable energy in our manufacturing operations in seven European nations.

**People & Prosperity** – Advancing respect for human rights, promoting diversity and inclusion in our workplaces, and increasing the earnings potential of women in our communities.

- Women comprise 40 percent of our managers globally, and since 2016, we’ve invested $27.3 million to support initiatives that benefit women in communities where we operate.

Let me be clear: these efforts are only the beginning. I recognize that we still have a lot of work to do. But I want all our stakeholders to know that advancing sustainability and being a more purposeful company will play an essential role in PepsiCo’s future.

In the coming months, we will engage experts from industry, government, nonprofits and communities to gather more views on what it will take to help build a more sustainable food system and how best PepsiCo can contribute. It’s a long-term challenge that will require a broad coalition.

But we are committed to meeting our responsibility to our planet and its communities, and we won’t rest until we do.

RAMON LAGUARTA
PepsiCo Chairman of the Board of Directors and Chief Executive Officer

WINNING WITH PURPOSE

Our vision is to Be the Global Leader in Convenient Foods and Beverages by Winning with Purpose. To help us achieve this vision, we’ve defined three aspirations:

- **FASTER**
  Winning in the marketplace, being more consumer-centric and accelerating investment for topline growth

- **STRONGER**
  Transforming our capabilities, cost and culture by operating as one PepsiCo, leveraging technology, winning locally and globally enabled

- **BETTER**
  Integrating purpose into our business strategy and our brands, and doing even more for the planet and for our people

¹ “Sustainably sourced” refers to meeting the independently-verified Social, Environmental and Economic principles of PepsiCo’s Sustainable Farming Program, designed to reflect best practices and achieve positive outcomes for farmers, communities and the planet.
ABOUT PEPSICO

PepsiCo has a portfolio that includes

22 BILLION-DOLLAR BRANDS

that generated more than $1 billion each in estimated annual retail sales in 2018.

CUMULATIVE TOTAL SHAREHOLDER RETURN

The graph below matches PepsiCo, Inc.’s cumulative five-year total shareholder return on common stock with the cumulative total returns of the S&P 500® index and the S&P® Average of Industry Groups index.* The graph tracks the performance of a $100 investment in our common stock and in each index (with the reinvestment of all dividends) from 12/31/2013 to 12/31/2018.

*The S&P Average of Industry Groups is derived by weighting the returns of two applicable S&P Industry Groups (Non-Alcoholic Beverages and Food) based on the relative contribution of PepsiCo’s sales in its beverage and food businesses. The returns on PepsiCo common stock, the S&P 500, and the S&P Average of Industry Groups are calculated through 12/31/2018.

2018 DIVISION NET REVENUES

2018 DIVISION OPERATING PROFIT

PepsiCo Beverages North America 33%
Latin America 11%
Asia, Middle East and North Africa 9%
Quaker Foods North America 4%
Europe Sub-Saharan Africa 18%
Frito-Lay North America 25%

PepsiCo Beverages North America 20%
Latin America 9%
Asia, Middle East and North Africa 10%
Quaker Foods North America 6%
Europe Sub-Saharan Africa 12%
Frito-Lay North America 43%
**OUR SHARED CHALLENGES**

Today, the global food system brings nutrition, economic opportunity, convenience, and enjoyment to more people than ever before, but it faces pressures that threaten its future ability to meet the needs of a growing global population.

- 70 percent of the world’s fresh water use is in agriculture alone, even as more communities experience water scarcity.
- A third of greenhouse gas emissions originate in the food system.
- More than half of fertile topsoil is classed as degraded.
- Only 14 percent of plastic packaging is recycled for future use.
- Over 800 million people are undernourished.
- Almost 40 percent of adults are overweight.
- 80 percent of the world’s extreme poor live in rural areas and rely mainly on agriculture for their livelihood.

**OUR PRIORITIES**

To do this, we have sharpened PepsiCo’s sustainability focus to six overlapping priorities within our food system. These priorities meet three important criteria:

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

ii. They matter most to PepsiCo’s key external stakeholders (see our GRI Materiality section beginning on page 35).

iii. They offer the opportunity for PepsiCo to make a positive difference at a systems level—i.e. both within and beyond our own value chain.
**Our GOALS**

Our refined sustainability goals are aligned with our priority areas. Each of our eight goals has a series of target metrics against which our progress can be assessed.

<table>
<thead>
<tr>
<th>PRIORITY</th>
<th>OUR GOAL</th>
<th>TARGET METRICS</th>
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| **NEXT GENERATION AGRICULTURE** | Advance environmental, social and economic benefits to communities around the world by supporting practices and technologies that promote improved farmer livelihoods and agricultural resiliency. | • Achieve 100% sustainably sourced* potato, whole corn, oats, oranges, palm oil and sugar cane by 2020  
• Achieve sustainably sourced priority raw materials based on business needs by 2025 |
| **POSITIVE WATER IMPACT** | Drive water security to assure business continuity while positively contributing to communities. | • In high water-risk areas, by 2025:  
  • Improve water-use efficiency by 15% in our agricultural supply chain (focused on corn and potatoes) (2015 baseline)  
  • Improve operational water-use efficiency by 25% (2015 baseline)  
  • Replenish 100% of the water we consume in manufacturing operations  
  • Adopt the Alliance for Water Stewardship standard as our vehicle for water advocacy  
  • Deliver safe water access to 25 million people by 2025 |
| **CIRCULAR FUTURE FOR PACKAGING** | Fundamentally change the way the world interacts with our packaging to deliver our vision of a world where plastics need never become waste. | • Design 100% of packaging to be recyclable, compostable or biodegradable by 2025  
• Increase recycled content in our plastics packaging to 25% by 2025  
• Reduce 35% of virgin plastic content across our beverage portfolio by 2025  
• Invest to increase recycling rates in key markets by 2025 |
| **IMPROVED CHOICES ACROSS OUR PORTFOLIO** | Reduce added sugars, sodium and saturated fats. | • Reduce added sugars: ≥ 67% of beverage portfolio will have ≤100 Calories from added sugars per 12-ounce serving by 2025  
• Reduce sodium: ≥ 75% of foods portfolio will not exceed 1.3 milligrams of sodium per Calorie by 2025  
• Reduce saturated fat: ≥ 75% of foods portfolio will not exceed 1.1 grams of saturated fat per 100 Calories by 2025 |
| **CLIMATE CHANGE MITIGATION** | Do our part to curb climate change by reducing greenhouse gas (GHG) emissions across our value chain. | • Reduce absolute GHG emissions across PepsiCo’s value chain by 20% by 2030 (2015 baseline)  
• Drive fair and safe working conditions throughout our value chain by addressing our most salient human rights issues (i.e., Freedom of Association, Human Right to Water, Land Rights, Vulnerable Worker Groups, Working Hours and Wages, and Workplace Safety)  
• Extend the principles of our Supplier Code of Conduct to all of our franchisees and joint ventures by 2025  
• Achieve gender parity by 2025 in management roles  
• Sustain our pay equity program |
| **PEOPLE & PROSPERITY** | **Human Rights:** Advance respect for human rights by using PepsiCo’s capabilities and scale.  
**Diversity:** Promote a diverse and inclusive workplace.  
**Prosperity:** Increase the earnings potential of women to drive economic growth and increase food security. | **Human Rights:** Advance respect for human rights by using PepsiCo’s capabilities and scale.  
**Diversity:** Promote a diverse and inclusive workplace.  
**Prosperity:** Increase the earnings potential of women to drive economic growth and increase food security. |

*“Sustainably sourced” refers to meeting the independently verified Social, Environmental and Economic principles of PepsiCo’s Sustainable Farming Program, enabling best practices and positive outcomes for farmers, communities and the planet.*

**OUR WORK IS ALIGNED WITH UN SUSTAINABLE DEVELOPMENT GOALS**

In 2015, the United Nations General Assembly announced 17 Sustainable Development Goals (SDGs) to address global challenges and set a blueprint for action to achieve the goals by 2030. Our sustainability priorities are aligned with the SDGs so that our actions can contribute to a greater collective impact.

