



PEPSICO

2011/2012 GRI Report

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PepsiCo 2011/2012 GRI Report

1.1 CEO Letter

Dear Fellow Stakeholders,

The test of a great company is whether it has the ability to constantly manage for both the level of returns and the duration over which those returns will be realized. It's a challenge that we at PepsiCo embrace, because we recognize that there's always a bigger picture, a longer time horizon and a broader world in which we operate.

Our heritage as a food and beverage powerhouse runs deep. What began with Pepsi-Cola more than a century ago and became PepsiCo with the addition of the Frito-Lay snack business nearly 50 years ago, has transformed into a global, diversified company with more than \$65 billion in annual revenue. We are the largest food and beverage business in the United States and one of the largest in the world.

If our history and trajectory have taught us one thing, it's that we have to think in terms of both quarters and generations.

Business does not operate in a vacuum — it operates under a license from society. We recognized early that when we transform our business to deliver for our consumers, protect our environment, and invest in our employees — we achieve sustained value. In fact, these actions fuel our financial returns.

In 2007, we articulated this powerful idea through Performance with Purpose, our goal to deliver sustained, top-tier financial results through:

- Transforming our portfolio to provide a wide range of foods and beverages, from treats to healthy eats, to sustain topline growth;
- Finding innovative ways to reduce our impact on the environment, which enables us to lower our costs at the same time; and

- Providing a safe and inclusive workplace for our employees around the globe to attract and retain the best talent, and investing in the communities in which we do business to retain our license to operate.

From our operations on farms and the plant floor, to delivery of our products to store shelves, to strategic decision making — we are guided by Performance with Purpose. It's more than a vision statement. It's the soul of PepsiCo. Over the past seven years, we have woven Performance with Purpose into every aspect of our business — and in doing so, changed the very fabric of our company.

We have achieved some impressive results.

We are transforming our portfolio to offer consumers more choice, successfully launching nutritious products like Quaker Real Medleys, Trop50, Gatorade Energy Chews, Muller Quaker Dairy yogurt, baked snacks, and lower-calorie products like Pepsi Next. In 2012, 49 percent of our U.S. beverage volume was in juices, low- or zero-calorie drinks, and active hydration beverages. We'll continue to innovate in the growing tasty nutrition space and across our portfolio to meet changing consumer needs.

We're proud to be a leader in water stewardship and continuously work to minimize our environmental impact. We have reduced our water usage by more than 20 percent per unit of production since 2006. And by teaming up with partners around the globe; we have provided access to safe, clean drinking water for 3 million people. Our achievements were recognized with the Stockholm Industry Water Award and the U.S. Water Prize in 2012. We have also reduced the packaging weight of our products (primarily in our beverage bottles) by more than 350 million pounds over the last five years, exceeding our goal by more than 20 percent. We remain committed to environmental stewardship at every level of our company.

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PepsiCo's talented people are vital to our continued success, and we continuously invest in our associates, giving them the tools and training to succeed. I recently saw firsthand the expertise and passion of PepsiCo's diverse team in the Asia, Middle East and Africa Sector, where we're employing more women in Saudi Arabia than ever before. And our Asia Pacific team has increased the female executive promotion rate to nearly 50 percent. In the United States, women, people of color and people from diverse backgrounds comprised more than 60 percent of the new hires from our college campus recruiting in 2012. We have also established a Human Rights Operating Council to better coordinate, implement and monitor our human rights strategy across our global operations.

In all of these areas, Performance with Purpose fuels our growth and allows us to stay ahead of trends shaping our industry and the world in which we operate. It galvanizes our global associates, positions our business to deliver today and well into the future, and protects resources for the next generation.

We're proud of what we have achieved so far but recognize that there is much work to do to meet the aggressive goals we've set for ourselves. PepsiCo has the capacity, and the will, to lead. We will continue to work with governments, NGOs, local community partners and other industry leaders toward common goals and fight for those things that make the world a better place.

At the heart of PepsiCo and our Performance with Purpose vision is the powerful idea that every footstep matters, but so too does the horizon to which you're headed. We're proud of the individual steps we're taking, and the larger journey on which we've embarked.

We remain steadfastly dedicated to building a profitable and sustainable 21st century corporation—one that is a good investment for our shareholders, a good environment for our employees, a good citizen in our communities and a good steward of our planet's resources. That's Performance with Purpose. It is important now more than ever.



Indra K. Nooyi
Chairman and Chief Executive Officer

1.2 Description of key impacts, risks and opportunities

PepsiCo knows that for long-term growth, we must be more than just profitable. We first articulated Performance with Purpose in 2007, and it continues to be our guiding corporate principle. We define Performance with Purpose as our goal to deliver sustained value by providing a wide range of foods and beverages, from treats to healthy eats; finding innovative ways to minimize our impact on the environment and lower our costs through energy and water conservation, as well as reduced use of packaging material; providing a safe and inclusive workplace for our employees globally; and respecting, supporting and investing in the local communities in which we operate.

As a global company, with positions in every key market in the world, PepsiCo's scale, product and geographic diversity give us great strength, but also great responsibility. Companies today operate in a rapidly changing environment, and we realized several years ago that we needed to make several strategic shifts in our business toward new consumer and market trends to position ourselves for long-term growth in an uncertain environment. Like all companies, we operate under a license from society to further enhance our business and the communities we serve.

A number of forces have combined to significantly reshape the external environment in which the food and beverage industry operates. These changes have had a major impact on where and how companies must compete to survive and thrive:

- Global macroeconomic growth has slowed over the past few years and the outlook continues to be mixed, particularly in developed markets.
- Global economic power is becoming more distributed, with the East becoming a larger player in the world.

- The demographic equation in the West is shifting, with an increasing share of consumption in the hands of boomers, women and smaller households, and a rapid growth of diverse ethnic communities.
- Intensifying consumer and government focus on health and wellness is changing the relative growth trajectory of the food and beverage industry's categories and products. Consumers are constantly changing their habits, preferences and consumption patterns.
- Food safety and security are now, more than ever, front and center in the minds of governments and consumers, increasing the need for robust systems within companies to ensure ingredient and product traceability.
- Sustained commodity price increases and volatility have challenged company cost structures.
- There is a strong and growing environmental consciousness emerging in societies around the world as water use, waste disposal (especially of plastic) and energy use by industry receive additional scrutiny.
- Economic growth in emerging and developing markets is lifting consumer income levels and driving urban lifestyles, which are in turn increasing demand for convenient foods and beverages.
- The global retail environment is transforming in both developing and developed markets.

However, challenges such as these have provided opportunities for PepsiCo:

- We have refocused our efforts on our key global brands and categories in our most important developed markets to drive profitable growth.

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- We recognized the growth prospects in what we call our “Good-for-You” products and invested in our capabilities to increase our presence in the tasty nutrition space.
- We believe emerging and developing markets represent another very attractive high-growth space for PepsiCo. We have invested aggressively to bolster our presence in these markets, which has helped us build advantaged positions there.
- We focused on leveraging the diverse strengths of our company, focusing on creating One PepsiCo, as a way to deliver a variety of efficiencies.
- We are building new capabilities through our global operating model to become a more globally networked company.
- We are building a leading team and culture with diverse and talented associates.
- We believe in Performance with Purpose now more than ever and will work to continue to grow our business while remaining responsible corporate citizens.

Our recent actions reaffirm our goal of delivering sustained, top-tier financial results. At PepsiCo, we are focused on delivering sustained value and, over the last two years, we have managed external risks and taken important steps on our journey to deliver long-term sustainable growth and sustained financial performance.

Performance with Purpose is our goal to deliver sustained value. It guides our strategy and operations, with a focus on Human Sustainability, Environmental Sustainability and Talent Sustainability.

Human Sustainability means providing a wide range of foods and beverages, from treats to healthy eats.

Environmental Sustainability means finding innovative ways to minimize our impact on the environment and lower our costs through energy and water conservation, as well as reduced use of packaging material.

Talent Sustainability means providing a safe and inclusive workplace globally and respecting, supporting and investing in the local communities where we operate.

Our Performance with Purpose Goals:

When PepsiCo began its Performance with Purpose journey, we developed a broad set of goals to help guide the company's strategy and operations. This goal-setting process focuses our efforts as we strive to deliver great performance by doing the right things for people and communities around the world.

In 2012, we clarified and consolidated our Performance with Purpose goals after consultation with a diverse group of stakeholders in order to focus on the issues that are of importance to our stakeholders, communities and business. Because we believe in the power of continuous improvement, our goals may further evolve as we learn from our day-to-day operations, pursue and adopt new technologies and other innovations, and adjust to changes in the external environment in which we operate.

We believe these goals help position PepsiCo for long-term, sustainable success by aligning what is good for our business with what is good for society and the planet.

1. Strive to deliver superior long-term financial performance and sustained shareholder value.
2. Continue to refine our food and beverage choices to meet changing consumer needs by reducing sodium, added sugars and saturated fat, and developing a broader portfolio of product choices.
3. Continue to provide clear nutrition information on our products, and sell and market them appropriately to our consumers, including children, in line with our global policies and accepted global standards.
4. Help protect and conserve global water supplies, especially in water-stressed areas, and provide access to safe water.
5. Innovate our packaging to make it increasingly sustainable, minimizing our impact on the environment.
6. Work to eliminate solid waste to landfills from our production facilities.
7. Work to achieve an absolute reduction in greenhouse gas (GHG) emissions across our global businesses.
8. Continue to support sustainable agriculture by expanding best practices with our growers and suppliers.
9. Create a safe, healthy, diverse and inclusive workplace that reflects the global communities in which we operate.
10. Respect human rights in the workplace and across the supply chain.

2.1 Name of the organization

PepsiCo, Inc.

