

PepsiCo Climate Transition Plan as of May 2025

Contents

A message from our CEO

Introducing our Climate **Transition Plan**

Taking action on our Plan

Direct operations

Value chain

Wider society

Enabling our journey

Glossary

Forward-looking statements

This Climate Transition Plan will be regularly reviewed by PepsiCo and is subject to modification and updates.







A message from our CEO



Every day, PepsiCo is sourcing ingredients, making products, and creating smiles all over the world. We operate in more than 200 countries and territories, working with farmers, mom and pop shops, and major players in the global food industry. As we think about the potential impacts of climate change on suppliers, customers and consumers in our value chain, we believe strategic action can help build a more sustainable, positive future for us all.

In 2021, we took an important step toward contributing to this future by launching pep+ (PepsiCo Positive), our strategy to transform our business from end-to-end with a focus on people and the planet. Now, we're publishing our Climate Transition Plan, which contains updated climate goals designed to drive the greatest positive impact and position the company for long-term sustainable growth.

As we continue working to transform our operations, we're using this guide to move our business toward netzero emissions by 2050. By evolving how we source our ingredients, how we make our products, and how we bring those products to market, we're aiming to support a more sustainable, people-centric future of food and strengthen our business for the long term.

This Climate Transition Plan reflects a science-based approach, describing our efforts to further decarbonize

our company and supply chain, while delivering on our business growth targets. In addition to our goal of reaching net-zero emissions by 2050, by 2030 we're aiming to reduce our Scope 1 and 2 GHG emissions by 50% and Scope 3 Food, Land and Agriculture (FLAG) and Energy and Industry (E&I) emissions by 30% and 42%, respectively. These targets are aligned with limiting global warming to 1.5°C above pre-industrial levels. You will find more details about our ambitions and approach on the pages that follow.

The key now is to continue to execute. That means we will have to resolve complex tensions as we continue our work to decouple our emissions growth from business growth. We must work to make our investments scalable, our solutions replicable, and our transformation collaborative.

We're under no illusions about how difficult this will be. But difficult is not the same as impossible. Working together across our value chain, including with governments and civil society, will be critical—no company, or any other element of society, can tackle climate change and its impacts alone. Our plan is just one piece of a much larger puzzle when it comes to building climate resilience, and we invite our stakeholders – governments, NGOs, industry peers, associates, suppliers, partners, and communities – to join us on this journey.

Together, we can be bold. Together, we can build a future that's better for our people, our planet, and our business.

Let's get to work.



Introduction to our **Climate Transition Plan**

Climate change is already disrupting the food system. As we strive toward our vision to be the global leader in convenient foods and drinks, we are focused on taking actions that seek to mitigate and adapt to the effects of climate change.

The impacts of climate change have the potential to affect the quantity and quality of the agricultural raw materials available for our products, contribute to weather patterns that disrupt our operations and supply chain and affect the availability and quality of water we use. They also have the potential to threaten the prosperity and well-being of our employees, the farmers in our value chain and the communities where our products are made.

We believe that our long-term success is intrinsically linked to a healthy planet, resilient food systems and the well-being of communities where our products are made.

Our dependence on the Earth's resources, including the crops and water integral to our products, drives our efforts to to mitigate emissions and adapt to the impacts of climate change.

pep+ (PepsiCo Positive) - our end-to-end transformation strategy

pep+ places sustainability at the heart of how we intend to create growth and value by operating within planetary boundaries and inspiring positive change for the planet and people. It brings together three interconnected

pillars - Positive Agriculture, Positive Value Chain and Positive Choices – consisting of solutions that aim to help decarbonize our operations and supply chain, while reducing the impacts of climate change on our business.

Working together to deliver impact

We have set ambitious science-based targets for emission reduction that focus on the areas that we believe have the potential to have the greatest climate impact across our value chain: agriculture, packaging, manufacturing and transportation.

Most of the work that we do to make progress against these targets relies on the wider systems in which we operate. For a global company like ours, efforts such as collaborating with partners across the value chain, working to align with industry standards, advocating for supportive government policies, and understanding the views of diverse stakeholders will influence the progress we are able to make in working towards our targets.

As we work to decarbonize many areas of our business, we also strive to support and maximize social and economic opportunities that arise through our Climate Strategy, while minimizing and managing climate-related risks.

Our Climate Transition Plan

This Climate Transition Plan provides detail on how we aim to achieve our climate ambitions based on the information available to us today. We intend to review our strategies regularly and consider whether updates are warranted.





Our Net-zero Ambition by 2050

Baseline emissions

Actual emissions

Our ambition is validated by the Science Based Targets initiative, aligns with the Business Ambition for 1.5°C pledge and is in line with the vision to limit global warming to 1.5°C above pre-industrial levels.

40

5

We have a set of near-term 2030 targets, all measured against a 2022 baseline¹:

50% reduction in emissions from our direct operations (Scope 1 and 2)²

30% reduction in value chain forest, land and agriculture (FLAG) emissions (Scope 3)³

42% reduction in energy and industry emissions (Scope 3)⁴

To meet our near-term targets, we are focusing on:

- 1 Improving energy efficiency
- 2 Transitioning to renewable electricity
- **3** Decarbonizing thermal energy in manufacturing
- 4 Deploying low-carbon fleet solutions
- **5** Agricultural ingredient sourcing

- 6 Reducing, recycling and reinventing packaging
- 7 Decarbonizing third-party transportation and distribution
- 8 Transitioning to less carbonintense product formulations
- **9** Minimizing emissions in vending and cooling
- **10** Engaging our value chain

metric tons Emissions (million

 CO_2e)

0

20

-10 2022

2025

1 We have established a Historic Data Restatement Policy in line with the GHGP, which governs any changes to historic data including the treatment of mergers, acquisitions and divestitures.

2 Scope 1 and 2 energy and industry emissions inventory: Scope 1 includes on-site fossil fuel combustion and fleet fuel consumption emissions. Scope 2 includes indirect GHG emissions from the generation of electricity, heat or steam purchased from a utility provider.

3 Scope 3 FLAG emissions inventory: Includes upstream land sector related emissions from purchased agriculture and packaging materials. FLAG emissions in these categories include land use change emissions, land management net CO, emissions and land management non-CO, emissions. PepsiCo's Scope 3 FLAG target excludes the following emissions in our inventory: small volume agriculture materials that make up 4% of emissions and FLAG emissions due to purchases of agricultural materials by our co-manufacturing business.

Taking action: Value chain

 \star Taking action: Wider society

Enabling our journey

We have a vision to achieve net-zero emissions across our value chain by 2050, in line with the Paris Agreement.

A note on carbon credits



We plan to achieve net-zero by 2050 by working towards significant emissions reduction across our value chain first, then balancing residual emissions with limited use of carbon credits generated beyond our value chain.

Target emissions

On the road to net-zero by 2050, we estimate we'll need to reduce our emissions by the following (all measured against a 2022 baseline):

reduction in Scope 1 and 2 emissions

72% reduction

Scope 3 in

FLAG emissions

reduction in Scope 3 energy and industry emissions

After 2030, our full emissions inventory (as shown on page 6) will be in-scope for net zero by 2050.