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**Introduction**

**Next Generation Agriculture**

**Positive Water Impact**

**Circular Future for Packaging**

**Improved Choices Across Our Portfolio**

**Climate Change Mitigation**

**People & Prosperity**

**Managing Impact**
Each year, PepsiCo sources over $7 billion of crops from 60 countries, so the standards we apply and promote can impact the environmental, social and economic impacts of agriculture around the world.

With approximately 270 manufacturing facilities around the world managed by PepsiCo and our partners, we bring together innovators and operation teams who work to use water, energy and ingredients efficiently to create our foods and beverages.

PepsiCo products are distributed in over 200 countries and territories around the world, including using our carbon-efficient fleets, and sold through retailers ranging from giant supermarket chains to individual street vendors.

Around the world, PepsiCo products are enjoyed by consumers more than a billion times a day. We’re improving our foods and beverages by reducing added sugars, sodium and saturated fat and expanding our portfolio to offer consumers more choices.

PepsiCo’s sustainable plastics vision is to help build a world where plastics need never become waste by driving the shift from a linear to a circular economy for packaging.
2018 Sustainability PROGRESS HIGHLIGHTS

AGRICULTURE
As of 2018, 51% of our direct farmer-sourced, agricultural raw materials are sustainably sourced through our Sustainable Farming Program (SFP).

CLIMATE
In 2018, we reduced Scope 3 GHG emissions by approximately 2.2 million metric tonnes (2015 baseline). This represents approximately 7% progress toward our 2030 target to reduce absolute GHG emissions in our value chain.

WATER
In 2018, we replenished more than 1.1 billion liters of water through watershed conservation projects locally, in high water-risk areas around the world.

PACKAGING
In 2018, we set a new target to strive to use 25% recycled content in our plastic packaging by 2025, another step toward building a world where plastics need never become waste.

PRODUCTS
In 2018, 44% of our beverage portfolio had ≤100 Calories from added sugars per 12-ounce serving,** progress toward our target of ≥67% by 2025.

**Our global progress is based on our top 26 beverage markets, which represent 80% of our global beverage volume as of 2018.

*pp(s) = percentage point(s)
Over the next 30 years, global demand for agricultural products will grow by as much as 50 percent. Yet, already, agriculture accounts for around 70 percent of the world’s fresh water consumption and about a quarter of global greenhouse gas emissions. It also contributes to deforestation, biodiversity loss and land and water pollution. While farming drives rural development, some agricultural regions are also impacted by poverty, inequality and human rights abuses.

Agriculture is the foundation of the food system and the root of PepsiCo’s business. To make our foods and beverages, we use more than 25 crops sourced across 60 countries, and support over 100,000 jobs in and throughout our agricultural supply chain. This scale and reach means the standards and practices that we employ and promote can influence the environmental, social and economic impacts of agriculture around the world.

Our Next Generation Agriculture strategy aims to drive progress in making agriculture more resilient, intelligent and inclusive.

To learn more about our progress toward our Next Generation Agriculture goals, visit our Agriculture ESG Topics page.

Our work is aligned with Sustainable Development Goals (SDGs)
Through our flagship Sustainable Farming Program (SFP), PepsiCo advances positive social, environmental and economic outcomes in our direct agricultural supply chain. Implemented across 38 countries, the SFP has provided over 40,000 farmers around the world with training and resources to help them on the path to greater productivity, resiliency and sustainability.

Almost all (99 percent) of the producers of PepsiCo’s farmer-sourced agricultural raw materials are now engaged through the SFP, and we are striving for all to meet the SFP compliance standards by the end of 2020. This will not be an end point. The SFP is about continuous improvement in the agricultural system, and leading up to and beyond 2020, PepsiCo will work with suppliers and farmers to deliver sustainable outcomes that address salient risks and opportunities in our supply chain.

By the end of 2018, more than half the palm oil (52 percent) and cane sugar (58 percent) that we use were also sustainably sourced. We use recognized third-party sustainability standards, the Roundtable for Sustainable Palm Oil (RSPO) and Bonsucro, for these supplier-sourced crops. Our target is for both to be 100 percent sustainably sourced by the end of 2020.

Setting THE STANDARD

As of 2018, 51% of our direct farmer-sourced agricultural raw materials are sustainably sourced through our SFP. This is progress toward our target of 100% by 2020.

With new practices and constant testing and data collection, we can make smart decisions for our business and the environment. PepsiCo has been a vital partner in helping us to become more sustainable. We're proud that consumers in the U.S. and Canada can enjoy their chips made from potatoes that were grown the right way.”

Eric Halverson, CEO, Black Gold Farms

For more information on the Social, Environmental and Economic indicators of the SFP, review the program’s Fundamental Principles.

“With new practices and constant testing and data collection, we can make smart decisions for our business and the environment. PepsiCo has been a vital partner in helping us to become more sustainable. We’re proud that consumers in the U.S. and Canada can enjoy their chips made from potatoes that were grown the right way.”

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Eric Halverson, CEO, Black Gold Farms, Live Oak, Florida
Agriculture is among the world’s most widespread and diverse economic sectors. To help us apply the SFP effectively in diverse growing regions, we have built a global network of over 100 Demonstration Farms.

On each Demonstration Farm, we work with innovative local farmers to find and implement the solutions that work best for them, from new irrigation and soil health management practices to measures to enhance worker safety. We measure the impact of our actions based on environmental and social criteria, and core business metrics like yield and quality. Each Demonstration Farm is then opened to other local farmers to enable peer-to-peer learning and promote the wider adoption of sustainable farming practices.

The Demonstration Farm program began in 2017 in India. Today, the program includes 32 farms in the country, and they are producing outstanding results. On Demonstration Farms growing potatoes in India (excluding West Bengal) in 2018–2019:

- The average net yield rose by 8.2 percent
- Average income for farmers increased by $107 per acre
- Average greenhouse gas emissions per ton of potatoes was reduced by 15 percent

While most potato farmers in Thailand use flood irrigation, which can damage yields and soil health and be wasteful with water resources, as part of the Demonstration Farm program, we worked with Ms. Boonkerd to install an efficient, solar-powered, drip irrigation system.

In a single year, the yield on Ms. Boonkerd’s farm increased by 45 percent while water use was reduced by 28 percent. Potato quality rose, and disease vulnerability eased. Earnings per acre grew by over U.S. $1,500 and she was freed from many hours of strenuous and repetitive physical work every week. Ms. Boonkerd now helps other farmers in the region to understand the benefits of drip irrigation for their business, their land and their quality of life.

Read more from Nishchint Bhatia, VP Agricultural Operations for PepsiCo in Asia, Middle East and North Africa, about the Demonstration Farms program’s success in India.
Data plays a major role in the transition to more sustainable and resilient agriculture. Insights gathered through mobile, drone and in-field equipment can help farmers make more precise decisions about how they grow their crops.

In Europe, PepsiCo developed a new agriculture software i-crop 2.0, with Cambridge University. i-crop 2.0 produces data about how crops like potatoes are growing. This helps our farmers better understand how to optimize yields and inputs like water and fertilizer—reducing resource usage and greenhouse gas impacts. In Spain, by combining i-crop with irrigation scheduling, we applied the right amount of water where it was needed to optimize growth 93 percent of the time, up from 48 percent in the prior year—an increase of 45 percentage points.

Technology like this helps us better understand agricultural water use. By 2025, we aim to improve water-use efficiency in our direct agricultural supply chain in high water-risk regions by 15 percent.

Growing INTELLIGENCE

In Spain, by combining i-crop with irrigation scheduling, we applied the right amount of water where it was needed to optimize growth 93% of the time, up from 48% in the prior year—an increase of 45 percentage points.

*pp(s) = percentage point(s)

REGENERATING SOIL AND PROTECTING OUR CLIMATE

Healthy soil is an asset that can deliver income for farmers and their communities for generations. It also makes farms more resilient to extreme weather and stores carbon from the atmosphere that could otherwise contribute to climate change.