2.2 Primary brands, products and/or services

PepsiCo is a global food and beverage leader with net revenue of more than \$65 billion and a product portfolio that includes 22 brands that generate more than \$1 billion each in estimated annual retail sales. Our main businesses — Quaker, Tropicana, Gatorade, Frito-Lay and Pepsi-Cola — make hundreds of enjoyable foods and beverages that are loved throughout the world. Given our size and scale, we believe we have an important role to play in helping people lead healthier lives. We will do this by: broadening our product portfolio to include healthier choices; establishing initiatives around the world, such as calorie labeling; supporting programs that promote physical activity; and using our influence to engage in meaningful private/public partnerships to drive positive change.

We also recognize the growth prospects in the growing tasty nutrition space. In 2012, PepsiCo launched Good-for-You choices in the U.S. such as Quaker Real Medleys, Gatorade Prime Energy Chews for athletes, Tropicana Farmstand and Chudo Kasha cereal (in Russia). We also launched Better-for-You choices with reduced sugar, saturated fat and sodium, such as Pepsi Next, Lay's Forno (in Saudi Arabia) and Starbucks Refreshers. In fact, from 2002 to 2012, our nutrition business revenue has grown substantially and, in 2012, represented approximately 20 percent of PepsiCo's annual net revenue. The acquisition of Wimm-Bill-Dann in 2011 and the launch of our Muller Quaker Dairy joint venture in the U.S. in 2012 provided us with new platforms in value-added dairy. We are excited about the strong growth prospects of this category. New value-added dairy offerings in 2012 included Chudo drinkable yogurt in Russia and Muller Greek Corner yogurt in the U.S.

During 2012, we undertook a number of significant initiatives that we believe will position us for future success. These initiatives included increasing investment in our iconic global brands, stepping up our innovation program and launching new products, and implementing a multiyear productivity program that resulted in over \$1 billion in savings in 2012 alone. We successfully completed these initiatives while returning \$6.5 billion to shareholders through share repurchases and dividends during 2012.

2.3 Operational structure of the organization

The PepsiCo Operating Model (POM) encompasses the organizational structures, required behaviors, systems, processes and tools to support PepsiCo's transformation. The POM consists of geographic Sectors, which retain profit and loss responsibilities and Global Groups and Global Functions. These Global Groups (Global Snacks, Global Beverages and Global Nutrition) are designed to deliver a consistent framework to allow our global brands growth opportunities and to generate new product sales around the world. The Sectors and Global Groups are supported by lean, but strategic global functions (such as public policy and government affairs, finance, human resources, research and development (R&D), communications, operations and others). We believe the POM enables us to build our brands globally and deliver breakthrough innovation to consumers.

PepsiCo is organized into four business units:

- 1) PepsiCo Americas Foods (PAF), which includes Frito-Lay North America (FLNA), Quaker Foods North America (QFNA) and all of our Latin American food and snack businesses (LAF);
- 2) PepsiCo Americas Beverages (PAB), which includes all of our North American and Latin American beverage businesses;

- 3) PepsiCo Europe, which includes all of our beverage, food and snack businesses in Europe and South Africa; and
- 4) PepsiCo Asia, Middle East and Africa (AMEA), which includes all of our beverage, food and snack businesses in AMEA, excluding South Africa.

Our four business units comprise six reportable segments (also referred to as divisions) as follows:

- FLNA
- QFNA
- LAF
- PAB
- Europe
- AMEA

FRITO-LAY NORTH AMERICA (FLNA)

Either independently or in conjunction with third-party partners, FLNA makes, markets, sells and distributes branded snack foods. These foods include Lay's potato chips, Doritos tortilla chips, Cheetos cheese-flavored snacks, Tostitos tortilla chips, branded dips, Ruffles potato chips, Fritos corn chips and Santitas tortilla chips. FLNA's branded products are sold to independent distributors and retailers. In addition, FLNA's joint venture with the Strauss Group makes, markets, sells and distributes Sabra refrigerated dips and spreads.

QUAKER FOODS NORTH AMERICA (QFNA)

Either independently or in conjunction with third-party partners, QFNA makes, markets, sells and distributes cereals, rice, pasta, dairy and other branded products. QFNA's products include Quaker oatmeal, Aunt Jemima mixes and syrups, Quaker Chewy granola bars, Quaker grits, Cap'n Crunch cereal, Life cereal, Quaker rice cakes, Rice-A-Roni side dishes, Near East side dishes and Pasta Roni side dishes. These branded products are sold to independent distributors and retailers.

LATIN AMERICA FOODS (LAF)

Either independently or in conjunction with third-party partners, LAF makes, markets, sells and distributes a number of snack food brands including Marias Gamesa, Cheetos, Doritos, Ruffles, Emperador, Saladitas, Elma Chips, Rosquinhas Mabel, Sabritas and Tostitos, as well as many Quaker-branded cereals and snacks. These branded products are sold to independent distributors and retailers.

PEPSICO AMERICAS BEVERAGES (PAB)

Either independently or in conjunction with third-party partners, PAB makes, markets, sells and distributes beverage concentrates, fountain syrups and finished goods under various beverage brands including Pepsi, Mountain Dew, Gatorade, Diet Pepsi, Aquafina, 7UP (outside the U.S.), Diet Mountain Dew, Tropicana Pure Premium, Sierra Mist and Mirinda. PAB also, either independently or in conjunction with third-party partners, makes, markets and sells ready-to-drink tea and coffee products through joint ventures with Unilever (under the Lipton brand name) and Starbucks. Further, PAB manufactures and distributes certain brands licensed from Dr. Pepper Snapple Group, Inc. (DPSG), including Dr. Pepper and Crush, and certain juice brands licensed from Dole Food Company, Inc. PAB operates its own bottling plants and distribution facilities and sells branded finished goods directly to independent distributors and retailers. PAB also sells concentrate and finished goods for our brands to authorized and independent bottlers who in turn also sell our brands as finished goods to independent distributors and retailers in certain markets.

EUROPE

Either independently or in conjunction with third-party partners, PepsiCo Europe makes, markets, sells and distributes a number of leading snack foods including Lay's, Walkers, Doritos, Cheetos and Ruffles, as well as many Quaker-branded cereals and snacks, through consolidated businesses as well as through noncontrolled affiliates. Europe also, either independently

About PepsiCo

or in conjunction with third-party partners, makes, markets, sells and distributes beverage concentrates, fountain syrups and finished goods under various beverage brands including Pepsi, Pepsi Max, 7UP, Diet Pepsi and Tropicana. These branded products are sold to authorized bottlers, independent distributors and retailers. In certain markets, however, Europe operates its own bottling plants and distribution facilities. Europe also, either independently or in conjunction with third-party partners, makes, markets and sells ready-to-drink tea products through an international joint venture with Unilever (under the Lipton brand name). In addition, with the integration of the Wimm-Bill-Dann business, Europe makes, markets, sells and distributes a number of leading dairy products including Domik v Derevne, Chudo and Agusha.

ASIA, MIDDLE EAST & AFRICA (AMEA)

Either independently or in conjunction with third-party partners, PepsiCo AMEA makes, markets, sells and distributes a number of leading snack food brands including Lay's, Chipsy, Kurkure, Doritos, Cheetos and Smith's through consolidated businesses as well as through noncontrolled affiliates. Further, either independently or in conjunction with third-party partners, AMEA makes, markets and sells many Quaker-branded cereals and snacks. AMEA also makes, markets, sells and distributes beverage concentrates, fountain syrups and finished goods under various beverage brands including Pepsi, Mirinda, 7UP, Mountain Dew, Aquafina and Tropicana. These branded products are sold to authorized bottlers, independent distributors and retailers. However, in certain markets, AMEA operates its own bottling plants and distribution facilities. In addition, AMEA, either independently or in conjunction with third-party partners, makes, markets and sells ready-to-drink tea products through an international joint venture with Unilever (under the Lipton brand name).

Further, AMEA licenses co-branded juice products to third-party partners through a strategic alliance with Tingyi (Cayman Islands) Holding Corp.

2012 FINANCIAL HIGHLIGHTS

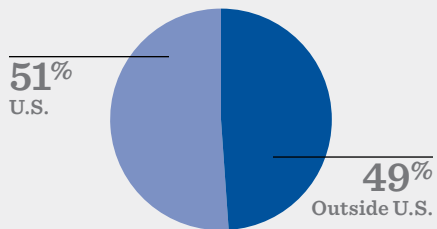
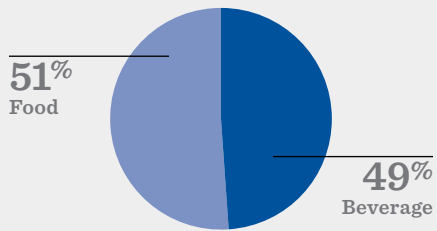
PepsiCo's performance and purpose are inextricably linked to one another. Our goal is to deliver sustained value by providing a wide range of foods and beverages, from treats to healthy eats; finding innovative ways to minimize our impact on the environment and lower our costs through energy and water conservation, as well as reduced use of packaging material; providing a safe and inclusive workplace for our employees globally; and respecting, supporting and investing in the local communities in which we operate.

SUMMARY OF OPERATIONS

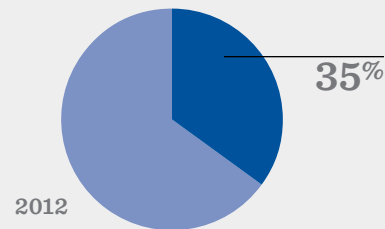
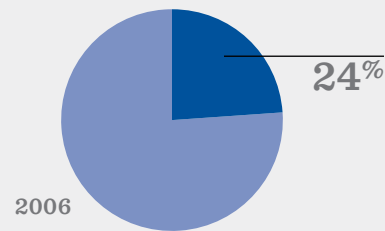
PEPSICO, INC. AND SUBSIDIARIES

<i>(In millions except per-share data)</i>	2012
Net revenue	\$65,492
Diluted earnings per share	\$3.92
Long-term debt	\$23,544
Annual tax rate	25.2%
Income taxes paid (net of refunds)	\$1,840

MIX OF NET REVENUE



PERCENTAGE OF NET REVENUE FROM EMERGING & DEVELOPING MARKETS



In 2006, emerging and developing markets accounted for 24 percent of PepsiCo net revenue; in 2012, they represented 35 percent.

