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2021 ESG Summary

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ESG Topics A–Z

pepsico.com/our-impact/sustainability/2021-esg-summary
Dear friends,

Over the past three years, associates from across PepsiCo have come together to elevate our commitment to sustainability, from the way we source our ingredients and make our products, to the way we package them, transport them, and sell them to consumers. It has been a truly holistic effort that involves every part of the company, culminating last year with the launch of pep+ (PepsiCo Positive) – a strategic end-to-end transformation of our business with sustainability and human capital at the center that will guide how we create growth and value for years to come.

pep+ includes several key goals we are striving to achieve, from aiming to achieve net-zero emissions by 2040, to becoming net water positive by 2030, to cutting non-renewable virgin plastic per serving by 50% across our global beverage and convenient foods portfolio by 2030 – goals that have been directly supported by the proceeds from our first-ever Green Bond issued in 2019.

This report represents the third and final communication on how we’ve allocated the $974 million net proceeds from that Green Bond and the impact we believe these proceeds have catalyzed. In the three years since issuing the bond, we have allocated funds to eligible projects addressing decarbonization, packaging, and water sustainability, including:

- $464 million for decarbonization
- $437 million to reduce packaging waste
- $73 million to improve water sustainability

These investments have helped us to advance our pep+ journey and ambitions, and many are leaving a lasting impact that will continue to help us reduce emissions, water use, and packaging waste into the future.

In July 2022, PepsiCo issued a new $1.25 billion 10-year Green Bond. We will use an amount equivalent to the net proceeds from this offering to fund Eligible Green Projects that continue to align with our pep+ agenda. Investments made through PepsiCo’s new Green Bond will focus on facilitating key environmental sustainability initiatives that enable us to advance our goals of operating within planetary boundaries and inspiring positive change for the planet and people.

Similar to this 2019 Green Bond, we intend to report our use of proceeds on an annual basis in the second half of the year starting in 2023. Thanks to all of you who have supported our green financing efforts over the past three years, and we look forward to working with you even more closely in the years to come.
In 2006, PepsiCo started on a journey to transform the way we do business with the fundamental belief that the success of our company is inextricably linked to the sustainability of the world around us, and each year we continue to make valuable progress.
Our vision is to Be the Global Leader in Beverages and Convenient Foods by Winning with pep+. pep+ is our strategic end-to-end transformation that puts sustainability and human capital at the center of how we will create value and growth.

We’re charting a new course to drive positive action for the planet and people. A better food system means better outcomes for the Earth, and all of us.

By becoming better ourselves, we can help build a stronger, more sustainable future for us all. pep+ will guide our business — how we operate within planetary boundaries and inspire positive change for the planet and people.

We’re evolving how we source our ingredients and make and sell our products, and how we inspire people through our brands.

**Positive Agriculture**
We’re working to source our crops and ingredients in ways that restore the Earth and strengthen farming communities.

**Positive Value Chain**
We’re helping to build a circular and inclusive value chain.

**Positive Choices**
We’re inspiring people through our brands to make choices that create more smiles for them and the planet.

For more detail on pep+, see our website.
In October 2019, PepsiCo issued its first Green Bond, a 30-year, $1 billion senior notes offering with a fixed rate coupon of 2.875% per annum.

The net proceeds from this offering have been allocated to investments in Eligible Green Projects (as defined below), giving further momentum to our sustainability agenda. As of December 31, 2021, we had fully allocated the net proceeds from this Green Bond, ahead of our original expectation of allocating a majority of the proceeds within three years of the date of issuance.

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

**Our 2019 Green Bond Framework**

PepsiCo’s 2019 Green Bond prospectus defines “Eligible Green Projects” as new and existing investments made by PepsiCo during the period from three years prior to the date of issuance of the notes through the maturity date of the notes, in three categories:

- Sustainable plastics and packaging;
- Decarbonization of our operations and supply chain; and
- Water sustainability.