Introducing cover crops and composting, managing crop rotations and using conservation tillage are among the practices that can enhance soil quality. We are currently rolling out the use of tools like FieldPrint Calculator and the Cool Farm Tool, which enable PepsiCo to work with our farmers around the world to quantify on-farm greenhouse gas emissions and soil carbon sequestration. This data enables farmers to make informed decisions about the actions that can improve the climate impact of their farm and, at the same time, increase soil fertility and support local biodiversity.

Over a quarter (26 percent) of PepsiCo’s greenhouse gas emissions originate in our agricultural supply chains, so actions like these are a vital contributor to achieving our target to reduce absolute greenhouse gas emissions by 20 percent by 2030.
Empowering Women Farmers

AROUND THE WORLD

Transforming agriculture to support the growth of a more sustainable food system will require the talent and energy of all farmers. In developing countries, women represent 43 percent of agricultural labor. Yet they largely work without training, land rights or equal pay. To begin addressing this, PepsiCo has committed to examine ways to boost women’s engagement with our Sustainable Farming Program.

Supporting this goal, we kicked off a partnership with USAID focused on empowering women potato farmers starting in West Bengal, India.

In March 2019, The PepsiCo Foundation announced an $18.2 million investment with the leading humanitarian organization, CARE, as part of their She Feeds the World initiative.

Our grant to CARE’s She Feeds the World initiative will provide approximately five million women farmers and their families with education and economic support.

Through this program, approximately five million women farmers and their families around the world will receive education and economic support to help them increase crop yields, income and access to nutrition. In Egypt, we’re also partnering with USAID to expand microfinance lending for women farmers.

PepsiCo and CARE also launched the Closing the Crop Gap campaign, which empowered five women filmmakers from around the world to capture the experiences of local women farmers.

To watch the five films about extraordinary women farmers, visit our Closing the Crop Gap page.

To learn more about the challenges facing women farmers, read the thoughts of The PepsiCo Foundation President Jon Banner and CARE U.S. President and CEO Michelle Nunn.
Water is fundamental to our food system and to PepsiCo’s business. It nourishes the crops used to make our products, is the main ingredient in many of our beverages and an integral component of our manufacturing operations. But in some regions, water is scarce, and climate change is worsening pressures on water resources around the globe. Estimates indicate that by 2025, two-thirds of the world’s population will live in water-stressed regions.

PepsiCo’s positive water impact strategy focuses on improving water stewardship across our business and in regions where we operate. Our ultimate goal is to support long-term, sustainable water security for all users, especially in high water-risk areas.

As well as taking action in our own value chain, we aim to use our expertise and influence to advocate for the local policies and practices that can protect and replenish watersheds.

To learn more about our progress toward our Positive Water Impact goals, visit our Water ESG Topics page.

OUR GOAL

Drive water security to ensure business continuity, while positively contributing to communities.

To learn more about how we’re tracking progress toward our goal, review target metrics on page 6.

We have set a goal to reach 15% improvement in water-use efficiency in high water risk areas where we source our potatoes and corn directly from our farmers by 2025. Pivot irrigation systems, like the one being used on this potato farm in Spain, help the farm to use water more efficiently while growing potatoes.
In 2018, we replenished more than 1.1 billion liters of water through watershed conservation projects in high water-risk areas around the world. >1.1 BILLION

Replenishing Our LOCAL WATERSHEDS

We’ve set an ambitious target: to replenish 100 percent of the water we consume for manufacturing in high water-risk areas by 2025. We are focusing our efforts locally, replenishing the watersheds and catchments we draw from to make sure the local communities where we operate can benefit. This is key to minimizing our impact and supporting a water-secure future.

COLLABORATION FOR CONSERVATION

We’ve partnered with The Nature Conservancy (TNC) for several replenishment programs across the United States, Latin America and South Africa.

PepsiCo supports TNC’s work directly with farmers, landowners, businesses, governments and communities to restore degraded watersheds and replenish the water we use.

These sustainable, nature-based solutions introduce a wealth of benefits in addition to water security, including notable improvements in agriculture, job creation and climate resilience.

GREATER CAPE TOWN WATER FUND

In 2018, Cape Town, South Africa, faced the prospect of water reserves going dry. In response, we became a founding member of the Greater Cape Town Water Fund and made the organization’s largest financial commitment at that time. Our investment supports tailored actions led by TNC, like the removal of water-thirsty invasive plant species; these actions are expected to add two months of water supply to seven sub-catchments that supply 73 percent of Greater Cape Town’s water.

Through this partnership, we are also supporting the development of a women-led team with specialized high-altitude training. As well as providing skilled employment opportunities, this will enable the clearing of rugged, remote parts of the watersheds.

ALLIANCE FOR WATER STEWARDSHIP

In 2018, PepsiCo joined the Alliance for Water Stewardship (AWS). We aim to adopt the AWS Standard at our high water-risk facilities by 2025 to ensure our sites conform to globally recognized best practice in water stewardship.

We are piloting our implementation of the AWS Standard at four of our manufacturing locations in high water-risk regions around the world: South Africa, Pakistan, Mexico and the United States. Through these pilot programs, we’re training our Operations, Public Policy and Government Affairs, Environmental Health & Safety and Supply Chain associates on the local-level watershed concerns and health implications impacting their communities.

In partnership with TNC, we launched “Water for the Planet” to implement and support conservation projects, such as local reforestation programs, in Latin America. In 2018, the program’s conservation efforts replenished over 220 million liters of water to the high water-risk watersheds in Guatemala City, São Paulo, Mexico City and Monterrey.
Improving Our OPERATIONAL WATER-USE EFFICIENCY

We aim to create a positive water impact within our manufacturing operations by rethinking how we use water every step of the way. As part of our continued efforts to be better stewards of water, we strive to improve water-use efficiency in our direct operations in high water-risk locations by 25 percent by 2025 (2015 baseline).

A SLICE OF GENIUS
Across our manufacturing operations, we are developing new solutions to improve our operational water-use efficiency. Aiming to reduce the amount of water used for potato slicing, our Research & Development and manufacturing teams took matters into their own hands. They designed, prototyped, tested and successfully validated a new patented component for our slicing lines. The new technology effectively distributes water around our potato slicers, making each drop go further, and enables us to use 64 percent less water throughout our potato slicing process. Deploying this innovation globally has the potential to save a massive 640 million liters of water per year.

LEANER CLEANING
Potatoes that ultimately become Lay’s potato chips in India are first washed in our Channo plant. To maximize water-use efficiency for this process, PepsiCo engineers developed a robust water treatment system. The system captures and treats water from different parts of the potato manufacturing process, such as cleaning, peeling and slicing, at each stage separately. The new design treats water more efficiently. This innovation has not only supported expansion of capacity within the plant, but has also helped to lower the plant’s total water use by about 30 percent over a one-year period.

To learn more about how this new technology will create water-use efficiency in our operations, watch our Splash Cone video.
Safe Water Access

Right now, around the world, one in nine people do not have access to safe and clean drinking water. Shortages have ripple effects threatening the health and safety of communities and profoundly impacting hygiene, waterborne diseases, famine, migration and violence. That’s why The PepsiCo Foundation teams with nonprofit groups and non-government organizations (NGOs) to support conservation, distribution and purification programs worldwide.

**REFRESHING CHANGES IN SOUTHERN INDIA**

We’ve partnered with WaterAid in southern India to bring clean water to over 200,000 people in communities facing extreme water shortages.

With a $4.2 million investment, our partnership has yielded several solutions already, including restoring wells, harvesting rainwater in schools and building piped water supply systems. To date, WaterAid has built 200 new water supply schemes and restored more than 130 pieces of existing infrastructure.

Increasing access to clean water improves the health and security of residents, particularly women. Often, women must walk long distances for water, which is physically challenging and can hinder opportunities for education and employment.

**EMPOWERING IMPROVEMENTS IN LATIN AMERICA**

We’re supporting the Inter-American Development Bank’s (IDB) AquaFund to make water and sanitation services universal, leaving no one behind, by advancing programs in hard to reach communities in Colombia, Honduras, Mexico and Peru, helping people living in dispersed and distant areas have access to basic water and sanitation services.

As the first private sector donor to contribute to an IDB trust fund in 2011, The PepsiCo Foundation’s $7 million investment to the AquaFund, made between 2011 and 2016, helped catalyze $547 million in total funding through April 2019 and provided new or improved access to safe water and sanitation services to over 765,000 people.