Carbon removals to balance residual emissions

2040

2045

4 Scope 3 energy and industry emissions inventory: Includes energy and industry emissions from purchased goods and services, capital goods, fuel and energy-related activities (not included in Scope 1 or 2), upstream transportation and distribution, waste generated in operations, business travel, employee commuting, downstream transportation and distribution, processing of sold products, end-of-life treatment of sold products, franchises and investments. PepsiCo's Scope 3 energy and industry target excludes the following emissions in our inventory: capital goods, 'other' purchased goods and services, employee commuting, waste generated in operations, processing of sold products, end-of-life treatment of sold products, investments, small volume materials in agriculture and packaging purchases that amount to 4% and 5% of emissions in those categories respectively, agriculture Scope 3 energy and industry emissions for PepsiCo Global Concentrate Solutions business, Scope 3 energy and industry emissions for co-manufacturing business, and upstream transportation.

epsiCo Climate Transition Plan

Introducing our Plan

Understanding our emissions



FLAG emissions are those arising from land-use change and land management. Examples include agricultural practices and deforestation.

Energy and industry emissions are all other emissions associated with our value chain. Examples include fossil fuel emissions and energy-related activities, upstream transportation and distribution and waste generated in operations.

For the full detail on the categories included and excluded within PepsiCo's emissions targets, see the footnotes on page 5.



Taking action: Value chain

 \star Taking action: Wider society



Our 2022 baseline emissions footprint[®]

Our total GHG emissions across Scope 1, 2 and 3 were approximately 54 million⁶ metric tons in 2022.

The majority of our GHG footprint (92%) was generated by our value chain (Scope 3), most of which comes from agriculture (40%), packaging (26%) and third-party transportation and distribution (13%).

Progress towards our climate ambitions will require collaboration with our upstream and downstream partners, from whom Scope 3 emissions originate, making value chain engagement integral to our decarbonization efforts.

We calculate our emissions in line with the GHG Protocol, which may require adjusting our methodology as the Protocol evolves.



Our climate journey so far



2013

PepsiCo's Sustainable Farming Program (SFP) launches: a fundamental principle of our SFP is to support farmers in the implementation of practices that reduce GHG emissions associated with farming operations. As of 2023, more than 90% of grower-sourced crops are sourced worldwide through our SFP.

2020

PepsiCo sets renewable energy ambition and transitions U.S. direct operations to sourcing 100% renewable electricity, including renewable energy credits.

In 2023, approximately 80% (nearly 3,500 GWh) of the company's direct global electricity needs were met with renewable electricity through a portfolio of on-site renewables, Power Purchase Agreements (PPAs) and Energy Attribute Certificated (EACs)⁷.

2019

PepsiCo issues first Green Bond: PepsiCo becomes one of the first companies in its sector to issue a green bond, a \$1 billion senior notes offering.

2021



Taking action: Value chain

\star Taking action: Wider society

Enabling our journey



2024

PepsiCo Europe and Yara partner to decarbonize crop production: PepsiCo Europe and Yara announced a long-term partnership in Europe aimed at providing farmers with crop nutrition programs to help decarbonize the food value chain.

PepsiCo North America expands electric fleet: PepsiCo North America has added 50 Tesla Semis and 75 Ford E-Transit vans to its operations. These new additions will operate from PepsiCo's manufacturing and distribution facility in Fresno, California.

2022

PepsiCo issues 2nd Green Bond: PepsiCo issues a new \$1.25 billion 10-year Green Bond to help fund key pep+ sustainability initiatives.

PepsiCo launches pep+ REnew: PepsiCo launches a renewable electricity platform for suppliers in partnership with Schneider Electric. The program aims to educate value chain partners about renewable electricity choices and to support an acceleration of their transition through aggregated PPAs.

pep+ (PepsiCo Positive) launches: pep+ is a strategic end-to-end transformation of how PepsiCo intends to create growth and value by operating within planetary boundaries and inspiring positive change for the planet and people at scale.



2023

PepsiCo achieves 100% renewable electricity in 40 countries: manufacturing operations across 40 countries now powered by 100% renewable electricity through a portfolio of on-site generation, PPAs and EACs.

PepsiCo developed and deployed Sustainable Operations from the Start: guiding principles that require all new operations, including manufacturing and distribution sites and expansion of lines within existing operations, to be funded, scoped and activated with net-zero emissions and net water positive outcomes in mind.

PepsiCo achieves first fossil fuel-free facility: our Cork site in Ireland has transitioned from natural gas by pioneering the use of hydrogenated vegetable oil to power its operations.

PepsiCo's electric vehicle fleet grows: trucks operated by PepsiCo North America collectively drive over 3 million zero-emission miles.









Our Climate Transition Plan

We aim to achieve net-zero emissions across our value chain by 2050, supported by our near- and long-term goals.

See page 5 for detail on our targets. These have been validated by the Science Based Targets initiative.

Our Climate Transition Plan focus areas

Direct operations

We are taking action in an effort to reduce our emissions in many of our owned and controlled operations across the world.

Key actions:

- Improving energy efficiency
- Transitioning to renewable 2 electricity
- **Decarbonizing thermal** 3 energy in manufacturing
- **Deploying low-carbon** fleet solutions

Value chain

We strive to advocate for positive environmental change across our value chain, supporting decarbonization in agriculture, packaging and third-party transportation and distribution.

Key actions:

- **5** Agricultural ingredient sourcing
- **6** Reducing, recycling and reinventing packaging
- Decarbonizing third-party transportation and distribution
- **8** Transitioning to less carbon-intense product formulations
- Minimizing emissions in vending and cooling
- Engaging our value chain

Wider society

Climate change requires coordinated and collective action to drive systemic change. We seek to work beyond our operations to drive lasting and impactful change.

Key actions:

- Harnessing our areas of influence
- Supporting a just transition
- **13** Supporting nature through our transition
- **Driving advocacy**

Our Transition Plan relies on key external enablers and catalysts, including:

Decarbonization and modernization of electrical grids.

Government policy that incentivizes and/or mandates climate action.

Standardized regulatory frameworks for disclosure and clarity in GHG emissions accounting.

Technology innovation and commercialization.

Advances in technology and infrastructure to enable packaging circularity.

Market development for supply of affordable low-carbon fuels.

Increased availability of capital from public, philanthropic, and financial sectors to support decarbonization.











Taking action on our Plan



Direct operations

10

Our direct operations

Our emissions⁸

Emissions from operations directly owned or controlled by PepsiCo - Scope 1 and 2 represented 8% of our total carbon footprint in 2022, our baseline year.

For Scope 1, this includes direct GHG emissions like those from on-site fossil fuel combustion and fleet fuel consumption.

For Scope 2, this includes indirect GHG emissions like those from the generation of electricity, heat or steam purchased by us from a utility provider.

Our ambition

50% reduction in Scope 1 and 2 emissions by 2030, versus a 2022 baseline.



8 For further information on our emissions, see our ESG Topics page on <u>Climate Change</u>.

9 Emissions reductions presented here are based on estimated impact from numerous projects within the action categories identified here.

These estimates are based on current understanding of ongoing updates to external guidance from the GHGP and SBTi and are subject to change.





Key actions

Improving energy efficiency

+ Our Resource Conservation (ReCon) program is a comprehensive global platform of resources, tools and training programs aiming to improve energy and water efficiency and reduce waste in our own manufacturing and warehousing operations. Through a combination of training and technology, ReCon seeks to identify opportunities to reduce fuel and electricity consumption with a focus on deploying energy-efficient lighting, heating and cooling systems, boilers, and motors, while driving behavioral improvements through training operators.