2.4 Location of organization's headquarters

PepsiCo's corporate headquarters is located in Purchase, New York, USA.

2.5 Number of countries where the organization operates

Our products are available to consumers in more than 200 countries and territories worldwide.

2.6 Nature of ownership and legal information

PepsiCo is a publicly traded company; the New York Stock Exchange is the principal market for PepsiCo common stock, which is also listed on the Chicago and Swiss stock exchanges. As of February 13, 2013, there were approximately 152,290 shareholders of record. For more information, please refer to PepsiCo's 2013 Annual Meeting Proxy Statement. http://pepsico.com/Investors/PepsiCo_Proxy_2013.pdf

2.7 Markets served

Snacks: We are the #1 macrosnack player in many developed markets in the world. Our highly profitable snacks business has a strong stable of much-loved megabrands — Lay's, Doritos, Cheetos and SunChips — and a structurally advantaged go-to-market system in many major markets such as the U.S., Canada, the U.K. and Australia, among others. We have been concentrating our insights, marketing and innovation resources behind our powerhouse brands and key markets to successfully grow demand and our share. As a result of our consistent investments over the years, Lay's is the #1 snack food brand in the world.

Beverages: Our well-known global beverage brands are adapting to meet changing consumer demands and the competitive environment. In North America, PepsiCo is the leader in Liquid Refreshment Beverages in measured channels. Our North American beverage business is large and profitable. It includes refreshing, great-tasting offerings that hold the number one or two position in most major categories. Through our diverse portfolio, we offer consumers an increasing number of choices, including ready-to-drink teas and coffee drinks, isotonic and other noncarbonated beverages. We have continued to offer low- or zero-calorie and smaller-portioned options and have focused innovation efforts to further help our consumers manage calories.

Nutrition: We continue to work to grow our nutrition business across multiple markets globally and increase our presence in the growing tasty nutrition space. We are building from our positions of strength with four of the most important platforms and globally admired and loved brands in nutrition — Quaker (grains), Tropicana (fruits and vegetables), Gatorade (sports nutrition for athletes) and Naked Juice (super-premium juices and protein smoothies). We also are working to unlock growth opportunities in new product categories, such as dairy with our business in Russia, our joint venture with Almarai in parts of the Middle East, and Muller Quaker Dairy (through our joint venture with Theo Muller Group); hummus and other fresh dips with Sabra and Obela (through our joint venture with Strauss Group); and baked grains with Stacy's. From 2002 to 2012, our nutrition business revenue has grown substantially and, in 2012, represented approximately 20 percent of PepsiCo's annual net revenue.

2.8 Scale of the reporting organization

and

EC1 Direct economic value generated and distributed

Number of employees	Approximately 278,000 associates
Quantity of products	Portfolio of 22 megabrands generating more than \$1 billion each in estimated annual retail sales
Net revenues	\$65,492 million
Total assets	\$74,638 million
Total liabilities	\$52,239 million
Total equity	\$22,399 million

2.9 Significant changes during the reporting period regarding size, structure or ownership

In 2012, PepsiCo changed its operating model from a loose federation of countries and regions to a more globally integrated organization. This change in our structure allows us to build our brands globally and deliver breakthrough innovation that we can leverage across the company. For more information, please refer to 2.3: Operational structure of the organization.

2.10 Awards received in the reporting period

In 2012, PepsiCo was proud to be honored by a diverse group of organizations and institutions for our sustainability programs and performance. We strive to be a sustainability leader both in our industry and globally, and hope to

continue to maintain this level of performance in the coming years. Some of the awards we received in 2012 are highlighted below.

- Recognized by the Dow Jones Sustainability Index North America for the seventh consecutive year; sixth consecutive recognition by World Index
- Recognized by the Carbon Disclosure Project (CDP) for a 94 percent carbon disclosure score
- Honored with the U.S. Environmental Protection Agency's ENERGY STAR "Partner of the Year Award for Sustained Excellence"
- Recipient of the Stockholm Industry Water Award
- Recipient of the U.S. Water Prize from the U.S. Water Alliance
- Scored 100 percent on the Corporate Equality Index for the Human Rights Campaign for our LGBT efforts
- Included in *Newsweek* Green Rankings; ranked third in our industry in the U.S.
- Acknowledged by *Black Enterprise* as one of the Best 40 Companies for Diversity
- Ranked 22nd in *CR Magazine's* 100 Best Corporate Citizens
- Included in *Financial Times* Bowen Craggs Index of corporate online effectiveness
- Ranked 26th in Best Global Green Brands by Interbrand
- Ranked 22nd in Best Global Brands by Interbrand

- Included in *Barron's* World's Most Respected Companies
- Acknowledged by *Working Mother* as one of the Best Companies for Multicultural Women
- Ranked 18th in *Hispanic Business' "Best Companies for Diversity"*
- Ranked 11th by the Great Place to Work Institute for "25 Best Global Companies to Work For"
- Ranked 7th among *Chief Executive* magazine's "Best Companies for Leaders"
- Named among World's Most Ethical Companies for sixth consecutive year by The Ethisphere Institute
- Named among the top 10 Most Reputable Companies in the U.S. by *Forbes*
- Acknowledged by *LATINA Style* magazine as one of its Top 50 Companies for Latinas

PepsiCo Foundation

As a corporate citizen, PepsiCo and its companies have a long and proud history of supporting the communities where we live and work. Established in 1962, the PepsiCo Foundation is the philanthropic anchor of PepsiCo, responsible for providing charitable contributions to eligible nonprofit organizations. The Foundation is focused on developing sustainable partnerships and programs in underserved regions that provide opportunities for improved health, environment and education and have a broad impact across all communities.

2012 PEPSICO CITIZENSHIP CONTRIBUTIONS (IN MILLIONS)

Foundation	\$26
Corporate	\$5
Divisions	\$10
Estimated in-kind	\$58
Total citizenship	\$99

In 2012, the PepsiCo Foundation matched \$8 million in associate charitable contributions. Since 2010, the Foundation has provided \$26 million in matching gifts to qualified nonprofit agencies working in environmental, educational, civic, arts and health and human services fields.

The Foundation believes matching employee gifts leverages and increases the impact of individual contributions. The matching gifts program also helps associates provide aid to populations affected by disaster, including those affected by the earthquakes in Haiti, Chile, China and Japan; flooding in Pakistan; tornadoes, spring storms, and Hurricanes Irene and Sandy in the U.S. These donations supplement the disaster relief aid already provided by the Foundation and PepsiCo business units.

An associate's contribution may qualify for a double match if the associate serves on the board of a nonprofit organization or actively volunteers 40 hours of personal time with that organization in a calendar year.

OUR FOCUS

Through grant-giving, employee engagement, community service programs and disaster relief, the PepsiCo Foundation is supporting sustainable growth by investing in a healthier future for people and our planet. PepsiCo seeks to help the most impoverished people and communities in the U.S. and

around the world by working in partnership with public, private and civil organizations to resolve fundamental problems and concerns.

The PepsiCo Foundation was originally established for charitable and educational purposes, and as new issues have emerged, its focus has expanded. At the end of 2011, the company recognized the need to harmonize citizenship work with sustainability efforts and formed a new group — Global Citizenship and Sustainability. Efforts in 2012 focused on developing PepsiCo's Global Citizenship strategy and realigning philanthropic priorities to ensure that we are adhering to the principles and practices of sustainable business development. We include our environmental and social goals into our core planning and operations, and consider philanthropy as a key component of those initiatives. Citizenship efforts focus on those areas that accelerate progress in our Performance with Purpose commitments, advance our regional agenda and enable our employees' passion for giving.

PepsiCo's Global Citizenship strategy includes the philanthropy of both PepsiCo and the PepsiCo Foundation and has four key areas of focus:

1. **Employee Engagement Programs** — Encouraging associates to support causes they believe in with monetary donations, volunteer work and/or board service. The PepsiCo Foundation matching gifts program and annual Workplace Giving Campaign are part of our employee engagement program design.
2. **Community Service and Engagement** — Strengthening the connections that PepsiCo has with the local communities that surround our business operations by providing employees with opportunities to engage in on-the-ground problem-solving and solution development with local community residents.

3. **Disaster Relief and Humanitarian Support** — Providing financial, food/ beverage and volunteer support to communities in need when a natural disaster or other catastrophic event has resulted in significant loss of human life. Activities range from immediate relief efforts to short-term recovery support to longer-term community rebuilding programs. The PepsiCo Foundation has responded to disasters across the globe, including those in the Philippines, Japan, Haiti, Chile, Pakistan and the U.S.
4. **Strategic Imperatives** — Collaborating with strategic partners whose specific expertise can advance progress in our Human, Environmental and Talent Sustainability priority areas. Efforts focus on tackling important social and economic issues in game-changing ways that have enduring impact.

Across our framework of Global Citizenship and Sustainability, the Foundation has funded programs related to nutrition and physical activity, disaster response and rebuilding, safe water and water conservation, and education and empowerment, and has extended its grant-making to the global community. In collaboration with our strategic partners, we seek to develop programs focused on six strategic imperatives:

HUMAN SUSTAINABILITY

- **Encourage Healthy Lifestyles** — Educate communities on the importance of healthy eating and physical activity, with a focus on family and community as primary influencer.
- **Improve Availability of Affordable Nutrition** — Develop nutritional solutions for underserved communities and increase access to healthy food solutions.

ENVIRONMENTAL SUSTAINABILITY

- **Provide Access to Clean, Safe Water** — Partner to provide access for underserved communities in water-stressed regions and leverage access solutions to advance other imperatives.
- **Enhance Sustainable Agriculture Capability** — Utilize expertise to advance farming practices in underserved communities to enhance livelihood of farmers.