In addition, PepsiCo and the IDB teamed up to address the mismatch between water supply and demand with the Hydro-BID Technical support center, a groundbreaking water resource center where local water managers in cities across Latin America can seek help in managing their water resources.

“With an emphasis on capacity development and replicable models—coupled with rigorous metrics and accountability—PepsiCo helps ensure its community investments create the greatest good for the greatest number of people.”

Farron Levy, CEO of True Impact
In an efficient food system, packaging helps make safe, high-quality products accessible to all, extending shelf life and helping to limit food waste. But, for it to have a role in a more sustainable food system, we must eliminate packaging waste.

In 2018, plastic represented just under half of the total packaging material PepsiCo used, with aluminum, glass and fiber making up most of the balance. In that year, we used 2.2 million metric tonnes of virgin plastic to package products throughout our food and beverage portfolio. While plastic offers a highly effective, lightweight packaging material, producing petroleum-based plastic is a carbon-intensive process and, globally, only 14 percent of what is used is collected for recycling. The rest becomes waste. Where it is disposed of irresponsibly or where waste management is ineffective, it litters our communities and pollutes our oceans.

We have set an ambitious target to reduce 35 percent of virgin plastic content across our beverage brands by 2025. Progress will be driven by the increased use of recycled content and alternative packaging materials. Across PepsiCo's business and our brands, we've made it a business imperative to help build a circular future for packaging and a world where plastics need never become waste.

In 2018, we launched a new sustainable plastics vision based on three interconnected strategies:

1. **Reduce** the plastic that we use
2. **Recycle** more plastic to support a circular economy
3. **Reinvent** the packaging and plastic we use
Less Plastic,  
MORE ALTERNATIVE MATERIALS

We strive to design all packaging with the most efficient use of materials. Over the last decade, we have been leaders in significantly reducing the amount of polyethylene terephthalate (PET) in many of our beverage bottles, like those used for Gatorade. We continue to innovate to find ways to reduce the volume of plastics required in our bottles, and their total carbon impact, without sacrificing packaging performance.

Where it is environmentally efficient and practical to do so, we also consider alternative packaging materials to plastic. In India, we use refillable glass bottles for carbonated soft drinks which, in that market, results in less waste and a lower average carbon footprint than single-use PET bottles.

Beginning in 2020, our bubly sparkling water will no longer be packaged in plastic. In addition, we will offer Aquafina in aluminum can packaging in U.S. foodservice outlets.

Throughout our snacks portfolio, we continuously seek opportunities to “right-size” packages, which can reduce the volume of plastic used by up to 10 percent. We are also beginning to roll out an innovative new process called “charge compaction” that further reduces the plastic required for bags while delivering the same volume of snacks. This also enables us to transport more bags in each truck. These activities contribute toward carbon emission reductions from our snacks packaging portfolio.

COLLABORATING FOR SYSTEMIC CHANGE

The global plastics challenge requires systemic change. This can only be achieved with many organizations and individuals acting in concert. We aim to help bring business, government, civil society and consumers together to create a world where plastics need never become waste.

For example, PepsiCo is a signatory to the New Plastics Economy Global Commitment, which unites businesses, governments and other organizations behind a common vision to address waste and pollution. Additional partnerships are referenced throughout this section and further information can also be found on our Packaging Partnerships page.

“The New Plastics Economy Global Commitment unites businesses, governments and others behind a clear vision of a circular economy for plastic. We are pleased PepsiCo is joining us by setting concrete 2025 targets. It will be a challenging journey, but by coming together we can eliminate the plastics we don’t need and innovate, so the plastics we do need can be safely and easily circulated—keeping them in the economy and out of the environment.”

Sander Defruyt, Lead of the New Plastics Economy initiative at the Ellen MacArthur Foundation
Increasing Use of RECYCLED CONTENT

Creating a world where plastics need never become waste requires a shift from a linear to a circular economy approach. This means recycling and reusing packaging material rather than treating it as waste.

PepsiCo aims to ensure an end-use value for each piece of packaging that we put into the world. We’re striving for all our packaging to be recyclable, compostable or biodegradable by 2025. To further our progress, we are integrating design for recyclability into our product development process. We also aim to use more recycled content in our packaging, displacing virgin plastic and helping us toward our target to reduce 35 percent of virgin plastic content across our beverage brands by 2025. By buying recycled content, we help to create a market in which recycling plastic is economically attractive.

PepsiCo is already among the largest users of recycled PET (rPET) in the beverage industry and in 2018, we set a new target to strive to use 25 percent recycled plastic in our packaging by 2025 and 50 percent rPET content in the European Union by 2030. As a step toward this goal, we recently announced that, beginning in 2020, our LIFEWTR water brand will use 100 percent rPET in the U.S.

We would use more recycled plastic, like rPET, today if it were available. Insufficient supply of recycled material is part of the challenge we have to overcome to make our sustainable plastics vision a reality.

To address that, this year, we entered into a multi-year supply agreement with Loop Industries to incorporate Loop PET plastic into our product packaging. This is 100 percent recycled material produced through innovative technology that allows even low quality PET plastics to be recycled.

We also joined a consortium that is investing in a unique enzymatic recycling technology, led by French company, Carbios. This technology can produce high-quality 100 percent recycled PET from more forms of used plastic than other forms of recycling can, potentially offering a new source of recycled content.

Beginning in 2020, our LIFEWTR water brand will use 100% rPET in the U.S.

89% of our packaging was designed to be recyclable, compostable or biodegradable in 2018, progress toward our target of 100% by 2025.

In western Europe, Tropicana relaunched using 50% rPET bottles and aims to reach 100% rPET by 2025.
PepsiCo joined the Alliance to End Plastic Waste, a nonprofit organization that aims to spend $1.5 billion over the next five years to help stem the flow of ocean plastic and improve circularity.

**Boosting RECYCLING RATES**

Increasing recycling rates diverts used packaging from becoming waste and also boosts the supply of recycled content that we can use to create new packaging.

Globally, the growth in plastic production has outpaced the development of the infrastructure needed for collection and recycling. In many parts of the world, this impacts recycling rates and holds back the development of a circular economy.

**PARTNERS FOR CHANGE**

PepsiCo and The PepsiCo Foundation are accelerating efforts to boost recycling rates across the world. Between July 2018 and July 2019, we pledged over $51 million globally in partnership initiatives, with a specific focus on some of the areas with the poorest infrastructure and highest risk of contributing to plastic pollution. Investments include:

- **The Recycling Partnership**
  - In partnership with The Recycling Partnership, The PepsiCo Foundation launched “All In On Recycling,” the largest ever industry-wide U.S. residential recycling challenge, which aims to make recycling easier for 25 million families.

- **Alliance to End Plastic Waste**
  - PepsiCo joined the Alliance to End Plastic Waste, a nonprofit organization that aims to spend $1.5 billion over the next five years to help stem the flow of ocean plastic and improve circularity.

- **Circulate Capital**
  - The PepsiCo Foundation contributed a $15 million grant to Circulate Capital to catalyze investment in solutions to reduce ocean plastic pollution in South and Southeast Asia.

- **Terracycle**
  - In partnership with TerraCycle, the Walkers Crisp Packet Recycling Scheme has collected over 10 million crisp packets to be used to produce new products, like benches and plastic lumber. Currently, 80 percent of UK households are now within just four miles of a collection point.

- **Global Plastic Action Partnership**
  - PepsiCo is a founding partner of the Global Plastic Action Partnership, a multi-stakeholder public-private collaboration platform housed by the World Economic Forum that is convening key leaders, promoting strategic initiatives and connecting investments dedicated to accelerating progress towards a world free of plastic waste and pollution.

- **Recycling with Purpose**
  - Launched “Recycling with Purpose,” which promotes a circular economy for plastics in Latin America through consumer education and incentives, integrating grassroots recyclers and working with the recycling industry.

**For more information about Recycling with Purpose, see this article by Paula Santilli, CEO of PepsiCo Latin America.**
In 2018, we welcomed SodaStream, the largest sparkling water brand in the world by volume, into the PepsiCo family. Sustainability is at the core of the SodaStream brand. Its unique product range enables consumers to create customized beverages at home using reusable bottles.