Transitioning to renewable electricity

+ Where feasible, we seek to install renewable-electricity assets on-site or to purchase renewable electricity through PPAs or other sourcing methods, including purchase of EACs.







Decarbonizing thermal

energy in our manufacturing

- + We aim to achieve GHG intensity reduction in our manufacturing through the use of alternative and renewable fuels, such as biomass, biogas and biofuels from sustainable sources and, where feasible, electrification of equipment, such as electric boilers and heat pumps.
- + Our Sustainable Operations from the Start (SOftS) principles provide a framework for manufacturing and distribution sites as well as the expansion of existing operations to be funded, scoped and activated with net-zero emissions and net water positive outcomes in mind. SOftS requires new operations within PepsiCo to have zero incremental manufacturing emissions at start-up stage.
- For more information on how we are using renewable and alternative fuels and electricity sources, see our ESG Topics page on <u>Renewable energy</u>.

Deploying low-carbon fleet solutions

- + We actively look for opportunities to adopt the use of lower-emission fuels such as biodiesel, renewable diesel and compressed natural gas.
- + For both on-road and on-site fleets, we continue our efforts to expand our use of zero-emission vehicles supported by renewable electricity purchased from the grid or generated on-site. At our Modesto, California site, for example, we continue to upgrade our fleet to incorporate advances in sustainable technology such as alternative fuel vehicles and on-site renewable energy generation and storage.
- + Where possible, we incorporate new developments in fleet technology, including aerodynamics, more efficient powertrains and GPS/telematics in an effort to further drive fuel efficiency.
- For more information on how we are decarbonizing our fleet, see our ESG Topics page on Fleet decarbonization.



Global electrification pilots

We are in the early stages of piloting electrification projects, which will be powered by renewable electricity. If successful, we plan to begin to roll this technology out on a commercial scale, starting in several toasting facilities across Europe and Asia.







External dependencies that we believe will impact our progress:

- + Marketplace development of costcompetitive solutions for Scope 1 decarbonization, including Class 8 electric vehicle (EV) trucks and renewable fuels.
- + Infrastructure development, including EV charging.
- + Grid modernization and scale-up of renewable electricity to support electrification of manufacturing and transportation.
- + Ability to leverage market actions such as biomethane certificates recognized by the GHGP and SBTi.
- We are an active participant in a range of initiatives aiming to help scale the technologies and infrastructure needed to decarbonize our energy and transport sectors. See <u>Climate change partnerships</u> and engagement for further detail.





Enabling our journey

Heat pumps to power chip production

We are investing €200 million in an effort to expand and further sustainability efforts of PepsiCo's snack production site in Veurne, Belgium. Traditional gas heating will be replaced with heat pump technology powered by renewable electricity, expected to reduce greenhouse gas emissions from this plant by 8,500 metric tons CO_2e per year.

Decarbonizing toast ovens

Toasting is one of the most energy-intensive processes at our Tortilla Snack production lines, so we are working to develop scalable solutions to decarbonize our toasting process.

Electrification of snack production and photovoltaic (PV) farm

Our snack production plant in Poland is undergoing a transformation to eliminate the need for natural gas over time. Traditionally used as a heat source for ovens and the drying process, natural gas in production lines is being replaced by electrification, with electricity supplied from a new on-site solar PV farm. This transformation is planned to be operational by the end of 2025 and is expected to reduce over 1,118 metric tons of CO₂e a year.



Value chain

14

Our value chain

Our emissions¹⁰

We strive to help reduce climate impact in our value chain (Scope **3). Our efforts to reduce Scope 3 emissions focus on the largest** emissions sources:

- + Agricultural ingredient sourcing
- + Packaging
- + Third-party transportation and distribution

Combined, these sources accounted for 78% of our global GHG emissions in 2022. Making progress towards our net-zero ambition requires collaboration with our upstream and downstream partners (from whom these emissions originate), making value chain engagement integral to our decarbonization efforts.

Our 2030 ambition

30% reduction in FLAG Scope 3 emissions, versus a 2022 baseline.

42% reduction in energy and industry Scope 3 emissions, versus a 2022 baseline.

Our plan for reducing Scope 3 emissions by 2030¹¹

The data reflects anticipated reductions based on decarbonization levers as of May 2025. These numbers are subject to change and are expected to evolve as we implement our plans and work to identify further solutions.



The actions we have identified at this point in our journey to net-zero are expected to achieve significant reduction, but more will be needed to deliver our near-term reduction targets.

10 For further information on our emissions, see our ESG Topics page on <u>Climate change</u>.

11 Emissions reductions presented here are based on estimated impact from numerous projects within the action categories identified here.

These estimates are based on current understanding of ongoing updates to external guidance from the GHGP and SBTi and are subject to change.

We continue to work with our partners to find ways to further scale existing solutions while we explore new solutions to decarbonize our value chain activities.



16

5 **Agricultural ingredient** sourcing

PepsiCo sources crops and ingredients from farmers in more than 60 countries. We strive to protect our continued business growth from disruption due to climate change, water scarcity and other environmental risks.

We believe that our Positive Agriculture agenda demonstrates our support for global efforts to meet the increasing demand for food as the global population grows. Our strategy, which aims to spread

the adoption of regenerative agriculture, restorative, or protective practices across 10 million acres of land by 2030, also seeks to protect and enhance natural resources including healthy soils and fresh water and promote human well-being.





Key actions for reducing FLAG emissions:¹²

Promoting regenerative agriculture practices

We estimate that regenerative agricultural efforts in partnership with farmers in our supply chain have the potential to eliminate at least 3 million metric tons of GHG emissions by the end of the decade.

- + Promoting regenerative agriculture practices means partnering with experts in nutrient management, water-use efficiency and precision farming to share best practice programs with farmers, designed to generate direct GHG reduction and removal benefits. These include conservation tillage, the use of cover crops, 4R (right rate, right source, right place, right time) nutrient management and the use of bio-fertilizers.
- + It also means continuing to collaborate with farmers to support them to adopt new processes and technologies through our Sustainable Farming Program which aims to advance social, environmental and economic outcomes for the farmers from whom we directly source crops.

Working with our suppliers to realize deforestation and conversion-free sourcing in our company-owned operations and supply chain

- + Our efforts focus on forest-risk commodities including palm oil, cocoa, cane sugar, soy and pulp and paper. Key initiatives include internal capacity building through the development of Deforestation and Conversion Free (DCF) operational guidance and trainings with procurement teams; supplier engagement to communicate expectations; developing and monitoring supplier action plans; supply chain mapping; implementing satellite monitoring; and collective action at the landscape level and via industry engagement.
- + With a focus on palm oil, we are working with suppliers to have supply chains free of historic peat conversion and ask that all of our direct suppliers strive to adhere to the principle of no new conversion of any peatlands. Our peatland restoration activities aim to support increased water saturation levels in an effort to help reduce carbon emissions.
- + We are providing support to landscape initiatives and conservation and restoration initiatives in supply chain origins to seek to maintain them as DCF.
- + We are also taking leadership roles in strategic partnerships that aim to address DCF supply chains at scale - for example, the Consumer Goods Forum, WWF's Forest Forward and the Palm Oil Collaboration Group.