TALENT SUSTAINABILITY

- **Enable Job Readiness** — Support programs that enable students to excel in school and graduate, and help underserved students maximize learning and earning potential.
- **Empower Women and Girls** — Support programs that build economic empowerment for women and build literacy skills and self-esteem for girls.

ASSOCIATE VOLUNTEERISM

All around the world, thousands of PepsiCo associates are engaged in volunteer activities that improve their communities.

PepsiCorps, a program created by a group of associates with the sponsorship of our Chairman and CEO, Indra Nooyi, is an example of how PepsiCo supports the passion of our employees to make a positive impact. PepsiCorps is a skill-based volunteer program in which associates from around the world form teams that are deployed for a month to help local communities address societal challenges. In 2012, PepsiCorps expanded from its pilot group in Ghana by establishing new programs focused on clean water and sustainable agriculture in India and Albuquerque, New Mexico. The program will continue in 2013/2014, with project teams being sent to Brazil and South Africa for assignments focused on sustainable agriculture and empowering women and girls.

About PepsiCo

In China, 21 Greater China Region volunteers worked more than 1,000 volunteer hours to establish the Mother Water Cellar project. Associates directly interacted with over 180 primary school students to construct a water purification tower for a rural school in southwest China that benefitted over 700 students and teachers. In addition to installing the tower, volunteers provided training in sanitation and health, presented an educational film on water saving strategies, conducted a water purification experiment and visited rural families in the area.

Similarly, PepsiCo Brazil's partnership with UNICEF and ESPN Brazil created the "Caravano do Esporte" (Sports Caravan) for children and adolescents in Brazil, which promotes sports as an essential element for development and social inclusion and as a way to improve quality of life. Every month, the Sports Caravan travels to lower-income regions to educate children attending public schools regarding physical activity and the importance of a balanced diet and good nutrition. Additionally, teachers are provided with 30 hours of training to continue the program after the Caravan's departure. In 2012, 30,000 students and 3,030 teachers from 10 states and 20 municipalities participated in the program.

FOUNDATION INITIATIVES

We support job-readiness programs through a number of PepsiCo Foundation grants. We believe in assisting individuals to develop the skills needed to obtain meaningful and steady work.

The PepsiCo Foundation is the founding private-sector investor in Diplomas Now, which uses a proven approach to assist schools in the largest U.S. cities succeed by helping every student graduate and prepare for college

or a career. It is the first fully integrated approach that improves a school's curriculum and instruction by providing students with the support they need.

For students, this means graduating with a diploma that will carry them on to the next stage of their lives. For schools, it means raising achievement scores and graduation rates and letting teachers teach by providing extra resources to help meet students' social and emotional needs. For the community, it means decreased dropout rates, a better-trained workforce and a new generation of local leaders.

Diplomas Now partners with schools so that each at-risk student engages with caring adults who have the tools to improve achievement. A Diplomas Now team, including administrators and teachers, sets goals based on students' attendance, behavior and course performance. The team develops a strategic plan, implements an early warning system to identify struggling students and regularly reviews the data. Teachers and the Diplomas Now team craft individual student plans.

For students that need the most assistance, Diplomas Now helps form support groups and connects students with community resources such as counseling, health care, housing, food and clothing. Young adults welcome students to school, call them if they do not show up and offer tutoring. They intervene in problem-resolution and celebrate positive behavior. After school, they help with homework and involve students in service and enrichment programs.

The PepsiCo Foundation has played a pivotal role in helping Diplomas Now to expand to 12 cities including Washington, D.C.; Detroit; San Antonio; New York City; and Baton Rouge. During the 2012–2013 school year, the program aided more than 35,000 students.

DISASTER RELIEF AND HUMANITARIAN SUPPORT

The PepsiCo Foundation provides funds for disaster relief to communities in need, working with best-in-class partners, including the American Red Cross, Feeding America, Save the Children, International Rescue, Give2Asia and Habitat for Humanity. Additionally, our local PepsiCo businesses respond with donations of foods and beverages.

In response to the devastating April 2013 earthquake in China's Sichuan Province, for example, the PepsiCo Foundation provided \$1 million to Give2Asia to support relief efforts. Give2Asia, a social enterprise founded by The Asia Foundation, works with the China Women's Development Foundation to determine the most efficient and effective use of disaster relief funds.

PepsiCo and the PepsiCo Foundation provided more than \$1.4 million for Hurricane Sandy relief efforts. The PepsiCo Foundation committed funding to the American Red Cross and Feeding America to help them prepare for and respond to damage caused by the storm. Following the hurricane, the PepsiCo Foundation provided additional financial support, and local PepsiCo teams donated more than 30 truckloads of food and beverages to storm victims and relief workers.

TOTAL CONTRIBUTIONS

At PepsiCo, our commitment to philanthropy continues to grow. In 2012 alone, PepsiCo contributed \$99 million in the form of more than 22,000 donations. This represents a \$7 million increase over the previous year.

About This Report

Performance with Purpose is our goal to deliver sustained value by providing a wide range of foods and beverages, from treats to healthy eats; finding innovative ways to minimize our impact on the environment and lower our costs through energy and water conservation, as well as reduced use of packaging material; providing a safe and inclusive workplace for our employees globally; and respecting, supporting and investing in the local communities in which we operate. It guides our strategy and operations, with a focus on Human Sustainability, Environmental Sustainability and Talent Sustainability.

This report details the ways in which we deliver Performance with Purpose.

This report meets the Global Reporting Initiative (GRI) application self-declared level B requirements. While based on the GRI framework, we have arranged the indicators to achieve alignment with how we manage sustainability-related issues within our Performance with Purpose vision.

3.1 Reporting period

This report addresses the company's activities and performance for calendar year 2012 and includes additional information from other years. Our financial year ended December 29, 2012.

3.2 Date of the most recent report

Our most recent report was our *2010 Sustainability Summary Performance with Purpose*, which covered information from 2009 to 2010.

3.3 Reporting cycle

This is PepsiCo's first formal GRI report. In the future, we intend to report on an annual basis.

3.4 Sustainability contact point

PepsiCo has formed a Sustainability Task Force, chaired by the President of PepsiCo. The Task Force includes senior executives and helps guide PepsiCo's sustainability efforts with the support of the Sustainability Leadership Teams that exist for each of our key planks: Human, Environmental and Talent. The Task Force includes PepsiCo senior executives within our global and governance functions, including Global Operations, Human Resources, Legal, Public Policy and Government Affairs, Research and Development, Finance, Procurement and Communications. For feedback on this report, please contact performancewithpurpose@pepsico.com.

3.5 Process for defining report content

We are committed to continued engagement with our stakeholders, whose insights have helped shape our thinking and actions. As a starting point, this report addresses the sustainability-related topics most relevant to PepsiCo. Additionally, we strongly believe in the value of engaging our stakeholders and soliciting feedback to ensure continued progress. Topics of particular interest to PepsiCo stakeholders were identified through a series of engagement sessions with Ceres (<http://www.ceres.org>). In addition, we monitor how consumers and customers perceive our business and sustainability programs through multiple global surveys conducted by GlobeScan and others. Lastly, this report was informed by the GRI framework, www.globalreporting.org.

About This Report

For reporting sustainability-related data, our focus has been to enhance our overall external reporting processes to include an accountability model that clearly defines roles and responsibilities of those involved in reporting. This is supported by an internal certification of the accuracy of the reported financial and nonfinancial data. To facilitate integration with our business operations, we have embedded several key objectives in the performance evaluation process, and we continue to work to include sustainability in key processes such as capital expenditure requests, innovation stage gates, and operating and strategic plans. We are deeply appreciative of our many stakeholder partners, across sectors and around the world, who are helping PepsiCo to advance our sustainability goals.

3.6 Boundary of the report

The scope of our report covers PepsiCo's global operations unless otherwise noted. It includes activities occurring at all facilities, owned and leased, where PepsiCo has operational control.

The scope of health and safety reporting includes facilities and operations for which PepsiCo has management control. This includes facilities and sales. We report on joint ventures when PepsiCo owns more than 50 percent of the interest and/or has management control. We do not report on franchise operations. If PepsiCo leases a building but does not have management control and does not directly employ anyone working at the facility, we do not include that data for health and safety. Additionally, data for the recently acquired Dilexis, Mabel and Wimm-Bill-Dann plants were not reported in 2012.

Any specific limitations for environmental performance data are disclosed in the relevant footnotes to that data.

3.7 Specific limitations on the scope or boundary of the report

In the U.S., we work with partners to build strategic alliances to broaden our sustainability knowledge. Since we do not own these external organizations, we cannot include their full activities and results in this report. Finally, this report does not cover franchise or co-packing operations that produce PepsiCo products and, in many instances, carry the "Pepsi" name, as these are not owned or operationally controlled by PepsiCo.

3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities

Please refer to Sections 3.6: Boundary of the report and 3.7: Specific limitations on the scope or boundary of the report.

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3.9 Data measurement techniques and the bases of calculations

A PepsiCo Environmental Sustainability Metrics Protocol has been published and is used as a corporate-wide guide to ensure consistency in reporting. PepsiCo operations collect “Data Elements” from the facilities each month in accordance with the protocol. The sites are responsible for ensuring that the correct data are reported and subject matter experts in each division review data input on a monthly basis, review all reports for reasonableness and follow up on discrepancies.

Environmental impacts include the following outputs from company-owned operations:

- Fuel combusted during manufacturing, calculated by standard-emission factors according to each fuel;
- Fuel combusted for building heat;
- Emissions from fleet vehicles, based on vehicle type, fuel type and volume of fuel used;
- Fugitive emissions from refrigeration units at manufacturing sites based on leak rates and refrigerant purchases, and fuel consumption at offices and distribution centers;
- Consumption of electricity purchased from the electrical grid;
- Water withdrawals and wastewater discharge; and
- Waste generation and disposal.