We have ambitious growth plans for SodaStream. By empowering consumers to switch to reusable bottles, by 2025, we estimate that around 67 billion single-use plastic bottles will be avoided. This figure is in addition to PepsiCo’s 35 percent virgin PET reduction goal.

SodaStream forms the heart of our Beyond the Bottle strategy. Complementing this acquisition, in 2019, we announced our new mobile-enabled Hydration Platform, which creates a connected eco-system that will make it easier for people to stay hydrated on-the-go. It offers great-tasting low and no-sugar beverages served in consumers’ reusable bottles. The platform is being rolled-out initially in U.S. universities, workplaces and with hospitality partners.

We are also continuing to innovate to provide consumers with Beyond the Bottle options for selected beverage brands. Gatorade, for example, has launched Gx, which offers customizable Gatorade drinks in a reusable bottle.
To help achieve our target that, by 2025, the virgin plastics that we do use are fully recyclable, compostable or biodegradable, PepsiCo is investing in the development of new, more sustainable plastic packaging materials.

Through the NaturALL Bottle Alliance, we’re working with Origin Materials and peer companies to develop fully-recyclable, 100 percent renewable plastic bottles. We aim for the bottles to be made from renewable feedstocks like sustainably farmed trees, so they will not diminish food resources and will be less carbon-intensive than oil-based PET.

We are also innovating to transform our snack packaging. In India, Chile and the U.S. in 2018/19, we tested industrially-compostable thin-film packaging for snack products that will biodegrade over time if disposed of in well-managed composting facilities. We worked with technology pioneer Danimer Scientific to develop this material and, together, we’re also developing a next-generation film that we aim to be fully biodegradable regardless of how it is disposed of.

We are also looking at other alternative business models that avoid the need for single-use packaging. With our partner, TerraCycle, PepsiCo began a trial of Loop, a new sustainable shopping concept. Paris residents have been able to enjoy Tropicana Orange Juice delivered to their door in reusable packaging. After use, the packaging is collected and reused, eliminating waste and offering consumers enhanced convenience.
For more than 50 years, our willingness to adapt has allowed us to transform from a company that made only chips and soda into a global leader offering a wide variety of the world’s most enjoyable foods and beverages. We continue to expand our portfolio to offer more options for every taste, lifestyle and occasion.

At PepsiCo, we believe that a more sustainable food system should meet human needs for both nutrition and enjoyment. We’re working continually to introduce new products that have more of the nutritious ingredients our consumers need. And we are continuing to reformulate existing recipes across our portfolio to reduce added sugars, sodium and saturated fat so that consumers can continue to enjoy our most-loved brands as part of a balanced diet.

To learn more about our progress toward our Products goals, visit our ESG Topics page.

Our work is aligned with Sustainable Development Goals (SDGs)
Informed by the guidelines on added sugars intake provided by leading global and national nutrition and health authorities, we have set a target that helps consumers reduce the amount of added sugars in their diets. Our target, as part of our sustainability agenda, is that by 2025, at least 67 percent of our global beverage portfolio volume will have 100 Calories or fewer from added sugars per 12-ounce serving. As consumers increasingly look to reduce sugar consumption, we will continue to work to reduce added sugars across our beverage portfolio and expand our portfolio of zero- and lower-calorie beverages.

**REducing Added Sugars Around the Globe**

Now in more than 80 markets around the world, we have rolled out a reformulated 7UP and Mirinda containing 30 to 60 percent fewer added sugars. At the end of 2018, no-sugar Pepsi Black, also known as Pepsi Zero Sugar in the U.S. and Pepsi MAX in western Europe, was available in 82 markets, an increase of more than 50 percent from 2016.

**Expanding Our Beverage Portfolio to Offer More Options**

In the U.S. alone, we offer more than 650 beverages, including nearly 500 choices with 100 Calories or fewer per 12-ounces. Beverage brands like Gatorade and Mountain Dew offer lower-sugar versions and Aquafina and bubly provide consumers with refreshing zero-calorie options.

- **Gatorade Zero**: Developed for athletes who prefer a no-sugar, no-calorie alternative, Gatorade Zero has zero sugar, but the same number of electrolytes as Gatorade Thirst Quencher.
- **bubly**: bubly sparkling water uses natural fruit flavors for a delicious taste with no calories and no sweeteners.

"PepsiCo has continued to demonstrate a commitment to global health and well-being. As part of its continuing effort to transform its product portfolio and offer healthier options, PepsiCo is making great progress in reducing added sugars and sodium, as well as expanding product offerings with food groups and nutrients to encourage."

Stacy Molander, Chief Operating Officer, Partnership for a Healthier America

**Added Sugars Reduction**

As of 2018, 44% of our beverage portfolio in our top 26 beverage markets met our added sugars reduction target.*

*Our global progress is based on our top 26 beverage markets, which represent 80% of our global beverage volume as of 2018.
Improving Choices Across Our Portfolio by

REDDUCING SODIUM AND SATURATED FAT

Informed by the guidelines from leading global and national nutrition and health authorities, we have set product targets to guide our reformulation efforts and support the reduction of sodium and saturated fat throughout our portfolio. Our target, as part of our sustainability agenda, is that by 2025, at least 75 percent of our global foods portfolio volume will not exceed 1.3 milligrams of sodium per Calorie and at least 75 percent of our global foods portfolio volume will not exceed 1.1 grams of saturated fat per 100 Calories.

To meet our goal, we are gradually reducing sodium and saturated fat throughout our portfolio to offer consumers more options that fit within their varying tastes and preferences. Through recipe reformulation and new seasoning technologies, we’re finding ways to continue to reduce the sodium content of our snacks without sacrificing taste or quality. Where we can, we’re also using oils lower in saturated fat, such as sunflower and canola.

OFFERING IMPROVED CHOICES AROUND THE GLOBE

- In the Netherlands, Lay’s Sensations Red Sweet Paprika, Mexican Peppers & Cream and Thai Sweet Chili have been reformulated to meet our sodium target.
- In Peru, we’ve started using an oil blend lower in saturated fat for Natuchips Roots and Tubers.
- In India, Kurkure Multigrain caters to consumers who are looking for great taste and local ingredients. The recipe contains Ragi, a local whole grain ingredient, and meets our sodium target.

- In January 2019, we reformulated Lay’s and Sunbites in Poland, Lay’s and Ruffles in Romania and Lay’s in Ukraine, by switching to vegetable oils that provide reduced saturated fat.
- In 20 markets around the world, we now offer Lay’s Oven Baked, a baked snack that has 65 percent less fat than regular potato chips.

SODIUM REDUCTION

As of 2018, 58% of our food portfolio in our top 23 foods markets met our 2025 sodium reduction target.*

SATURATED FATS REDUCTION

As of 2018, 61% of our food portfolio in our top 23 foods markets met our 2025 saturated fat target.*

REDUCING INDUSTRIALLY PRODUCED TRANS FAT GLOBALLY

In May 2019, International Food & Beverage Alliance member associations, including PepsiCo, committed to adopt an industrially produced trans fat (iTFA) goal, which sets a maximum threshold for iTFA in food products. This commitment will help contribute to the World Health Organization’s goal of eliminating industrially produced trans-fat (iTFA) from the global food supply by 2025.
Expanding Our Portfolio

THROUGH INNOVATION

Over the years, we have built our balanced portfolio through a combination of brand extensions, new product innovations and acquisitions, while working to make our existing portfolio more nutritious through product reformulations.

To keep pace with trends and lifestyles changes, we’re innovating to introduce more products throughout our portfolio with the nutritious ingredients our consumers are looking for, like fruits, vegetables, whole grains, nuts and seeds.

NOTABLE GLOBAL INNOVATIONS

**Quaker Chia Multi-Grain:**
Made with four types of whole grains and chia seeds providing high fiber, protein, potassium, iron and magnesium to consumers in China.

**Imag!ne snacks Yogurt Crisps:**
Has yogurt as the first ingredient and delivers four grams of protein per serving, eight grams of whole grains per serving and is a good source of calcium.