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

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Investments include expenditures on capital-projects and other sustainability-related spend.
About the 2019 Green Bond

Eligible green projects

Proceeds from the bond have been allocated across three categories: Sustainable plastics and packaging; decarbonization of our operations and supply chain; and water sustainability. Within these categories are specific types of projects eligible for Green Bond investment\(^1\), described below.

**Sustainable plastics and packaging**

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

**Decarbonization of our operations and supply chain**

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

**Water sustainability**

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

\(^1\) Investments include expenditures on capital projects and other sustainability-related spend
The framework for our 2019 Green Bond incorporates recommendations from the Green Bond Principles and is based on four core components:

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

In 2022, we updated our framework and second party opinion for the issuance of our second Green Bond, and we will begin reporting on the use of proceeds for that 2022 Bond in the second half of 2023.
As of December 31, 2021, PepsiCo had allocated all $974 million of Green Bond net proceeds to projects supporting sustainable plastics and packaging, decarbonization of our operations and supply chain, and water sustainability. As we conclude the annual use of proceeds reporting on our first Green Bond, we look back here on our journey and reflect on the progress made.

Individual investments range from nearly $60,000 to over $98 million. In total, the allocation funded more than 250 investments, and proceeds have been distributed on 6 continents.

Green Bond spend by year

- **2017**: $193 million
- **2018**: $257 million
- **2019**: $256 million
- **2020**: $200 million
- **2021**: $68 million

Green Bond Allocation as of December 31, 2021

- **Packaging**: $464 million (48%)
- **Decarbonization**: $437 million (45%)
- **Water**: $73 million (7%)

1 As of December 31, 2021, net proceeds had been allocated to projects undertaken between 2017 and 2021. This graph shows the years the funds were spent. Note that subsequent to the publication of the 2020 Green Bond Report, further net proceeds have been allocated to projects occurring between 2019 and 2020, so totals in this graph surpass the total investments reported for each year in the 2020 Green Bond Report.

2 Investments exclude rPET spend.
Progress Impact

Reducing our operational impact
Through investments in water- and energy-efficient technologies and equipment, we are avoiding the use of more than 5.5 billion liters of water and the emission of more than 230,000 metric tons GHG emissions per year.

Green Building
$98 million in Green Bond proceeds helped to build a Green R&D facility in Valhalla, NY. The project incorporated elements designed to reduce energy consumption, generate renewable energy, and use resources sustainably both during construction and operation.

Fleet
Investments in greening our company-owned fleet are yielding nearly 70,000 metric tons in annual GHG reductions.

Packaging
rPET procured through Green Bond proceeds and incorporated into our packaging helped us to avoid more than 480,000 metric tons of GHG emissions compared with virgin plastic.

In 2021, our plastics packaging was comprised of an average of 6% recycled or bio-based content (2030 goal: 50%).

In 2021, we replenished 34%1 of the water we used in manufacturing operations in high water-risk areas (2030 goal: >100%).

Key:
- Impact resulting from Green Bond funds.
- Global impact from PepsiCo’s broader sustainability efforts.

1 Results reflect the exclusion of SodaStream and Be & Cheery, and do not reflect inclusion of third-party facilities
2 High water-risk locations defined by WRI’s Aqueduct tool.
3 Results reflect the exclusion of Be & Cheery

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PepsiCo 2022 Green Bond Report
Sustainable plastics & packaging

PepsiCo has allocated approximately $437 million of the Green Bond proceeds to support sustainable plastics and packaging, primarily through the procurement of rPET in North America and Europe between 2017 and 2021. This has helped us to incorporate more recycled content into our plastics packaging. In fact, 22 global markets are aiming to transition several brands to 100% rPET packaging by end of 2022.

rPET also has a significant impact on the emissions associated with our products. The proceeds from the 2019 Green Bond allocated toward the procurement of rPET has helped PepsiCo to avoid more than 480,000 metric tons of GHG emissions since 2017.