Conserving and restoring forests and natural ecosystems

- + To support our emissions reduction goals, we are working to protect and restore peatland in palm oil producing landscapes.
- + We are a founding partner of the Rimba Collective, an initiative that aims to deliver USD \$1 billion to forest protection and restoration in Southeast Asia over a 30-year period, while protecting and restoring over 500,000 hectares of tropical forests.
- For more detail on the Rimba Collective and our work to support natural ecosystems, please see Supporting nature through our transition.
- For further information on the topics covered on this page, see our ESG Topics pages on <u>Palm Oil</u>, <u>Nature</u> and <u>Deforestation</u>.





17

Key actions for agriculture-related energy and industry emissions:

Working to reduce fertilizer production emissions

We collaborate with farmers to transition to fertilizers made from renewable or low-carbon ammonia. In Europe for example, PepsiCo has entered into a long-term collaboration with Yara to provide growers in our value chain with crop nutrition programs to help decarbonize the food value chain. Through the collaboration, Yara is expected to deliver up to 165,000 metric tons of fertilizer per year, covering around 25% of our sourcing needs in Europe by 2030. These include low-carbon fertilizers produced from either renewable ammonia, or from lowcarbon ammonia deriving from carbon capture and storage (CCS) projects currently under construction..

O For further information on our agriculture partnerships, see our <u>Positive Agriculture</u> page and our <u>Agriculture</u> Partnerships and Engagement download.

External dependencies that we believe will impact our progress:

- + Overcoming financial, social and behavioral change barriers in scaling sustainable farming and forestry practices.
- + Government enabling policies impacting environment, food security and the economy.
- + Industry transformation that addresses systemic challenges in agriculture.
- + Ability to leverage market actions such as emission reduction certificates.
- + Increased availability of capital from public, philanthropic, and financial sectors to support decarbonization.

Enabling our journey

PepsiCo and Walmart collaborate for regenerative agriculture

In 2023, we announced a 7-year collaboration with Walmart to pursue \$120 million worth of investments focused on supporting U.S. and Canadian farmers in their pursuit to improve soil health and water quality.

By establishing and scaling financial, agronomic and social programs, the collaboration aims to enable and accelerate the adoption of regenerative agriculture practices on more than 2 million acres of farmland, with the potential to deliver approximately 4 million metric tons of GHG emission reduction and removal by 2030.

The collaboration marks our first, large-scale strategic collaboration focused on sustainable agriculture with a retail partner. By joining forces with Walmart we aim to empower farmers through education, peer coaching and cost-sharing.







Key actions:

Reducing

Recycling

- technologies.
- advance circularity.

Reinventing

6 **Reducing, recycling and** reinventing our packaging

After agriculture, packaging is the secondlargest contributor to our Scope 3 GHG emissions. Packaging emissions take into account emissions resulting from both upstream and downstream processes. Upstream emissions include things like raw material extraction and production, while downstream emissions include the emissions associated with end-of-life management.

Our sustainable packaging vision aspires to build a world where packaging never becomes waste. We take a three-pillared approach to realizing our vision: reducing the amount of packaging we use; driving **recycling** and supporting a circular economy; and **reinventing** how we deliver products through new business models with low- or no packaging options, including reuse models and new materials.

We anticipate that progress made against these three pillars will reduce our Scope 3 energy and industry emissions from packaging.

We are also engaging with our value chain partners to address value chain emissions. Please see Engaging our value chain for more detail on these efforts.

+ Through exploring scalable technologies, we are seeking to reduce the amount of plastic in our packaging and lower associated GHG emissions. We are working to reduce plastic use across packaging, through lightweighting many of our bottles, reducing the size of our film packaging and minimizing shipping and other packaging materials. Our R&D teams have developed new technology to pre-settle our snack products in order to use smaller bags for the same amount.

+ We are prioritizing designing packaging to enhance recyclability or compostability where possible, while replacing virgin fossil-fuel plastics with recycled resins from mechanical and advanced recycling

Additionally, we are exploring opportunities to increase recycled content in non-plastic materials such as aluminum, glass and paper to further

Reinventing our packaging encompasses our efforts to develop packaging materials from non-food, plant-based sources and exploring compostable options, as well as reuse models.

+ We plan to continue to leverage our reuse portfolio with models designed to help us reduce our use of virgin plastic per serving, decouple business growth from virgin plastic use and decrease GHG emissions.

+ We are also continuing to support expansion of returnable bottle systems, and growing our powders innovation in key markets.

External dependencies that we believe will impact our progress:

- + Well-designed broad-based packaging policy frameworks.
- + Effective collection, sortation and recycling infrastructure coupled with sufficient consumer education and engagement to increase recycling rates and drive highquality recycled materials.
- + Effective reuse infrastructure in markets and sufficient consumer education and engagement to support reuse behaviors.
- + Development of innovative and commercially viable packaging technologies and alternative materials.
- + Partnerships across industry to increase access to sufficient, reliable and costeffective supplies of food-grade recycled materials.
- + Increased availability of capital from public, philanthropic, and financial sectors to support decarbonization.
- + Shifts in consumer behavior towards more sustainable practices.





19

Key actions:

Electrification

Renewable fuels

Efficiency improvement and modal switch

External dependencies that we believe will impact our progress:

Decarbonizing third-party transportation and distribution

PepsiCo products reach shelves around the world through a complex network of transport operations. Our distribution approach differs country to country but our third-party carriers represent a significant portion of our global transport operations.

We aim to reduce our distribution impact and carbon footprint through direct and indirect engagement with carriers, industry partners and coalitions. This includes efforts to scale transportation decarbonization solutions such as vehicle efficiency improvements, mode switching, alternative fuels and zero-emission vehicles.

By sharing best practices and collaborating through programs like the U.S. EPA's SmartWay program and industry alliances such as the Smart Freight Buyers Alliance (SFBA), we are working to support carriers in adopting efficiency measures, transitioning to sustainable biofuels and implementing zero-emission technologies like electric vans and trucks.

Our partnerships with vehicle manufacturers, infrastructure developers and energy providers further enable the development and scaling of decarbonization solutions across our distribution network.

O For further information on our fleet decarbonization programs, see our ESG Topics page on Fleet decarbonization.

Enabling our journey

+ One of the keys to scaling electric freight across our value chain is ensuring the right financing mechanisms are in place between PepsiCo and our carriers. Some will spend their own capital on electric vehicles and charging infrastructure; in these instances PepsiCo contracts are an important source of financing. In other cases, PepsiCo may provide charging infrastructure or enter into deals with third-party providers of electric vehicles and infrastructure.

+ We deploy renewable fuel partnerships to support third-party transport decarbonization. These partnerships focus on three key fuels: renewable diesel, biodiesel and renewable natural gas.

+ Since 2023, all U.S. carriers have been required to be U.S. EPA SmartWaycertified to be eligible to participate in PepsiCo transportation bidding processes. The SmartWay program provides resources for third-party carriers to learn how to improve their efficiency and report their fleet carbon intensity each year. Where feasible, we also increase the number of shipments on intermodal methods – primarily rail, supplemented by truck – which reduces emissions compared to using trucks only.

+ Accelerated decarbonization of the transport sector.