**Tropicana Whole Fruit:**
Provides consumers in the UK with a serving of fruit and vegetables and significantly contributes to their fiber intake. Also contains 50 percent more fiber than fruit juices and smoothies on average.

**Half Naked:**
Uses juices naturally lower in sugars, like watermelon juice and coconut water, to provide 50 percent less sugars per 8-ounce serving compared to the leading 100 percent juice smoothie.

**Sunbites Veggie Harvest:**
A high-fiber snack made with pea flour, whole corn, sunflower oil and whole wheat.

**Ojas Studio:**
Our new Ayurveda-inspired date and grain bites are sold via e-commerce in the U.S.

EXPANDING OUR PORTFOLIO THROUGH ACQUISITIONS

To expand our portfolio of options, we also look outside our company to find innovative products that can help meet consumers’ dietary and hydration needs throughout the day. In 2018 and early 2019, we added several new world-class brands to the PepsiCo family:

**Health Warrior:**
Snack brand that makes bars and mug muffins with nourishing ingredients like chia and pumpkin seeds.

**Cytosport:**
Makers of Muscle Milk and Evolve Protein.

**babe:**
Baked fruit and vegetable snacks.

SUSTAINABLE FROM THE START

Through our Sustainable from the Start program, we’re putting sustainability and lifecycle thinking at the heart of PepsiCo’s innovation process, from ingredients to packaging. This program empowers all teams involved in product development, from concept to launch, to consider the environmental impacts of their decisions—from ingredients to packaging and distribution. New tools enable them to estimate the carbon and water footprints of a product under development and the carbon footprint and recyclability of its packaging and then compare the results to benchmarks.

Over time, these insights will help us make smart, sustainable decisions from start to finish and help consumers trust that the products they love have been made in a responsible way.
As a consumer-centric company, we are always adjusting our approach to deliver what our consumers are looking for today while anticipating their future needs. We are working to make the information on our packaging simpler and clearer to help our consumers make informed choices, while rethinking our packaging sizes and how they are presented in stores.

**HELPING CONSUMERS MAKE MORE INFORMED CHOICES THROUGH LABELING**

Providing easy-to-find, easy-to-understand information about what’s inside our products helps consumers make the right choices for themselves and their families. In 2018, we announced a trial of interpretative color-coded labeling on our packaging in many European markets. Additionally, we have joined peer manufacturers and retailers in developing front-of-pack labeling programs in some countries.

**DELIVERING MORE OPTIONS THROUGH REDUCED PACKAGING SIZE**

We’ve also introduced smaller package options—like 7.5-ounce mini cans—for people looking for a little less. Our mini cans provide our consumers with an easy, portion-controlled option for many of our beverage brands including products like Pepsi, Mountain Dew, Sierra Mist and bubly.

**COMMUNICATING WITH OUR CONSUMERS THROUGH RETAIL PARTNERSHIPS**

As part of the Consumer Goods Forum’s Collaboration for Healthier Lives, we’ve worked with our retail partners in Hagerstown, Maryland, U.S., to trial mechanisms for providing easier access to a diverse portfolio and improved nutrition. We’re placing Hello Goodness-branded merchandising displays in high-traffic areas within select stores and offering recipes and samples to demonstrate new ways to use PepsiCo products. Through this program, we also offered in-store education sessions on general nutrition topics, such as reading nutrition labels and ingredient lists. We will use the outcomes from this trial to inform future in-store programs.
At PepsiCo, we're proud of our brands and the experiences they offer to consumers. We believe in the power of our brands to bring positive change to society and smiles to consumers.

**LIFEWTR:** LIFEWTR is committed to advancing and showcasing sources of creativity. Through #BringArtBackToSchools, LIFEWTR has pledged to impact 10 million students through surprise school beautification projects and teacher grants.

**Stacy’s:** Since May 2019, the Stacy’s Rise Project has built an online community of more than 1,400 businesswomen, and by November will award $300,000 through its unique executive mentorship and funding program designed to advance female entrepreneurs in the food and beverage industry.

**Lay’s:** Lay’s used their bags to spotlight 31 inspirational “Everyday Smilers” across 60+ unique bag designs, resulting in $1 million in sales proceeds being donated to Operation Smile to further the brand’s mission to share joy through the power of a smile.

**Gatorade:** Gatorade has been fueling athletes for more than 50 years and has seen the positive impact sports can have on youth, including improvements in school, health, emotional well-being and future career success. Between 2016 and 2019, Gatorade’s “Play It Forward” granted more than $2 million to nearly 1,000 different organizations to provide resources to help more youth participate and fuel a better world through sport.

**Naked:** Nearly 30 million Americans don’t have access to affordable, quality, fresh fruits and vegetables. Through the “Drink Good Do Good” campaign, Naked has partnered with Wholesome Wave, a nonprofit organization helping to increase affordability of locally and regionally grown foods, to raise awareness through education of this issue and help increase access for those in need. Since 2013, Naked has given over $3 million to Wholesome Wave to help communities in need.

**bubly:** In celebration of WorldPride, bubly released an “All for Love” pride pack, celebrating all the flavors of love. bubly is proud to support Stonewall Community Foundation in positively impacting the lives of LGBT+ people through grant making, scholarships and leadership programs.

**IMAG!NE:** IMAG!NE has entered a three-year partnership with No Kid Hungry to provide up to three million meals to children in need, as well as an annual donation of $50,000 to fund creative play at summer meal sites—because one less hungry kid means one more imagination that can take flight.
The world faces worsening climate change. The fourth-warmest year on record was 2018, beaten only by 2015, 2016 and 2017. The rapid warming of our planet is likely to worsen risk factors in our global food system, from extreme weather and water scarcity to soil quality loss and disruption to the political, economic and social systems that underpin how we produce and distribute food.

The global food system is responsible for around 30 percent of greenhouse gas emissions. We believe that it can become more carbon-efficient and resilient and also play a significant role in regenerating the health of our climate through carbon sequestration.

To learn more about our progress toward our Climate Change Mitigation goals, visit our ESG Topics page.

Our work is aligned with Sustainable Development Goals (SDGs)

Wind farm in La Esperanza, Puebla, Mexico. In 2018, our Mexico foods business sourced 76% of its power via wind energy, which includes energy generated from this wind farm.

Photo Credit: Iberdrola México
Reducing Greenhouse Gas Emissions

ACROSS OUR VALUE CHAIN

PepsiCo will play its part in mitigating the risks of climate change. Our goal is to reduce absolute GHG emissions across our value chain by 20 percent by 2030 (2015 baseline).

This is a science-based target, representing PepsiCo’s contribution to achieving the initial goal of the Paris Agreement.

UNDERSTANDING OUR EMISSIONS

Scope 1 & 2:
Approximately 8% of our GHG emissions come from our direct operations, including powering our manufacturing facilities.

Scope 3:
Approximately 92% of our GHG emissions come from outside our direct operations, including agriculture, packaging, transportation and distribution.

CONTINUING TO DRIVE DOWN EMISSIONS THROUGHOUT OUR VALUE CHAIN

• In our agricultural supply chain: We are working to end deforestation and help farmers implement climate-friendly practices. By improving its health, we can also increase the carbon sequestration capacity of the soils we farm.

• In our manufacturing: In seven European markets—Spain, Belgium, Portugal, Italy, the United Kingdom, the Netherlands and Poland—we already use 100 percent renewable electricity in our manufacturing operations. Additionally, nearly 75 percent of the electricity used at our Bursom Road Walkers Crisps factory in Leicester, UK, is generated from food waste via anaerobic digestion.

• In our packaging: We’re reducing the amount of carbon-intensive virgin plastic we use, enabling the recycling of more of our packaging, and reinventing the packaging materials and systems we use, including by co-developing lower carbon, bio-based PET.

• In our distribution: We operate the largest commercial fleet of electric vehicles in North America, and Frito-Lay North America’s fleet of trucks running on compressed natural gas, which produces 15 percent less GHG emissions than standard gas, has driven over 61 million miles in total. We placed a reservation with Tesla, Inc. for 100 all-electric trucks.