In addition to the PepsiCo Environmental Sustainability Metrics Protocol, the following external accounting standards are followed:

- The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition);
- The Climate Registry: General Reporting Protocol;
- Defra Voluntary Reporting Guidelines;
- Energy Information Administration 1605B;
- Intergovernmental Panel on Climate Change Guidelines for National Greenhouse Gas Inventories, 2006;
- United States Environmental Protection Agency (U.S. EPA) Climate Leaders: Direct Hydrofluorocarbon (HFC) and Perfluorocarbon (PFC) Emissions from Manufacturing Refrigeration and Air Conditioning Equipment 1;
- U.S. EPA Climate Leaders: Direct HFC and PFC Emissions from Use of Refrigeration and Air Conditioning Equipment;
- U.S. EPA Climate Leaders: Indirect Emissions from Purchases/Sales of Electricity and Steam;
- U.S. EPA Climate Leaders: Direct Emissions from Stationary Combustion; and
- U.S. EPA Climate Leaders: Direct Emissions from Mobile Combustion Sources.

Similarly, health and safety data are collected and metrics calculated according to PepsiCo definitions, which may not align with country-specific reporting rules. The PepsiCo definitions are based on commonly accepted definitions and are intended to establish consistency across our operations.

About This Report

3.10 Explanation of the effect of any restatements of information provided in earlier reports

Environmental data presented in this report has changed from prior disclosures due to improvements made to the accuracy and completeness of the data, as well as acquisitions and divestitures of business operations.

No health and safety data were restated.

3.11 Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report

There were no significant changes to the scope, boundary or measurement methods.

3.12 Table identifying the location of the Standard Disclosures

Please refer to the [GRI Index](#).

3.13 Policy and current practice with regard to seeking external assurance for the report

PepsiCo seeks external assurance of its direct GHG emissions (Scope 1), indirect GHG emissions (Scope 2), energy consumption and production, waste production, water consumption and safety data. For more information, please refer to the complete verification statement from Bureau Veritas.

PepsiCo also seeks third-party verification from Bureau Veritas of health and safety data from our company-owned plants.

Governance, Commitments and Engagement

4.1 Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight

PepsiCo's Board of Directors, its highest governing body, is responsible for overseeing the business strategy and affairs of the company. This includes having ultimate responsibility for risk oversight. The Board — consisting of one executive director and 12 independent directors, along with our three standing Board Committees — govern the organization. Independent directors make up the Nominating and Corporate Governance Committee, the Audit Committee and the Compensation Committee.

The Nominating and Corporate Governance Committee is responsible for identifying, reviewing and recommending qualified candidates for membership on the Board and the committees of the Board. Committee members develop and recommend to the Board corporate governance principles and other corporate governance policies and develop, monitor and oversee the Board's succession plans.

The Audit Committee of the Board of Directors helps define PepsiCo's risk management processes and assists the Board in its oversight of financial, compliance and employee safety risks facing PepsiCo. The Audit Committee's responsibilities include retaining and overseeing the work of the company's independent registered public accountants.

The Compensation Committee of the Board of Directors assists the Board in overseeing the policies of the Corporation relating to compensation of the Corporation's executives and makes recommendations to the Board, as appropriate, with respect to such policies. The Committee also monitors potential risks that may be associated with the company's compensation programs.

More details, including the names of members of each Committee, can be found on our [website](#).

4.2 Indicate whether the Chair of the highest governance body is also an executive officer

Indra K. Nooyi serves as both the Chairman of the Board of Directors and the Chief Executive Officer (CEO) of PepsiCo.

Each year, our Board of Directors elects one of its own members as Chairman by considering the best interests of PepsiCo and its shareholders. If the Chairman of the Board is not an independent director, an independent director shall be designated as the Presiding Director by the independent members of the Board. As part of its most recent Board leadership assessment, the Board gave thorough consideration of the results of the Independent Chairman proposal voted on at our 2012 Annual Shareholders' Meeting. The Board determined that the most effective leadership structure for PepsiCo at the present time is to strike the right balance between independent oversight of PepsiCo's business and Board activities with a strong, independent Presiding Director and consistent corporate leadership in the form of our combined Chairman and CEO.

The position of Presiding Director, the occupancy of which rotates among the independent directors of the Board, is a three-year term. The Board evaluates the Presiding Director's performance annually under the guidance of the Nominating and Corporate Governance Committee.

Governance, Commitments and Engagement

4.3 For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members

The Board of Directors is composed of one executive director and 12 independent directors.

4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body

PepsiCo's shareholders and other interested parties are able to contact the Board of Directors and/or Audit Committee to provide recommendations or discuss any concerns. Communications directed to the Board of Directors, a Committee of the Board, the Presiding Director, the independent directors or any individual member of the Board may be sent by the following means:

Call the PepsiCo Board:

(866) 626-0633

Write to the PepsiCo Board:

PepsiCo Board of Directors
PepsiCo, Inc.
700 Anderson Hill Road
Purchase, NY 10577

Contact the PepsiCo Board via the Internet:

By submitting a communication online through our [website](#).

4.5 Linkage between compensation for members of the highest governance body, senior managers and executives, and the organization's performance (including social and environmental performance)

At PepsiCo our executive compensation programs are designed to align the interests of PepsiCo's executive officers with those of our shareholders. Our compensation philosophy is to provide market-competitive programs to ensure we attract and retain world-class talent, with pay directly linked to the achievement of short- and long-term goals. Our programs incentivize responsible achievement of multiple operating goals over one- and three-year periods, with targets and metrics selected because they are directly linked to our strategic goals.

The Board of Directors' Compensation Committee is responsible for overseeing the design and administration of PepsiCo's executive compensation programs and evaluates these programs against competitive practices, legal and regulatory developments and corporate governance trends.

To align pay levels for executive officers with the company's performance, our pay mix places the greatest emphasis on performance-based incentives. Approximately 90 percent of our Chairman and CEO's target total compensation, and approximately 80 to 85 percent of the average target total compensation of our other executive officers, are performance-based.

Performance with Purpose defines PepsiCo's approach to Human, Environmental and Talent Sustainability. Specific metrics related to our Performance with Purpose vision are included in annual individual objectives reflecting each executive's scope, role and direct accountability. Performance against these objectives influences a portion of both annual and long-term

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incentives. In addition, PepsiCo provides a Chairman's Award to recognize associates for exceptional performance results related to Performance with Purpose objectives. For more information, please refer to [PepsiCo's 2013 Annual Meeting Proxy Statement](#).

4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided

The Board of Directors of PepsiCo has developed and adopted Corporate Governance Guidelines to establish a common set of expectations to assist the Board and its Committees in performing their duties. The Guidelines are implemented in the context of all applicable laws and the Corporations' Articles of Incorporation and By-laws. These documents serve as the framework under which the Board may conduct its business.

In addition, all employees, officers and directors of PepsiCo, its subsidiaries and joint ventures over which it has management control are subject to our Global Code of Conduct, which sets forth processes to mitigate risks of conflicts of interest. Under our Global Code of Conduct and our Conflicts of Interest Policy, our employees have an obligation to report a potential conflict, or the appearance of a conflict, between personal interests and PepsiCo's interest. Any employee who believes he or she might have a potential conflict under our policies is required to promptly disclose the circumstance or relationship giving rise to the conflict to the company so it can be properly addressed and resolved.

4.7 Process for determining the qualifications and expertise of the members of the highest governance body

As established in the Corporate Governance Guidelines, the Nominating and Corporate Governance Committee considers the following attributes of candidates for the Board of Directors:

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

During the review and selection process, the Nominating and Corporate Governance Committee seeks diversity within the Board of Directors, considers recommendations made by shareholders to ensure the Board's minimum membership criteria are met and ensures the candidate's expertise, skills and background meet current needs.

4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental and social performance, and the status of their implementation

PepsiCo's Performance with Purpose underpins all aspects of our company's operations and is our vision to succeed in the long term by creating sustained

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value. We respect, support and invest in the local communities where we operate.

Mission: We aspire to make PepsiCo the world's premier consumer products company, focused on convenient foods and beverages. We seek to produce healthy financial rewards for investors as we provide opportunities for growth and enrichment to our associates, our business partners and the communities in which we operate. And in everything we do, we strive to act with honesty, openness, fairness and integrity.

Values: We are committed to delivering sustained growth through empowered people, acting responsibly and building trust.

Guiding Principles: We must always strive to:

- Care for customers, consumers and the world we live in.
- Sell only products we can be proud of.
- Speak with truth and candor.
- Balance short term and long term.
- Win with diversity and inclusion.
- Respect others and succeed together.

Global Code of Conduct: At PepsiCo, we believe acting ethically and responsibly is not only the right thing to do, but also the right thing to do for our business. Our Global Code of Conduct is our roadmap and compass for doing business the right way. Simply put, we believe that we do business the right way when we act ethically and consistent with our Values, our Code, our

policies and the law. Our Code is organized around four pillars that reinforce our Values and govern our day-to-day decisions and actions:

- Respect in the workplace;
- Integrity in the marketplace;
- Ethics in our business activities; and
- Responsibility for our shareholders.

For more information, please refer to our [Global Code of Conduct](#).

Respect for the fundamental human rights of our employees, suppliers, and the communities where we operate are at the core of Performance with Purpose and the way we do business.

For more information, please refer to [Human Rights Management Approach](#).

PepsiCo's specific policies related to economic, environmental and social performance can be found in the Management Approach sections of this report under Human Sustainability, Environmental Sustainability and Talent Sustainability.

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4.9 Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles

PepsiCo takes a comprehensive view of sustainability, and our efforts succeed because of the commitment at every level of the organization. Not only is it fully integrated into our business model, we also take great care to manage and measure our progress through a sustainability governance structure that reaches across our organization.