+ Policies to incentivize transition and collaboration.

+ Improved global availability and economics of alternative fuels, electric vehicles (especially heavy-duty vehicles) and charging infrastructure.

+ Increased availability of capital from public, philanthropic, and financial sectors to support decarbonization.



Electric Vehicles in North America

Trucking accounts for over a quarter of U.S. transportation emissions, and while PepsiCo has deployed electric semitrucks and vans in its own fleet, thirdparty transportation still accounts for around 13% of its Scope 3 emissions. **Engaging partners to reduce these** emissions is essential.

In April 2023, Frito-Lay United States launched PepsiCo's first third-party electric vehicle (EV) shipment contract with longtime partner Schneider National, using its Freightliner eCascadia fleet. With a shared commitment to decarbonization, together they overcame operational challenges: optimizing routes, loads and charging strategies to improve efficiency and reliability.

In the first year, they completed 779 EV shipments across over 30,000 miles, avoiding approximately 48 metric tons of CO₂-equivalent to replacing 4,700 gallons of diesel. Schneider's use of Renewable Energy Certificates to cover the residual emissions of EV charging enabled the operation to achieve a full 100% emissions reduction.





PepsiCo's emissions reduction efforts include a number of key actions related to our product portfolio.



Introducing our Plan



Key actions:

Reducing sugar demand

Leveraging SodaStream

Exploring powders and tablets

+ As we strive to deliver more mid-, low-, and no-calorie options to consumers, we are choosing formulations designed to lead to reduced GHG intensity where possible.

+ As part of our efforts to reduce and reinvent our packaging, we are working to expand our SodaStream business, now expected to replace more than 200 billion plastic bottles by 2030. Reusable packaging models like SodaStream have a lower GHG emission intensity compared to their single-use packaging counterparts - requiring less material and transportation per serving.

+ Accelerating the growth of 'refill at home' models such as powders and concentrates for beverages is an important area of development for us and an important contribution to our decarbonization efforts.

External dependencies that we believe will impact our progress:

- + Support from suppliers and other value chain partners to decarbonize their supply chains.
- + Robust GHG data communicated across supply chains that accurately represents the GHG profile of the ingredients we use to enable better and faster decision-making.
- + Increased availability of capital from public, philanthropic, and financial sectors to support decarbonization.
- + Shifts in consumer preferences towards more sustainable products.





21

9 Minimizing emissions in vending and cooling

Vending and cooling equipment has been a key focus of our climate action to date. Our efforts include investments in energy-efficient technologies, the transition to HFC-free refrigerants and HFC-free foaming agents, and the use of renewable electricity.

Looking ahead, we continue to explore innovative solutions in an effort to further reduce emissions across the lifecycle of our equipment.







Key actions:

Materials innovation

design stage.

Hydrofluorocarbon (HFC) removal

Energy-efficient technologies

for vending and cooling equipment.

Life-cycle assessment (LCA)

design playbook.

+ We actively seek out opportunities to use lower-carbon materials in the manufacture of coolers and vending machines. This includes incorporating recycled and recyclable materials during the

+ We began to phase out the use of HFC refrigerants in our vending and cooling equipment in 2015. Currently, more than 90% of all new equipment uses 100% HFC-free refrigerants and HFC-free foaming agents in North America and Europe. Between 2015 and 2023, this contributed to a 72% reduction in emissions from our vending and cooling equipment. We continue to work with manufacturers in other markets to move to HFC-free refrigerants and HFC-free foaming agents across their equipment.

+ We continue to invest in energy-efficient technologies and renewable electricity, including PPAs and the purchase of EACs,

+ We have completed LCAs of our most-used vending and cooling machines, which show that the largest sources of global warming potential and fossil resource use stem from energy demand during equipment use. This accounts for approximately 74% of total cooler impacts and 61% of vending machine impacts. These LCAs support continuation of the work that we are already doing to minimize energy demand during use, which includes the creation of a

External dependencies that we believe will impact our progress:

- + Innovations in energy efficiency and refrigeration in vending and cooling equipment.
- Robust design criteria and guidance.
- + Circular tactics that enable the refurbishment or repair of equipment.
- + Increased availability of capital from public, philanthropic, and financial sectors to support decarbonization.





10 **Engaging our** value chain

We are actively engaging our value chain as a key element of our approach to reducing Scope 3 emissions.

Our efforts focus on suppliers responsible for 80% of PepsiCo's supplier-related Scope 3 emissions. For these suppliers, we have laid out four climate-related expectations:

- **1.** Set and commit to a Science-Based Target (SBT);
- 2. Share their SBT-aligned decarbonization plan and annual progress;
- **3.** Report their Scope 1 and 2 emissions to PepsiCo; and
- 4. For agricultural suppliers, collaborate with PepsiCo to roll-out regenerative agriculture practices.

Of our suppliers who account for 80% of our emissions, by the end of 2024:





Science Based Target



Key actions:

Our approach to engagement aims to support suppliers to meet our expectations through a continuous improvement process focused on the following areas:

Aligning with suppliers on priorities

- + Conducting one-on-one engagements with top GHG-emitting suppliers and integrating climate-related clauses, such as sharing decarbonization plans and requesting GHG emissions reporting, into contract language.
- + Engaging with our key agricultural suppliers to promote the use of renewable electricity and fuels in order to reduce the GHG emissions of agricultural processing.

Building capabilities

- + Providing tools and resources to value chain partners that support their work to address their Scope 1, 2 and 3 emissions.
- + Supporting our suppliers to build their capabilities in progress reporting for product-specific emission factors (values used to estimate the GHG emissions associated with the production, use, or disposal of a specific product). This is an emerging space and we are working within forums like the World Business Council for Sustainable Development (WBCSD) Partnership for Carbon Transparency (PACT) to develop more guidance and consistency.

Supporting meaningful climate action

+ Providing tools, resources and capability building programs to our suppliers, contract manufacturers and franchise bottlers that can help deliver emission reductions, including renewable electricity education and access to group purchasing opportunities. For further detail on our Sustainability Action, see our <u>Sustainability</u> Action Center.













External dependencies that we believe will impact our progress:

- + Decarbonization and modernization of electrical grids around the world.
- + Government policy that incentivizes and mandates climate action.
- + Market development for supply of affordable low-carbon fuels.
- + Advances in technology and infrastructure to enable packaging circularity.
- + Greater clarity and understanding in GHG emissions accounting among suppliers.
- + Increased availability of capital from public, philanthropic, and financial sectors to support decarbonization.

Supplier Leadership on **Climate Transition (SLoCT)**

PepsiCo is a founding member of SLoCT, which is managed by Guidehouse. SLoCT was developed to help value chain partners (suppliers, contract manufacturers, bottlers) build a strong foundation to accelerate emissions reductions in line with global standards.

Engagement is through a series of online learning seminars, direct mentoring, action-oriented instruction and opportunities for collaboration across the program.

PepsiCo has encouraged suppliers from across packaging, ingredients, bottling and contract manufacturing to enroll in the learning program.

The program aims to help participating suppliers develop their internal knowledge and capacity in GHG emissions calculations across Scope 1, 2 and 3, target setting, identification of emissions reduction projects and reporting.

pep+ REnew

In 2022, we launched the pep+ REnew program in collaboration with Schneider Electric. As the first program of its kind in the food and beverage industry, pep+ REnew fosters collaboration and partnership with value chain partners providing them with necessary support and resources to embark on their decarbonization journey with renewable electricity.