• In our retail: We’re improving vending and cooler equipment by replacing less energy efficient models with more efficient ones, saving more than a billion kilowatt hours (kWh) of energy in 2018. We’re also transitioning to hydrofluorocarbon-free equipment.

OUR PROGRESS

Scope 1 & 2

6.4%

In 2018, we decreased our Scope 1 & 2 emissions by 6.4% (2015 baseline) this represents 32% progress toward our 2030 goal.

Scope 3

2.2 MILLION

In 2018, we reduced Scope 3 emissions by approximately 2.2 million metric tonnes; this represents about 7% progress toward our 2030 goal.
Around the world, people work every day to power the food system. From harvesting ingredients, to loading the truck for distribution, to placing an item on the store shelf, we rely on our farmers, our PepsiCo associates, our retail partners and many others each day to create and sell our globally recognized products.

This means we have an interest in the success and well-being of our people. We are committed to advancing respect for human rights throughout our value chain, building diverse and inclusive workplaces and investing to promote shared prosperity in local communities where we live and work.

To learn more about our progress toward our human rights, diversity and engagement and talent goals, visit our ESG Topics page.

In 2018, PepsiCo’s women-only manufacturing and packing line in Mexico City—La Linea Rosa—achieved zero lost time for injury and zero quality complaints.

Our work is aligned with Sustainable Development Goals (SDGs)

**Our Goal**

Advance human rights, promote diverse and inclusive workplaces and increase the earnings potential of women to drive economic growth and increase food security.

To learn more about how we’re tracking progress toward our goal, review target metrics on page 6.
Investing in 

PEOPLE

ADVANCE RESPECT FOR HUMAN RIGHTS
We aim to leverage PepsiCo’s influence to advance respect for human rights throughout our value chain. As part of our approach, we are committed to implementing the UN Guiding Principles (UNGPs) on Business and Human Rights throughout our business and publicly reporting on our progress.

Training plays an important role in our work to embed respect for human rights throughout our business activities. Through training, we can communicate our policies, standards and expectations to our employees and suppliers while raising awareness of potential human rights risks across our value chain. We have formal training programs for our employees and direct third-party suppliers. For example, we use our Sustainable Sourcing Program to communicate our Supplier Code of Conduct (SCoC) to our direct third-party suppliers. Annual training helps to ensure suppliers understand and comply with the principles of our SCoC and support our goal of a sustainable supply chain.

SUSTAINABLE SOURCING
Our Sustainable Sourcing Program (SSP) is a supplier engagement program for our most business-critical first-tier suppliers that includes formal risk assessments, third-party audits, mitigation and capability building. In 2018, more than 960 on-site audits were conducted or recognized with first-tier suppliers using the industry standard SMETA 4-Pillar Audit Protocol or an equivalent assessment.

40% Increasing Gender Parity
40% of our global managers are women.

23% Promotion to Higher Levels
In 2018, our global women promotion rate was 23%.

100% Within 1%
In 2018, 100% of our business-critical direct suppliers completed SCoC Training.

40% Prioritizing Continued Employee Training and Development
Our employees completed 1.3 million hours of learning, a 7% year-over-year increase.

1.3 MILLION
Within 1%
Compensation
Men and women are paid within 1% of each other in the 33 countries that represent 93% of our salaried employee population.*

*After controlling for legitimate drivers of pay such as job level, geographic location and performance ratings.

100% To learn more about our Human Rights approach and initiatives, visit our Human Rights ESG Topics page.

To learn more about our Sustainable Sourcing Program, visit our Sustainable Sourcing ESG Topics page.

To learn more about PepsiCo’s Position on Diversity & Inclusion, review our 2018 Diversity Report.
Supporting the Communities
WHERE WE LIVE AND WORK

SUPPORTING WOMEN’S ECONOMIC ADVANCEMENT

We have committed to invest $100 million by 2025 to support workforce readiness and empower women. Since 2016, we’ve invested $27.3 million to support initiatives that benefit women in communities where we operate. With the goal of increasing the interest and confidence of girls and women to succeed in science, technology, engineering and mathematics (STEM) careers, PepsiCo Middle East and Northern Africa launched the region’s first Million Women Mentors® (MWM) chapter in Riyadh, Saudi Arabia. MWM supports the engagement of mentors and attracts young minds to technical career fields. This program will help local girls and women to break through long-standing cultural barriers and build rewarding careers.

FOOD INSECURITY

Since 2009, Food for Good, The PepsiCo Foundation’s purpose-driven initiative that provides food bundles to underserved children, has delivered over 100 million nutritious servings to children in need. By 2025, Food for Good aims to deliver 50 million nutritious servings per year across 25 cities in the U.S.

DISASTER RELIEF

In September 2018, Hurricane Florence caused catastrophic damage to the Carolinas. New Bern, North Carolina, the birthplace of Pepsi-Cola, suffered significant damage. With roots in the area and over 16,000 employees in the region, we sprang into action. Within days, The PepsiCo Foundation identified partners to help support the disaster relief mission and committed $1 million to the American Red Cross and The Salvation Army, while Food for Good distributed 350,000 meals to the families impacted.

10.2 MILLION WOMEN

Since 2016, we have invested $27.3 million in initiatives that have benefited 10.2 million women and girls.

> 100 MILLION SERVINGS

In 2018, Food for Good delivered 29.3 million servings to children in need, boosting our total since 2009 to over 100 million collectively.

>$5.6 MILLION

In 2018, The PepsiCo Foundation responded to emergency situations and natural disasters around the globe, committing a total of $5.6 million in disaster relief and humanitarian support.

> 85 MILLION SERVINGS

In partnership with the Global Foodbanking Network, we delivered more than 85 million servings of food in 2018.

In partnership with The Global Foodbanking Network (GFN), a nonprofit organization that develops and supports food banks in more than 30 countries, we delivered more than 85 million servings of fresh food, reaching nearly 175,000 people in communities in need, in 2018. GFN and PepsiCo partnered to help FoodForward South Africa (FFSA) deliver more than two million servings to those in need in 2018 by distributing rescued produce from local farms.

Photo Credit: Global Foodbanking Network
Year-round engagement with diverse stakeholders informs our sustainability reporting and overarching sustainability strategy. We publicly report on topics that are priorities for both our business and our key stakeholders. Our list of Global Reporting Initiative (GRI) Material Topics represents the issues that we plan to continue managing, measuring and reporting on. These are the sustainability-related topics that we believe are currently the most relevant not only to PepsiCo, but also our stakeholders.

In 2017, we completed our most recent formal assessment, defined by the GRI Sustainability Reporting Guidelines. In late 2018, we conducted a refresh, as we streamlined our sustainability agenda further. This refresh reconfirmed the results of our 2017 assessment, identifying the most significant issues that “reflect an organization’s significant economic, environmental and social impacts; or that substantively influence the assessments and decisions of stakeholders,” as per the GRI definition.

Our 2017 Material Topics assessment and late 2018 refresh included a three-step process:

**Identification**
We identified 28 industry-specific topics for prioritization, based on industry research, a benchmarking analysis of competitors and peers, and stakeholder input.

**Prioritization**
We prioritized the 28 industry-specific topics based on feedback from key internal and external stakeholders through interviews, surveys and review of source materials. We interviewed knowledgeable internal and external stakeholders to gather diverse insights into topics where PepsiCo has significant impact and topics that influence stakeholders’ view of PepsiCo.

**Validation**
After analyzing stakeholder input, we narrowed the list of 28 industry-specific topics for prioritization to 17 topics specific to our business. We validated the results in a workshop with members of our Sustainability, Communications and Public Policy and Government Affairs leadership teams. We then shared results for validation by members of the PepsiCo Executive Committee (PEC) before disseminating them more broadly, both internally and externally.
GRI MATERIALITY TOPICS ASSESSMENT RESULTS

This list of 17 material topics specific to our business includes issues that we intend to manage, measure and report on. These are the topics that our stakeholders have said are the most relevant to PepsiCo, and those that they are most interested in understanding our management of and progress on.