Our structure focuses on three key areas:

- **Governance and decision-making:** Accountabilities are assigned to individuals/teams to set strategy, prioritize activities, identify gaps, and facilitate decision-making needed to advance the sustainability agenda.
- **Metrics, tracking and reporting:** Specific, measurable, time-based targets — defined and standardized for tracking progress — are implemented according to our sustainability planks (i.e., Human, Environmental, Talent). Reporting obligations are defined and protocols are in place to ensure compliance and data verification.
- **Facilitating integration within our business:** We have identified owners for each “plank” of our sustainability agenda, aligned them around clear roles and responsibilities, and developed scorecards, checklists and timelines specifically focused on measuring our progress against current targets. Each plank is also tasked with developing long-term strategic plans and raising issues of potential future concern.

More specifically, an overall governance structure has been defined and implemented. This includes the creation of the Sustainability Task Force, chaired by the President of PepsiCo and made up of senior members of the organization, including key business leaders, as well as the establishment of Sustainability Leadership Teams across all three planks. The Human Sustainability Leadership Team (HSLT), Environmental Sustainability Leadership Team (ESLT) and Talent Sustainability Leadership Team (TSLT) are responsible for creating our overall strategy, driving implementation, and identifying and addressing issues/risks that are then communicated to the Sustainability Task Force.

The company's risk management process is intended to ensure that risks are taken knowingly and purposefully. As such, the company's senior management, including the CEO and Board of Directors, are involved in PepsiCo's integrated risk management framework, which is designed to identify, assess, prioritize, address, manage, monitor and communicate risks across the company's operations. The Board of Directors has ultimate responsibility for risk oversight under this framework. Consistent with this approach, one of the Board's primary responsibilities is overseeing and interacting with senior management with respect to key aspects of the company's business, including risk assessment and risk mitigation. In addition, the Board has delegated oversight of certain categories of risk to designated Board committees. The Audit Committee assists the Board in overseeing the company's risk management processes, as well as the Board's oversight of financial, employee safety and compliance risks facing the company. The Compensation Committee assists the Board in overseeing potential risks that may be associated with the company's compensation programs. The Committees report to the Board regularly on matters relating to the specific areas of risk they oversee. In addition, throughout the year, the Board and relevant Committees receive updates from management with respect to

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various risk management issues and dedicate a portion of their meetings to reviewing and discussing specific risk topics in greater detail.

In addition, PepsiCo's Risk Committee (PRC), chaired by the CEO and comprising a cross-functional, geographically diverse group of our most senior leaders, meets quarterly to identify, prioritize and address our top business risks. The PRC, under the Chief Risk Officer's leadership, is charged with developing mitigation plans and communicating to the Board. Each top risk is owned by a PRC member, who is responsible for developing mitigation plans, allocating resources and ensuring capability, as well as reporting progress to the PRC and Board.

The company's integrated risk management framework also includes both division-level and geographically diverse senior management-level risk committees that are cross-functional and that work together to identify, assess, prioritize and address strategic, financial, operating, business, compliance, safety, reputational and other risks to the company and its divisions. The company's senior management engages with and/or reports to PepsiCo's Audit Committee and/or Board of Directors on a regular basis to address high-priority risks.

The Risk Management Office (RMO), headed by the vice president of Risk Management reporting to the senior vice president of Corporate Strategy, manages the overall risk management process. The RMO provides guidance, establishes tools and analytical support, identifies and assesses potential risks, and facilitates communication and reporting to the PRC and the Board. The RMO works with and benchmarks against various external partners and industry peers to educate the organization on risk management and drive best practice sharing with the goal of building risk capability and ensuring that our risk management tools, processes and framework are effective and sustainable.

As mentioned, PepsiCo uses an integrated risk management framework to identify, assess, prioritize, mitigate, monitor and communicate risks. The process enables a distinct linkage between country, sector and corporate levels, as well as alignment between management and Board regarding risk tolerance levels. Various processes and tools are used to identify, monitor and report risks, such as risk maps, dashboards and scorecards. These are submitted to the RMO on a semiannual basis to document risk assessment, response and urgency based on impact and likelihood. These tools help us report and communicate our ability to address our risks and monitor progress against mitigation plans. Heat maps also help prioritize key risks at the corporate and sector levels.

In 2012, we expanded our global risk management framework to include key country-level risk identification and assessment processes. We launched a global assessment tool that covers various risk categories, including supply chain disruption; supplier assurance; environment, health and safety; compliance; nutrition; product integrity; human rights; etc. This annual survey provides year-over-year progress on our risk management initiatives, identifies emerging issues and helps managers identify opportunities to drive targeted action planning and resource allocation. It also acts as a tool for our country risk reporting process, which helps build a risk-aware culture. In addition, we continue to enhance our investment decision-making processes by embedding risk management considerations into our existing investment core processes, specifically in our capital investment and merger and acquisition activities. For example, we use a Capital Risk Assessment filter for all major investments. These initiatives enhance our capability to assess risk on several nonfinancial and reputational fronts, including business continuity planning, sustainability, supplier assurance, fire safety guidelines and human rights in all major investment decisions, thus ensuring risks are assessed and do not escalate with our investments.

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4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance

As established in the Corporate Governance Guidelines, the Board of Directors and each Committee will conduct a self-evaluation at least annually in accordance with the New York Stock Exchange requirements. In addition, the Board will also review the Nominating and Corporate Governance Committee's periodic recommendations concerning the performance and effectiveness of the Board, each of its Committees and the Presiding Director.

4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organization

Our guiding principle, Performance with Purpose, underpins all of our activities at PepsiCo.

4.12 Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or endorses

PepsiCo takes pride in serving as a good corporate citizen and takes action or aligns itself with leading experts and organizations focused on emerging social and environmental issues. Many of the externally developed principles or other initiatives we have endorsed are listed on our website. Among them are:

- United Nations Global Compact
- United Nations Millennium Development Goals

- United Nations Women's Empowerment Principles
- United Nations CEO Water Mandate
- United Nations Caring for Climate
- United Nations Environment Programme
- United Nations Guiding Principles on Business and Human Rights
- Universal Declaration of Human Rights
- Rio+20 Communique on Water
- Global Sullivan Principles of Social Responsibility
- World Safety Declaration
- MacBride Principles

4.13 Memberships in associations and/or national/international advocacy organizations

PepsiCo is a member of numerous industry and trade groups and partners with various nonprofit organizations and nongovernmental organizations (NGOs). We list many of those key memberships and partnerships on the [PepsiCo website](#).

We work with these groups because they represent the food and beverage industry and the business community on issues that are important to PepsiCo's business and its stakeholders. Importantly, such organizations help develop consensus among varied interests. At times, we do not share or agree with all of the views of each of our peers or partner associations. PepsiCo

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representatives on the boards and committees of such groups ensure that we voice PepsiCo's positions regarding policies or related activities.

Our group memberships include:

- World Economic Forum
- World Business Council for Sustainable Development
- Consumer Goods Forum
- International Food & Beverage Alliance
- International Council of Beverage Associations
- U.S. Council for International Business
- American Beverage Association
- The Grocery Manufacturers Association
- Snack Food Association
- International Life Sciences Institute
- Food Industry Asia
- FoodDrinkEurope
- Mexican Council of Consumer Goods Products (ConMexico)

4.14 List of stakeholder groups engaged by the organization

4.15 Basis for identification and selection of stakeholders with whom to engage

and

4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group

PepsiCo believes that building positive relationships with all of our stakeholders is critical to our long-term success. We value the views of all of our stakeholders and welcome honest, open, transparent discussion with individuals, groups and advocates who represent community, environmental and social interests.

Our approach to engaging various stakeholder groups is summarized below.

CONSUMERS

"Consumers" refers to the end users or the individuals purchasing our products. We monitor consumer satisfaction through a variety of methods, including a dedicated 24-hour toll-free number for consumer inquiries and feedback, globally through our Contact Us pages on the PepsiCo-branded websites, and through social network sites. For the first time, in 2012, Consumer Relations partnered with the Corporate Executive Board – Customer Care Center (CEB – CCC) to conduct a statistically significant email survey to assess performance, identify trends and ensure satisfaction. For more information, please refer to [PR5](#): Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.

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The Customer Relations team functions as the consumer advocate and is trained to resolve consumer complaints. An international contact list is available to ensure complaints received worldwide are resolved with maximum consumer satisfaction. In addition, at PepsiCo's consumer response centers, ongoing performance standards are measured by method of contact (phone, email, chat, social media engagement) and include service levels, response rate, first-time resolution and turnaround time. In 2012, each of these categories met or exceeded established targets.

PepsiCo respects consumer privacy. Our consumers may provide personal information to us for various reasons, including participation in programs or promotions on our corporate or brand websites, or through Facebook, YouTube and other social networks.

We utilize both consumer feedback and research to better understand evolving consumer needs.

PepsiCo makes every effort to comply with all applicable laws, rules and regulations regarding our websites and the collection of consumer data. Wherever a website is hosted by PepsiCo, a privacy policy is conspicuously posted that outlines the type of information collected on that site and how the information is used. To maintain the security of consumer information, we implement technical, administrative and physical safeguards to protect personal data.

COMMUNITIES

PepsiCo embraces our responsibility to be a contributing member of our communities, both globally and locally. Our agenda is focused on pursuing efforts, both internal and external to our business operations that can create new possibilities for the communities in which we live and work. These community-based activities are integrated with the Human, Environmental

and Talent Sustainability priorities we have identified as part of our Performance with Purpose vision.

For examples of our many community programs, please refer to the Human Sustainability, Environmental and Talent Sustainability sections of this report.

ASSOCIATES

By the end of 2012, the hard work, dedication and resourcefulness of our approximately 278,000 associates worldwide enabled PepsiCo to compete effectively and serve the needs of our retail customers and consumers. Our Talent Sustainability plank outlines the factors by which we maintain a work environment in which associates can achieve professional growth and personal fulfillment. We ask our associates to respond to an "Organizational Health" survey, generally every other year. Topics include benefits, working conditions, diversity and inclusion initiatives, and career development. We share the survey results with associates and develop action plans to address issues that are identified. We then make these plans part of our associates' performance goals.