This program is designed with two goals:

- + Educate PepsiCo's value chain partners about their renewable electricity choices.
- + Accelerate and scale the transition to renewable electricity through aggregated power purchase agreements (PPAs) and other procurement mechanisms.

Once enrolled, value chain partners gain access to a variety of live and on-demand education materials and can connect with industry experts that can help determine which renewable purchasing types fit their needs. Program participants also gain the opportunity to join PepsiCo and other PepsiCo value chain partners in aggregated PPA cohorts, which help to reduce some of the barriers to executing PPAs.

24

Wider society

Wider society



Our approach

We recognize that our business and climate efforts operate within a broader context, where some aspects are within our direct operations while others depend on external factors beyond our direct influence.

This graphic maps PepsiCo's ability to influence emissions reduction and climate action across three areas of influence. moving from direct operations at the center to broader societal influence at the outer edge.



1. Direct operations

At the core lies our direct operations - the facilities, processes, and activities we directly control. This includes our energy consumption and operational decisions. Here, we have the greatest ability to implement immediate changes and measure their impact.

2. Direct influence

The second sphere encompasses business relationships within our value chain. While we don't control the operations across our value chain, we strive to support our suppliers and partners in their emissions reduction journeys through policies, partnership requirements, and collaborative initiatives.

3. Indirect influence

This sphere includes regional, and national governance, industry associations, non-governmental organizations, and wider society. As we work towards our climate ambitions, we heavily depend on enabling government policies, the widespread availability of affordable low and zero-carbon technologies and the scale-up of enabling infrastructure.





Just transition

As part of our Climate Strategy, we strive to support a just transition that delivers positive, equitable and fair outcomes for farmers and wider society.

For wider society

We recognize that the effects of climate change are often felt most acutely by the most vulnerable in society. As we work to build resilience for our business and supply chain, we also strive to support a just transition for these vulnerable groups, maximizing the social and economic opportunities stemming from our Climate Strategy, while minimizing and carefully managing the risks.

For farmers

Around the world, farmer livelihoods and the food systems on which they depend are threatened by challenges related to climate change, including topsoil depletion, increasing temperatures, more frequent droughts, floods or wildfires and decreasing biodiversity. Among the most vulnerable to these impacts are smallholder farmers, farm workers, temporary or migrant workers and women producers in rural agricultural communities, who often face systemic pre-existing inequalities, limited access to resources, and heightened economic and social vulnerabilities.

PepsiCo sources crops and ingredients from farmers in more than 60 countries. We aim to promote outcomes and standards to help improve the environmental, social and economic resilience of agricultural communities linked to our supply chain.

Our basic approach to address these challenges is grounded in engagement and listening. Understanding first-hand from farmers what drives their success enables us to provide support in an effort to meet their most critical needs. This in turn helps us source crops in a way that aims to help strengthen farming communities and farmer livelihoods. We are delivering dedicated programming that seeks to support economic prosperity, agency and a sense of security for many farmers, farm workers and their households.

Enabling our journey

Examples of how we support climate resilience for farmers through partnerships



Soil and Water Outcomes Fund (SWOF) Aims to help participating farmers transition to climate-smart practices on close to one million acres by 2030, with the potential to reduce and capture up to three million metric tons of GHG emissions. SWOF was awarded funding through the U.S. Department of Agriculture (USDA)'s public-private partnership, along with approximately \$60 million in support from PepsiCo and other industry peers, to launch the Midwest Climate-Smart Commodity Program.

Archer Daniels Midland (ADM)

This multi-year, shared-value partnership with ADM aims to reduce carbon intensity by expanding regenerative practices on up to two million acres across our shared supply chains. The project seeks to support farmers across the Midwest U.S. in building resilience to climate change and has the potential to eliminate over 1.4 million metric tons of GHG emissions.





Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ)

In partnership with GIZ, PepsiCo and small-scale potato farmers in northern Thailand aim to scale regenerative agricultural practices through a whole-farm approach in an effort to develop climate resilience and adaptation essential for sustainable farming management.

• For a full list of our agricultural partnerships, see our Agriculture Partnerships and Engagement download.



13 Supporting nature through our transition

Nature positive

27

Nature is central to PepsiCo's business as our supply chain is deeply intertwined with the health of natural ecosystems and their biodiversity. We recognize the need to protect and enhance these ecosystems as we strive to safeguard nature, mitigate risks to our business, and ensure the long-term resilience of biodiversity and ecosystems. Our efforts to preserve nature also present opportunities to address climate change while promoting sustainable ecosystem health.

The interplay between nature and our business is complex, and, like many businesses, we continue to develop a more detailed understanding of the relationship between the two. Work is underway to build our capabilities, including investing in on-the-ground programs, new tools and technologies and fostering partnerships with our supply chain, industry peers and conservation experts.

As with our farmer-focused efforts, the basic approach we employ starts with listening to the needs of affected communities and developing solutions that aim to address the most critical challenges. Our climate ambitions incorporate a nature-positive lens, aiming to help us to safeguard nature and in doing so, to help mitigate the risk for our business and supply chain while also supporting long-term ecosystem health.

Examples include our efforts to spread regenerative agriculture. Additionally, we've increased our efforts to engage in and lead collective initiatives and actions with peer companies and suppliers. These initiatives include:

+ Palm Oil Collaboration Group

PepsiCo co-convenes a space for companies seeking to collectively address and measure progress on no deforestation and no conversion ambitions as well as social issues in the palm oil sector.

+ Watershed Health Program

PepsiCo launched a pilot program in India that aims to address water stress, improve water-efficient farming practices and develop long-term water security plans for local villages.

+ Consumer Goods Forum's (CGF) Forest Positive Coalition of Action

PepsiCo is the co-chair of the CGF's Forest Positive Coalition of Action. The Coalition consists of 21 global consumer goods brands, retailers and manufacturers that work together and use their collective voice to support systemic efforts to remove deforestation, forest degradation and conversion from the key commodity supply chains of palm oil, soy and paper, pulp and fiber-based packaging and drive transformative change across the industry. Taking action: Value chain

Enabling our journey

The Rimba Collective

PepsiCo is a co-founder of the Rimba Collective, a long-term collaboration among consumer goods manufacturers, processors, traders and growers in the agricultural commodities industry that aims to protect and restore natural landscapes and support local community livelihoods. The Collective manages a portfolio of projects across Southeast Asia, including the Bentang Kalimantan Tangguh's Bahenap Village Forest project, which is working to conserve over 9,000 hectares of forest land situated in a village forest in West Kalimantan, Indonesian Borneo.

The project area consists primarily of a protected forest consisting of mineral forests. However, deforestation activities driven by domestic needs, such as housing and social infrastructure development, threaten the area's flora and fauna diversity. Limited models for sustainable practices in the forest and agriculture sectors can exacerbate these risks.