**FOUNDATIONAL TOPICS**
we must get right to operate as a responsible business

- Food Quality & Safety
- Marketing & Labeling
- Operational Waste
- Ethics & Corporate Governance
- Employee Talent & Diversity

**MAJOR TOPICS**
we need to manage to operate efficiently within the global food system

- Climate Change
- Deforestation
- Community Engagement
- Human Rights
- Supply Chain Management
- Public Policy Engagement
- Financial Performance
- Workplace Health & Safety

**PRIORITIZED TOPICS**
which are the highest impact toward building a stronger, more sustainable global food system

- Improved Product Choices
- Agriculture
- Packaging
- Water

We value the views of our stakeholders, including customers, consumers, shareholders, employees, suppliers and NGOs and other expert organizations and individuals. The input that we receive from them is a cornerstone of how we develop, implement and evolve our sustainability agenda and improve our understanding of current and emerging sustainability issues.

Throughout 2018 and early 2019, members of our management team met with a diverse range of stakeholders. For example, bilateral and roundtable meetings with NGOs about plastics waste and sustainable agriculture have helped to shape our approach to implementing our policies and developing industry initiatives. At the GreenBiz Conference in February 2019, we held a roundtable event for a number of expert stakeholders including peer company executives, key NGO representatives and other opinion leaders in the sustainability space. Together, they discussed the challenges facing the food system and the need to accelerate systems-based action. We have also worked with a stakeholder research company to garner the views of sustainability experts, from NGOs, peer companies, business partners and others, about the strengths of PepsiCo’s sustainability strategy and the opportunities we have to improve outcomes.
Sustainability

GOVERNANCE

GOVERNANCE AS A DRIVER OF PERFORMANCE

We believe strong governance is the foundation for delivering on our sustainability agenda. At PepsiCo, sustainability topics are integrated into, and not separate from, our business.

ROLE OF THE BOARD OF DIRECTORS

As stewards of PepsiCo, our Board plays an essential role in determining PepsiCo's strategic priorities. The full Board considers sustainability issues a vital element of its business oversight, as sustainability topics are integrated into, and not separate from, our business strategy. To align with our sustainability agenda, in 2017, our Board created a Public Policy and Sustainability Committee. The Committee assists the Board in providing more focused oversight over the Company’s policies, programs and related risks that concern key public policy and sustainability matters. The Committee is comprised entirely of independent directors and reflects a mix of public policy, risk, international and science-related skills, qualifications and experience that are valuable to the Committee’s oversight over key public policy and sustainability matters.

ROLE OF PEPSICO’S SENIOR LEADERSHIP

In 2016, we reviewed our sustainability governance structure to identify opportunities to strengthen the integration of sustainability into our business agenda and processes. Beginning in 2017, PepsiCo’s senior leadership team, made up of the Chairman and CEO, Sector CEOs and top functional leaders, assumed direct oversight of the sustainability agenda and strategic decisions, and champions performance management. This ensures that sustainability is a key accountability factor for every member of our senior leadership team. Placing sustainability accountability within the Company’s most senior leaders reflects the emphasis we place on achieving our sustainability agenda.

Strategy and progress against our sustainability goals are discussed during meetings of the full senior leadership team on a regular basis, providing opportunities for our senior leadership to align on major strategic issues relating to sustainability. In between these meetings, senior leadership team members remain actively engaged in executing against our sustainability goals, driving the agenda with their teams.

To help drive progress, we award our executive officers annual incentives for achieving key business and individual objectives against preapproved targets. The business objectives reflect a combination of Company-wide performance or business-unit performance, depending on the executive’s position and scope of responsibility. Individual objectives are based on an executive’s contribution to PepsiCo’s strategic business imperatives, such as:

- Driving sustainable innovation
- Improving operating efficiencies
- Increasing customer satisfaction
- Developing a diverse and talented workforce

SUSTAINABILITY LEADERSHIP ACROSS PEPSICO

PepsiCo’s senior leadership team has empowered selected leaders within the Company to create and oversee global strategy and execution for each of our sustainability goals. These leaders, who were selected for their deep knowledge of the goals they are directing, work with teams comprised of representatives from key functions and all geographic sectors to ensure successful implementation of processes across our businesses.

SUSTAINABILITY OFFICE

PepsiCo’s Global Sustainability Office drives governance and delivery of the Company’s sustainability agenda across the value chain. Serving as the key central connection point, the Sustainability Office works closely with leaders from across the business to ensure continued performance progress against our sustainability agenda.

The Sustainability Office also plays a key role in bringing a sustainability lens to long-term corporate strategic planning and key business processes, ensuring that sustainability is always embedded into the fabric of what we do as a Company.

Another key role of the Sustainability Office is managing the integrity of the data on which we report. Data integrity is absolutely vital to maintaining the trust between PepsiCo and our stakeholders and is aligned with the high internal standards to which we hold ourselves.

A dedicated team within the Sustainability Office has developed a robust data governance structure underpinning each of our sustainability goals, ensuring accuracy, consistency and precision of the data, while driving accountability among our teams. Data Governance includes documenting the processes and methodologies we use to gather and process data to ensure consistency and repeatability. By accumulating year-over-year metrics, we can track progress, identify trends and activate course corrections if needed. In addition, we continue to build the capability to increase confidence in not only our internal data, but data collected throughout our supply chain, as we develop new tracking tools and methodologies in areas previously not measured. We believe this work is the critical foundation for the transparency and data integrity that we strive for in our reporting processes.

To learn more about our strong governance foundation, visit our Sustainability Governance ESG Topics page.
FOR MORE INFORMATION

To download additional tools from our Sustainability Reporting Suite, such as our Performance Metrics Sheet and Global Reporting Initiative (GRI) Index, please visit our Sustainability Reporting page.

Detailed information on our policies and performance is in our Environmental, Social & Governance (ESG) Topics page. Among others, topics include:

• Animal welfare
• Corporate governance
• Deforestation
• Diversity and engagement
• Environmental, health & safety
• Ethics and integrity
• Marketing to children and school sales
• Nutrition
• Nutritional labeling
• Public safety and quality
• Public policy and political engagement
• Stakeholder engagement
• Talent

FORWARD-LOOKING STATEMENTS

This PepsiCo, Inc. (“PepsiCo” or the “Company”) Sustainability Report contains statements reflecting our views about our future performance that constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are generally identified through the inclusion of words such as “aim,” “anticipate,” “believe,” “drive,” “estimate,” “expect,” “goal,” “intend,” “may,” “plan,” “project,” “strategy,” “target” and “will” or similar statements or variations of such terms and other similar expressions. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in such statements. Such risks and uncertainties include, but are not limited to: changes in demand for PepsiCo’s products, as a result of changes in consumer preferences or otherwise; changes in laws related to the use or disposal of plastics or other packaging of PepsiCo’s products; changes in, or failure to comply with, applicable laws and regulations; imposition or proposed imposition of new or increased taxes aimed at PepsiCo’s products; imposition of labeling or warning requirements on PepsiCo’s products; PepsiCo’s ability to compete effectively; political conditions, civil unrest or other developments and risks in the markets where PepsiCo’s products are made, manufactured, distributed or sold; the ability to protect information systems against, or effectively respond to, a cybersecurity incident or other disruption; increased costs, disruption of supply or shortages of raw materials and other supplies; business disruptions; damage to PepsiCo’s reputation or brand image; loss of, or a significant reduction in sales to, any key customer; disruption to the retail landscape, including rapid growth in hard discounters and the e-commerce channel; climate change or water scarcity, or legal, regulatory or market measures to address climate change or water scarcity; and other factors that may adversely affect the price of PepsiCo’s publicly traded securities and financial performance. For additional information on these and other factors that could cause PepsiCo’s actual results to materially differ from those set forth herein, please see PepsiCo’s filings with the Securities and Exchange Commission, including its most recent annual report on Form 10-K and subsequent reports on Forms 10-Q and 8-K. Investors are cautioned not to place undue reliance on any such forward-looking statements, whether as a result of new information, future events or otherwise.

PEPSICO WEBSITE

For more information about our Company, our sustainability priorities, our policies and the award recognition we have received, please visit our corporate website at www.pepsico.com

For additional information about PepsiCo, please see our latest Annual Report