PepsiCo is a strong advocate of associate volunteerism and community involvement. Our associates participate in multiple initiatives throughout the world to positively impact the communities in which we live. During 2012, we estimate more than 33,000 volunteer hours were completed by PepsiCo associates globally. Our teams have demonstrated a commitment to our consumers, customers and communities while delivering on our performance goals.

RETAIL AND FOOD SERVICE CUSTOMERS

Our retail and food service customers include supermarkets, grocery stores, mass merchandisers, club stores, drugstores, gas stations, convenience stores, restaurants, food service outlets, vending machine operations and

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others that carry our products and make them directly available to consumers. We provide not only our products, but also marketing support that contributes to their growth, profits and positive cash flow.

Dedicated customer teams provide the highest level of service to our major customers, and are instrumental in making sure we understand and address all customer feedback as quickly as possible. In addition to the day-to-day management of customer feedback, we also solicit comments through established forums. PepsiCo receives additional input from Retail and Food Service customers in an annual retail customer survey and through PepsiCo Centers of Excellence (COEs).

In Kantar Retail's 2012 surveys, PepsiCo ranked among the top five suppliers in the U.S. Internationally, we had strong results in the Advantage Group International's Advantage Report in a number of countries. In the U.K., Walkers was ranked number 4 for overall performance among 20 confectionery and snack food companies. Tropicana, in the U.K., was ranked number 6 out of 13 companies in the refrigerated dairy and juice category. In Canada, Frito-Lay was ranked number 5 among a total of 20 fast-moving consumer goods companies in the grocery channel. In Russia, our Wimm-Bill-Dann dairy business was ranked number 2 out of 14 food companies in Russia, and number 1 out of 11 in the Baby-Dairy category.

SUPPLIERS

Our suppliers are essential to business. We buy goods and services at competitive prices with the goal of allowing both our suppliers and PepsiCo to make a reasonable profit. We seek efficient suppliers with whom we can work and grow as long-term partners, with focus on developing suppliers owned by minorities and women. Our commitment to sustainability includes our Supplier Social Capability Management Program, which encompasses our Supplier Code of Conduct, Sustainable Packaging Policy and Sustainable

Agriculture Practices. PepsiCo's Environmental Supplier Outreach Program is designed to share resources, tools and expertise with our key U.S. suppliers. This program has been very successful, and we are in the process of implementing it globally. For more information, please refer to [Responsible Sourcing](#).

INVESTORS

We strive to provide investors with a reasonable return on their investment, based on consistent financial growth in the marketplace. We take a long-term view and make appropriate investments to strengthen our brands, develop our capabilities and pursue new opportunities. We seek healthy year-over-year growth and report honest, transparent and timely financial results. We conduct quarterly conference calls to provide updates to analysts and investors.

Knowing the commitment of many investor groups to sustainability, we apply for admission to the Dow Jones Sustainability Index (DJSI) each year. In 2012, PepsiCo was named a member of the North America Index for the seventh consecutive time and a member of the World Index for the sixth consecutive time. The DJSI World Index identifies companies that exemplify leadership in sustainability among the leading 10 percent of the world's top 2,500 companies. The DJSI North America Index identifies sustainability leaders among the 600 largest North American companies.

4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting

We believe that building positive relationships with our shareholders is critical to PepsiCo's long-term success. We value the views of our shareholders and other stakeholders, and we solicit input throughout the year on topics such

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as portfolio strategy, capital allocation, corporate governance, transparent public disclosure, executive compensation, sustainability and corporate social responsibility. Our engagement activities have received valuable feedback from shareholders and other stakeholders, providing important external viewpoints that inform our decisions and our strategy. For example:

- Based on shareholder feedback, in February 2013, our Board determined to amend PepsiCo's Corporate Governance Guidelines to clarify that our Presiding Director has authority to approve information sent to the Board, rather than simply providing advice regarding such information.
- In response to shareholder input, our Compensation Committee implemented refinements to the 2013 design of our long-term incentive program for senior executives, to enhance the alignment between executive pay and shareholder returns.
- Based on shareholder comment, our Audit Committee determined to provide disclosure in its Report in the Proxy Statement regarding periodic consideration of the rotation of PepsiCo's independent registered public accountants.
- Over the years, PepsiCo has significantly enhanced its website disclosure of political spending and lobbying activities. In 2012, we updated our website to add a link to PepsiCo's quarterly federal lobbying reports and the total annual amount of PepsiCo's federal lobbying-related expenditures. We also added information about our key lobbying priorities and Board oversight of political spending and lobbying activities. In 2013, we began listing U.S. trade associations on our website that receive more than \$25,000 annually from PepsiCo to lobby on our behalf, as well as the names of the lobbyists with whom we directly contract.
- PepsiCo regularly hosts meetings with stakeholders in partnership with Ceres, a prominent network of institutional investors and public interest groups that works with companies to address sustainability challenges. During these meetings, our shareholders and other stakeholders engage over such topics as environmental priorities, human rights and sustainability initiatives.
- PepsiCo conducts an ongoing dialogue with various stakeholders on important topics, such as the use of and labeling of products associated with bioengineered crops, which are widely used in the U.S.



Human Sustainability means providing a wide range of foods and beverages, from treats to healthy eats.

Management Approach

OVERVIEW AND STRATEGY

PepsiCo, either independently, or through third-party partners, makes, markets, sells and distributes a wide variety of convenient, enjoyable and wholesome foods and beverages in over 200 countries and territories. We develop and maintain robust food safety programs to provide for safety for every package, every day in every market.

As one of the world's leading food and beverage companies, PepsiCo plays an important role in helping people lead healthier lives. We are focused on providing new offerings that meet consumer needs for both nutrition as well as convenience, and are responsive to the concerns of governments and nongovernmental organizations, as they broaden their focus on health and wellness.

ORGANIZATIONAL RESPONSIBILITY

The Human Sustainability Leadership Team (HSLT) was formed to facilitate PepsiCo's success in achieving our Human Sustainability goals. The HSLT comprises members from our R&D, nutrition, sales, communications, finance and public policy and government affairs groups. The HSLT model assigns specific responsibilities within the company to track and report progress against quantified goals. Specific measurable targets underpin these goals; HSLT also implemented standards to enhance the quality and consistency of reporting on nonfinancial results, and assigned individuals with accountabilities for this reporting.

PepsiCo's Global R&D team's mission is to meet the needs of our diverse consumers everywhere by delivering innovation built on a strong foundation of science and technology. To this end, we focus on developing a more balanced portfolio by creating healthier and more nutritious products, we

aim to develop environmentally responsible products and packaging, we constantly aspire to be a truly global company by innovating products that appeal to local taste and needs, and we search for offerings that are new and different.

The R&D team is responsible for our overall R&D strategy to maximize investments for our foods, beverage and nutrition businesses, in alignment with our Human Sustainability platform. This includes oversight for food safety, regulation and nutrition, along with direct responsibilities for innovation planning, building capabilities and systems to enable R&D to globally connect platforms, and providing knowledge management. The team links R&D, core businesses and brands within the context of health and wellness.

Global R&D is organized around select key technology, consumer and innovation platforms aligned with the vision and strategic imperatives of our global food and beverage businesses. These platforms are directed toward product innovation and productivity. The development of the global R&D structure has enhanced our relationships with world-renowned academic and research-based organizations. PepsiCo continues to evolve its approach to systematically obtaining policy and scientific advice.

Our Executive Product Integrity Council (EPIC) helps ensure PepsiCo maintains the highest global food safety and quality standards. The council sets policy, prioritizes issues and provides resources to develop, manufacture and distribute safe and wholesome products.

EPIC is chaired by our senior vice president, global R&D operations, and is supported by a cross-functional, cross-divisional leadership team comprising executive representatives from operations, security, supply chain management, communications, public policy and government affairs,

R&D, and legal. In addition, the team receives input and support from risk management and human resources, and other experts as needed.

PepsiCo has a number of advisory mechanisms around health and nutrition. The Scientific Advisory Council (SAC) provides long-term research plans and advice to our team of scientists, especially regarding critical challenges and opportunities related to the transformation of our product portfolio. The SAC reports to PepsiCo's Chief Scientific Officer.

Additionally, regional advisory boards help guide our efforts in health and wellness, food safety, regulatory compliance and innovation.

In addition, our Global Nutrition Group focuses on increasing the amount of whole grains, vegetables, nuts and low-fat dairy in our global range of products.

RESEARCH AND DEVELOPMENT CENTERS

Our regional research centers leverage nutrition science, food science knowledge and consumer insights to meet PepsiCo's strategy to develop healthful, convenient foods and beverages. The centers are located in Beaumont Park, U.K.; Monterrey (our Global Baking Innovation and Nutrition Center) and Mexico City, Mexico; Shanghai (focused on Asian product, packaging and equipment innovation), China; Hamburg (focused on fruit and vegetable research and innovation), Germany; Delhi, India; Lebedyan (new product development center), Russia; Istanbul, Turkey; Hawthorne and Valhalla, N.Y.; Plano, Texas; Barrington, Ill. and New Haven, Conn.; with "satellite" centers in Thailand, Brazil and Australia.

The Gatorade Sports Science Institute (GSSI), established in 1985, has conducted and published extensive research and provides education to health professionals and athletes on sports nutrition and exercise science worldwide. As the leading facility of its kind, GSSI has tested youth, amateur,

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elite, collegiate and professional athletes to show how hydration and nutrition affect performance. Over the past 25 years, GSSI has tested athletes in the lab, on the road and in the field of play to understand their unique challenges and develop solutions to maintain optimal performance.

Long-Term Research (LTR) is another key factor in developing great-tasting, more nutritious food and beverage products. Our LTR team has established working groups dedicated to reducing saturated fat, sodium and added sugars in our products. LTR also developed a Global Trekking team, inspired by nature, which searches the globe for natural ingredients that can be used as new ingredients in our foods and beverages, such as new sources of sodium flavor, lower-calorie sweeteners, healthier cooking oils and natural preservatives.