With support from Bentang Kalimantan Tangguh and funding from the Rimba Collective, the local Village Forest Management Institution is now working to prevent the area's loss of biodiversity, deforestation and forest degradation, while simultaneously supporting strengthened forest governance of the Institution, building its capacity to preserve and sustainably manage the forest and thereby supporting sustainable livelihoods. Bentang Kalimantan Tangguh has also supported the Institution in carrying out several forest conservation measures, including patrol, local regulatory measures and village forest management plans, through which Bentang Kalimantan Tangguh has managed to conserve over 9,000 hectares and maintained the habitat of numerous endangered and vulnerable species. This initiative also aims to support local communities, with capacity-building on sustainable business models ongoing and provision of school supplies for children completed, with more underway.





28

While we strive to reduce our own impact, we believe that effectively addressing climate change also demands a collective response. To this end, we engage regularly with industry, NGOs and other stakeholders to promote actions that support progress on climate change, and we have a long record of supporting climate policy.

Across all our partnerships, we focus on designing, launching and scaling holistic solutions to complex challenges. We invest alongside key stakeholders and leverage external technical and financial resources as we aim to deliver outcomes that reduce climate risk, increase resilience and drive mitigation and long-term sustainability.



Partnerships

Our climate partnerships and engagement initiatives encompass both global and national efforts. We recognize the importance of engaging with partners at all levels as we strive to support a comprehensive and inclusive approach to combating climate change.

Through partnerships, we aim to drive innovation, foster knowledge exchange and implement effective solutions that address the multifaceted challenges of climate change. We have an extensive portfolio of partners covering agriculture and packaging in addition to these examples of our industry partnerships:

+ World Economic Forum's First Movers Coalition

PepsiCo joined the First Movers Coalition in 2022. It brings together pioneering companies working to drive the transition to a sustainable, net-zero economy. PepsiCo joined the initiatives focused on trucking and aluminum, in an effort to engage with partners along the value chain to unlock solutions and drive scale.

+ World Economic Forum's First Movers Coalition for Food

PepsiCo joined the First Movers Coalition for Food as a launch member in 2023. This coalition brings together food system leaders in an effort to accelerate the transition to low-emission agri-food commodities.

+ **RE100**

In 2020, PepsiCo joined RE100 as part of our ongoing efforts to source 100% renewable electricity (including EACs) by 2040. RE100 is a global initiative led by The Climate Group in partnership with CDP, to bring together influential companies working towards 100% renewable electricity.

+ Sustainable Freight Buyers' Alliance (SFBA)

SFBA is led by the Smart Freight Center with support from Business for Social Responsibility, World Economic Forum, We Mean Business Coalition, and Mission Possible Partnership. SFBA works to standardize sustainable freight procurement guidelines and grow freight decarbonization solutions and related procurement practices. In 2024, as part of the coalition, we piloted long-haul electric truck operations along route I-10 in Texas, aiming to reduce fleet emissions and accelerate the transition to sustainable logistics.

Trade associations

PepsiCo is a member of many industry and trade groups and we partner with various non-profit organizations and NGOs, such as Clean Energy Buyers Association, WBCSD, CGF and WEF. These groups represent the food and beverage industry and the business community on issues that are critical to our business and stakeholders.

Our Corporate Affairs function has specific teams and individuals with responsibilities for developing corporate advocacy policy and regulatory positions as well as engaging with external stakeholders on regulatory policy that aligns with our climate strategy. They manage relationships with policymakers, trade associations and non-government actors, coordinating activities such as advocating for consistent climate change positions that may influence regulatory policy globally and at the market level. Corporate Affairs works closely with the business units, Legal, the Sustainability Office and other functions to ensure that our external engagements are aligned with our overall Climate Strategy and advocacy approach.











Enabling our journey

Our governance structure

At PepsiCo, our sustainability approach is integrated with - not separate from – our business. Our governance reflects this, with a structure that combines Board and senior leadership oversight with the subject matter and localized expertise that informs our strategy and how we execute it.

- + The Board of Directors plays an essential role in determining our strategic priorities and considers sustainability issues as an integral part of its business oversight.
- + The Sustainability and Public Policy Committee (SPPC), a committee of the Board, assists the Board in providing more focused oversight on PepsiCo policies, programs, and regularly receives updates from senior management on related risks.
- + The Sustainability Committee of the PepsiCo Executive Committee (PEC) consisting of the Chairman and CEO, the CFO, sector CEOs and functional heads, has direct oversight of the sustainability and climate agenda, including strategic decisions and performance management.
- + The PepsiCo Risk Committee (PRC) of the PEC, which includes PepsiCo's Chairman and CEO, works to identify, assess, prioritize and address our top strategic, operating and business risks.

The PRC is also responsible for reporting progress on our risk mitigation efforts to the Board, including climate-related risks.

- + The Global Sustainability Office led by PepsiCo's Chief Sustainability Officer, is charged with coordinating and informing the company's sustainability agenda across its value chain. The Office works closely with leaders across the business to drive continued progress against our climate agenda and embed sustainability into our long-term strategic planning.
- + Region-led Sustainability Teams from each region within our business lead the execution of our pep+ strategy for their region. Region Sustainability Offices also respond to sustainability issues unique to their geography, address regional and local challenges and support best-practice sharing across other sectors.



The Board of Directors

The Sustainability and **Public Policy Committee (SPPC)**

PepsiCo Executive Committee (PEC)

Sustainability Committee

PespiCo Risk Committee (PRC)

The Global Sustainability Office

Region-led Sustainability Teams

Connecting climate performance

to executive remuneration Our executive officers have certain annual strategic objectives that are aligned with progress on our long-term sustainability agenda, generally tailored to each executive's role and scope of responsibilities, including packaging, water and climate. Performance against these objectives is evaluated for each executive officer, in conjunction with individual contributions to broader strategic business imperatives, impacting the payout of their annual incentive award.

Reviewing our targets

We regularly review our pep+ agenda and consider whether any amendments are warranted. We continue to review our goals in the context of new developments, including changing external guidance and standards, developments in regulations and government policy, and evolving stakeholder expectations. The Science Based Targets initiative advises that targets be reviewed and, if necessary, recalculated and revalidated every five years at a minimum.





Resource allocation

Meeting our climate ambitions requires investment, not only of employee time and expertise, but also financial resources to support scalable solutions and catalyze new technologies.

A cross-functional team comprising climate subject matter experts, along with sustainability strategy and strategic investment specialists, comes together regularly to identify strategies to support progress towards our climate goals and to ensure these are funded.

These include:

Sustainability Capital Expenditures (CapEx) and Operating Expense (OpEx)

PepsiCo sustainability investments are integrated into the annual CapEx and OpEx planning process and included in region budgets, in an effort to optimize both financial resources and sustainability outcomes.

Our Green Bonds

As of December 31, 2023, PepsiCo had allocated¹³ \$859 million in proceeds from the issuance of our second Green Bond to eligible green projects¹⁴. This represents approximately 70% of the net proceeds and includes over 250 individual investments¹⁵. Since issuing our second Green Bond, we have used the proceeds to allocate:

- compared with using virgin plastic;¹⁶
- covering more than 2 million acres.





We use a variety of mechanisms to drive climate investments.