PepsiCo Positive goals:
- By 2030, cut virgin plastic from non-renewable sources per serving across our global beverages and convenient foods portfolios by 50% through:
  - Scaling new business models that avoid or minimize single-use packaging materials
  - Reducing our absolute tonnage of virgin plastic derived from non-renewable sources by 20%, including by:
    - Use of market-leading bio-based materials and increase incorporation of recycled content (50% across plastics)
  - Design 100% of packaging to be recyclable, compostable, biodegradable or reusable by 2025
  - Invest to help increase recycling rates in key markets by 2025
  - Develop and deploy disruptive sustainable packaging materials and new models for convenient foods and beverages

We recognize that we face technical and regulatory challenges in achieving these goals—and we may encounter additional new or unanticipated obstacles—but we are committed to moving forward with innovative packaging design solutions as we strive to achieve our packaging goals.

Decarbonization of our operations & supply chain

Green Bond proceeds (approximately $464 million) have been allocated toward funding climate-focused investments across 6 continents, including those improving fleet efficiency, increasing our renewable energy generation capacity, improving energy efficiency within our sites, and building a green R&D facility.

As of December 31, 2021, our eligible decarbonization expenditure has helped to increase our renewable energy generation capacity and put technology in place to avoid more than 230,000 metric tons of GHG emissions in our direct operations and supply chain annually.

PepsiCo Positive goals:
- Achieve net-zero emissions across our value chain by 2040; by 2030, reduce our GHG emissions by more than 40%, doubling our prior climate goal by:
  - Reducing Scope 1 and 2 emissions by 75% (2015 baseline); and
  - Reducing Scope 3 emissions by 40% (2015 baseline)

Water sustainability

Through Green Bond proceeds, we have supported delivery of both our replenishment (nearly $3 million) and operational water-use efficiency (more than $70 million) goals, focused on high water-risk areas. This has had the effect of replenishing an estimated 1.3 billion liters of water back into water-stressed watersheds, and avoiding use of more than 5.5 billion liters of water in our company-owned plants annually.

PepsiCo Positive goals:
- Ensure we have net water positive impact by 2030:
  - Best-in-class* water-use efficiency in 100% of high water-risk manufacturing sites, PepsiCo and third-party facilities (for PepsiCo facilities, this equates to more than 50% reduction in absolute water use from 2015 baseline year)
  - World-class** water-use efficiency in all other manufacturing sites, PepsiCo and third-party facilities
  - Replenishing back into the local watershed more than 100% of the water we use
  - Continue to adopt the Alliance for Water Stewardship Standard in company-owned high water-risk manufacturing areas by 2025, as a vehicle for water advocacy

\*1.2 liters/liter of beverage production; 0.4 liters/kg of food production
\*1.4 liters/liter of beverage production; 4.4 liters/kg of food production
We have examined management of PepsiCo, Inc.’s (“PepsiCo”) assertion on page 13 of the PepsiCo 2022 Green Bond Report (the “Report”) that PepsiCo has allocated $974 million in net proceeds from the issuance of its October 9, 2019 2.875% Senior Notes due October 15, 2049 (the “Green Bond”) as of December 31, 2021 to projects that meet the Green Bond Eligibility Criteria as defined on page 6 of the Report (the “Allocation”) in accordance with the Use of Proceeds defined on page 6 of the Report (the “Management Assertion”). PepsiCo’s management is responsible for its assertion. Our responsibility is to express an opinion on the Management Assertion based on our examination.

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

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination was limited to the Management Assertion. Accordingly, we do not express an opinion or any other form of assurance other than on the Management Assertion.

In our opinion, the Management Assertion that the Allocation was performed in accordance with the Use of Proceeds, is fairly stated in all material respects.

KPMG LLP
New York, New York
October 17, 2022
PepsiCo has allocated $974 million in net proceeds from the issuance of its Green Bond as of December 31, 2021 to Eligible Green Projects as defined on page 6 of this report in accordance with the Use of Proceeds defined on page 6 of this report.

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

Management Assertion

PepsiCo has allocated $974 million in net proceeds from the issuance of its Green Bond as of December 31, 2021 to Eligible Green Projects as defined on page 6 of this report in accordance with the Use of Proceeds defined on page 6 of this report.

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

Special Note on Forward-looking Statements

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