+ \$474 million towards projects to improve packaging circularity, avoiding approximately 230,000 metric tons of GHG emissions

+ \$272 million to decarbonization projects, completed between 2020 and 2023, expected to help reduce our Scope 1 and 2 GHG emissions by over 125,000 metric tons per year; and

+ \$26 million to support regenerative agricultural practices,

Our Climate Outcomes Fund

This targets investments for new-to-PepsiCo technology or programs that aim to reduce our Scope 1 and Scope 3 GHG emissions. The fund is centralized, managed by the Global Sustainability Office, but can be used across the business in any region, as long as the projects are scalable and can be replicated in other markets.

pep+ Real Estate Fund

The pep+ Real Estate Fund, coordinated by our Global Real Estate team, supports solutions put forward by our local Green Teams that aim to improve the sustainability of buildings, such as recycling centers and lighting upgrades, and supports engagement of employees on pep+.

Outside our walls, we aim to incentivize suppliers through our joint ESG-linked supplier financing program with Citibank in key international markets. This offers our suppliers a discounted rate on supply chain financing solutions if they meet certain criteria, such as setting a science-based target for GHG emission reduction and, for more mature suppliers, achieving emission reduction.

O For more information on our efforts to finance sustainability efforts, including climate mitigation and adaptation projects, see our 2024 Green Bond Report.

13 Net proceeds are allocated toward existing and/or new Eligible Projects that were related to items that were either expensed or capitalized in PepsiCo's financial statements during fiscal years 2020 through 2023. 14 PepsiCo's second Green Bond prospectus, aligned with our Green Bond Framework, defines "Eligible Green Projects" as new and existing investments made by PepsiCo during the period from January 1, 2020 through the maturity date of the notes, in four categories: circular economy and virgin plastic waste reduction, decarbonization and climate resilience within our operations and value chain, pursuing net positive water impact,

and regenerative agriculture. Each of these categories aligns with certain relevant UN Sustainable Development Goals, which provide an important inspiration for the company's priorities.

16 Avoided emissions represent the calculated difference in emissions between virgin and recycled PET plastic, using third-party emissions factors provided by Franklin Associates, a











pep+ planning

Our annual pep+ planning process uses Future+, a proprietary application that gives us the ability to manage and track progress against our pep+ goals. The platform helps us streamline project and business performance updates and, importantly, to cost-optimize the portfolio and implementation timing across regions.

Annual pep+ region objectives, established to position us to meet our global pep+ targets, are communicated in conjunction with financial targets to region CEOs and CFOs. Annual pep+ financial planning is completed in partnership with finance teams to ensure that the anticipated investments and expenses required to meet annual pep+ targets are incorporated into annual operating plans.

Carbon pricing

In 2021, we launched an internal carbon price through our Business Travel Inset Program (B-TIP), which is helping us balance out the carbon 'cost' of our business air travel. B-TIP adds a carbon fee to the cost of each flight undertaken by employees for business travel. Collected fees, borne by the traveling employee's region, business unit or function, are then reinvested into regenerative agriculture projects that aim to sequester carbon and/or reduce carbon emissions.

Skills and training

Progressing towards our climate goals and the ambitions of pep+ requires the support and engagement of PepsiCo employees. In order to build skills and capabilities across such a diverse set of learners, we've developed a broad portfolio of learning opportunities targeted at different types of audiences. For example, we focus training programs for operations teams on plant energy efficiency and emissions reduction technologies, and procurement teams receive training on specific topics such as science-based target setting for suppliers. We employ a combination of online learning, targeted communications, and group events in an effort to continuously educate and inform our associates on their role in driving climate action at PepsiCo.









Glossary

4R refers to right rate, right source, right place, right time. 4R acts as a guide for nutrient management and stewardship, supporting farmers to maintain practices that help keep nutrients on and in the field.

Beyond value chain mitigation action or investments are those that fall outside a company's value chain. This includes activities outside of a company's value chain that avoid or reduce greenhouse gas emissions, or that remove greenhouse gases from the atmosphere in an effort to permanently store them.

Carbon capture and storage (CCS) is a technology designed to reduce GHG emissions. It involves capturing CO₂ produced from industrial processes or energy generation and storing it securely in an effort to prevent its release into the atmosphere.

Carbon credits are a financially tradable instrument that represents a reduction, removal or avoidance of one tonne of carbon dioxide equivalent achieved by a project.

Carbon removals are schemes that remove emissions already generated. These can be natural processes including afforestation, reforestation, soil carbon sequestration in agricultural land, and ecosystem restoration of peatlands, wetlands and mangroves.

Climate change refers to long-term shifts in temperatures and weather patterns. Such shifts can be natural, for example changes to the sun's activity, but since the 1800s, human activities are believed to have been the main driver of climate change, primarily due to the burning of fossil fuels like coal, oil and gas.

Direct operations refer to the activities and facilities that a business owns or directly controls

Energy Attribute Certificate (EAC)

is a contractual instrument that certifies the ownership of renewable energy attributes. Also known as Renewable Energy Credits (RECs) in North America, EACs are used to track and verify the origin of renewable energy and are key to supporting renewable energy markets and claims about renewable energy usage.

FLAG emissions are emissions that arise from forests, land and agriculture.

Fossil fuels is a generic term used for nonrenewable energy sources such as coal and natural gas. These fuels originate from plants and animals that existed in the geological past and have served as humanity's primary energy source.

GHG footprint is the total amount of GHG emissions generated by an entity (e.g. a company).





Green Bonds are a means of raising funds for sustainability projects from external investors. They help companies to accelerate sustainability initiatives while helping investors to align sustainability and financial priorities.

Greenhouse gas (GHG) emissions are gases in the earth's atmosphere that can trap heat, making the planet warmer and contributing to the greenhouse effect - a process that occurs when gases in the Earth's atmosphere trap heat from the sun.

Net-zero emissions refers to a state when greenhouse gas emissions due to human activities, also known as anthropogenic emissions, are balanced by an equivalent amount of greenhouse gas removals.

Paris Agreement is an international treaty on climate change that entered into force in 2016, following the UN Climate Change Conference (COP21) in Paris. Its goal is to hold "the increase in the global average temperature to well below 2°C above pre-industrial levels" and aims to "limit the temperature increase to 1.5°C above preindustrial levels."

Power Purchase Agreement (PPA) is a long-term power agreement between two parties: a power producer and a power buyer. The agreement outlines the terms under which the buyer agrees to purchase electricity and/or electricity attribute certificates directly from a renewable energy producer.

Renewable energy is energy derived from natural sources that are replenished at a higher rate than they are consumed. Examples include solar and wind-generated energy.

Science Based Targets initiative (SBTi) is a corporate climate action organization that develops standards, tools and guidance to enable companies and financial institutions to set science-based emissions reduction and net-zero targets, in line with the latest climate science.

Scope 1, 2 and 3 emissions

- Scope 1 Direct GHG emissions from sources that are owned or controlled by a company. This includes on-site fossil fuel combustion and fleet fuel consumption.
- **Scope 2** Indirect GHG emissions from operations that are owned or controlled by a company. This includes emissions that result from the generation of electricity, heat or steam purchased by the company from a utility provider.
- Scope 3 Indirect GHG emissions from sources not owned or directly controlled by a company but related to activities across its entire value chain, both upstream and downstream of company operations.

Value chain refers to the entire network of activities and entities involved in producing and delivering a product or service for a company, including both upstream and downstream processes.











Forward-looking statements

This PepsiCo, Inc. Climate Transition Plan 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," "strive," "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.

Factors which could cause actual results to differ materially include, but are not limited to, those set out under the heading 'External dependencies' under each emissions reduction action set out in this document.





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