FOOD QUALITY AND SAFETY

PepsiCo's Global Food Safety and Regulatory Affairs (GFSRA) group collaborates with Sector representatives from around the world. GFSRA partners with representatives of our quality, legal, procurement, global security, government affairs, sales, R&D, supply chain, marketing, human resources and technology groups to develop safe and wholesome products that meet or exceed our customer and consumer requirements and all applicable regulations.

The Global Food Safety team leads the development of programs to ensure that our associates understand and have the tools to execute the requirements of the PepsiCo Food Safety Policy. This protocol minimizes food safety risk, embeds food safety into innovation design for new products and processes, assesses related risks in mergers and acquisitions, builds expertise to meet the needs of innovation and operationalizes food safety-related regulations.

Our Product Quality Team is committed to producing high-quality products across all of our brands, from the purchase of our raw ingredients through the manufacturing process and continuing until the finished product reaches the consumers. We are also dedicated to developing new products in a responsible manner and to following applicable ethical standards and research guidelines.

POLICIES

PEPSICO FOOD SAFETY POLICY

For more information, please refer to [Food Quality and Safety](#).

RESPONSIBLE MARKETING

As a global company with brands that millions of consumers enjoy every day, we understand that it is important to communicate responsibly about our products and healthy eating. PepsiCo is committed to responsible advertising practices and ensuring healthy choices are offered globally, especially to children. For more information, please refer to PR6: Programs for adherence to laws, standards and voluntary codes related to marketing communications.

PEPSICO GLOBAL POLICY ON THE SALE OF BEVERAGES TO SCHOOLS

Our global policy for beverage sales in schools focuses on water, juice, milk and low-calorie beverages that support healthy nutrition habits among students. PepsiCo-owned bottling operations offer healthy hydration options for students and align with schools to eliminate full-calorie soft drinks in primary and secondary schools. We will work with our independent franchise bottlers, third-party vending companies and other PepsiCo beverage distributors, as well as schools and local authorities, to further align this policy beyond PepsiCo's direct operations. Because our policies alone cannot assure the actions of businesses outside of our operational control, it should be noted that our products may be sold in schools by independent third parties.

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However, we view our policy as an opportunity to engage our industry peers and local authorities in adopting similar policies. It is only through a collaborative, industrywide effort that a full-scale implementation of such a policy can be achieved.

PEPSICO POLICY ON RESPONSIBLE ADVERTISING TO CHILDREN

The PepsiCo Policy on Responsible Advertising to Children provides that only products that meet our Global Nutrition Criteria for Advertising to Children can be directly advertised to children under 12 years of age. These criteria are grounded in well-established and broadly recognized scientific and/or governmental standards on scientific evidence in accordance with international and national nutrition authorities and reflect dietary recommendations of these authorities (e.g., the World Health Organization (WHO) and Food and Agriculture Organization (FAO)).

We strengthened our Advertising to Children Policy in 2012 to define advertising to children to mean that we will not buy advertising in programs with an audience profile consisting of more than 35 percent of children under 12 years of age. Previously, our policy applied to audiences consisting of more than 50 percent of children under 12 years of age. This policy change is currently being rolled out and will be fully implemented by the end of 2013.

GLOBAL BIOENGINEERED FOOD AND INGREDIENT POLICY

PepsiCo's Bioengineered Food and Ingredient Policy comprises both our bioengineered policy and our policy on plant-made pharmaceuticals and plant-made industrial compounds. PepsiCo is dedicated to producing the highest-quality, great-tasting food and beverage products in every part of the world, ensuring all products meet or exceed appropriate safety and quality standards. Regulatory requirements of bioengineered foods differ from country to country. For this reason, PepsiCo adheres to all relevant regulatory requirements regarding the use of bioengineered food crops and

food ingredients within the countries it operates. Where legally approved, individual business units may choose to use or not use bioengineered ingredients based on regional preferences. All PepsiCo ingredients comply fully with local standards governing food safety and compatibility with the environment.

TRAINING AND AWARENESS

Each functional department identifies training needs and provides training for all associates, including full-time, part-time, and temporary employees and contractors. This ensures that all associates have the appropriate level of education, experience and training necessary to effectively perform the required activities specified in the PepsiCo Food Safety Policy. Training business plans are established to address food safety training for Hazard Analysis and Critical Control Points (HACCP), allergen management, low-acid manufacturing, good manufacturing practices (GMP), control of nonconforming product and PepsiCo associate safety, food security and specific job applications.

MONITORING AND FOLLOW-UP

The Human Sustainability Leadership Team (HSLT) was formed to facilitate PepsiCo's success in achieving our Human Sustainability goals. The HSLT is made up of members from our R&D, nutrition, sales, communications, finance and public policy and government affairs groups. The HSLT model assigns specific responsibilities within the company to track and report progress against quantified goals. Specific measurable targets underpin these goals; the HSLT also implemented standards to enhance the quality and consistency of reporting on nonfinancial results and designated individuals to be responsible for this reporting.

For product quality and safety, it is the responsibility of each PepsiCo operation to plan, design, implement and maintain a comprehensive facility security plan

to ensure products are safe for human consumption. A facility security plan is implemented by each plant, facility and distribution center, in accordance with the baseline standards and framework established by the PepsiCo Security Organization. It includes an annual review of effectiveness and is updated as necessary.

We also have procedures in place to monitor consumer and customer satisfaction. All PepsiCo divisions conduct regular qualitative and quantitative research. We take consumer insights seriously, as they can be translated into product improvements and breakthroughs. We provide timely and accurate responses to customer complaints and strive for continuous improvement.

FP5 Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards

During 2012, 95 percent of PepsiCo's manufacturing sites received a food-safety audit. These audits are conducted annually by an independent third party to assess each manufacturing site's food safety management system. The audit provides a detailed inspection to assess food safety hazards based on standard requirements, and includes a thorough physical review of the site. The food safety audit and accompanying inspection ensures key food-safety requirements are met on-site.

Healthier Options

FP4 Nature, scope and effectiveness of any programs and practices that promote healthy lifestyles; the prevention of chronic disease; access to healthy, nutritious and affordable food; and improved welfare for communities in need

According to the WHO, an estimated 36 million deaths, or 63 percent of the 57 million deaths that occurred globally in 2008, were due to noncommunicable diseases — cardiovascular diseases, diabetes, cancers and chronic respiratory diseases. These major noncommunicable diseases (NCDs) share four behavioral risk factors: tobacco use, unhealthy diet, physical inactivity and harmful use of alcohol.¹

As a leading food and beverage company, we believe we play an important role in helping people lead healthier lives. In fact, PepsiCo is taking aggressive steps to implement many of the actions recommended by the WHO Global Action Plan for the Prevention and Control of NCDs 2013–2020.² However, PepsiCo alone cannot eliminate these risk factors. For this reason, we collaborate with governments, civil society and various industry sectors to make a positive difference.

PepsiCo's Chairman and CEO, Indra K. Nooyi, is currently the chair of the Healthy Weight Commitment Foundation (HWCF), a U.S. effort designed to help reduce obesity — especially childhood obesity — by 2015. It is a first-of-its-kind coalition that brings together more than 150 retailers, food and beverage manufacturers, restaurants, sporting goods and insurance companies, trade associations and NGOs and professional sports organizations.

1. World health statistics 2012. Geneva, World Health Organization, 2012.

2. Global Action Plan for the Prevention and Control of NCDs 2013–2020 (Version dated February 11, 2013)

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PepsiCo is a leader in taking action, driving discussion and creating innovative teaching and motivational tools that are transforming young lives. The HWCF is helping consumers lead healthier lives by offering healthier nutrition options and helping them make energy balance — calories in balanced with calories out — a daily habit. On May 30, 2013, HWCF announced that its members had exceeded their commitment to collectively reduce 1.5 trillion calories from the food supply by 2015. The HWCF is also increasing access to opportunities for physical activity, providing healthier nutrition options and raising awareness of the energy balance approach in the marketplace, in workplaces and in schools. PepsiCo is proud to be a part of this movement. Since 2009, PepsiCo and the PepsiCo Foundation have contributed a total of \$3.5 million to support the HWCF's programs, including its public education campaign, Together Counts, and its Healthy Schools Partnership program.

Food for Good was created in 2009 by PepsiCo employees who were inspired by the company's Performance with Purpose vision. The mission of Food for Good is to make nutritious foods more accessible in inner-city communities.

Through collaborations with community and government partners, the program provides free, nutritious meals and fun physical activities to kids during the summer months, when they are out of school and therefore do not have access to government-subsidized meals. Together with our valued partners, Food for Good served approximately 700,000 meals during the summer of 2012. Since the program started in 2009, we have served 1.6 million meals to inner-city children in Dallas, Houston, Austin and Chicago.

In partnership with the Los Angeles Plaza de la Cultura y Arts, the PepsiCo Foundation supports an Edible Teaching Garden and Culinary Arts Program. Located in the heart of Los Angeles, the program seeks to teach Mexican and Mexican-American children about the nutritional value of fruits and vegetables, as they learn about Mexican-American history and culture. The

30,000-square-foot garden features a variety of vegetables and fruits. Daily food and nutrition classes are provided to children living in the surrounding area, many of who live below the poverty line. The program challenges children to assume ownership of their health through smart food choices, a guiding principle of PepsiCo's commitment to help people lead healthier lives.

The PepsiCo Foundation also supports Save the Children, which strives to combat childhood obesity in the U.S. In 2012, the PepsiCo Foundation partnered with Save the Children to implement the Healthy Lifestyles program in Kentucky. More than 5,000 children have taken part in this initiative through in-school, after-school and summer programs focused on moderate to vigorous physical activity. Parents, students and teachers have also received instruction in proper nutrition. To further address obesity issues among children in rural areas, existing food backpack programs have been improved with healthier foods; in addition, families and community organizations have participated in wellness education.

PROMOTING PHYSICAL ACTIVITY

Good nutrition is only one part of maintaining optimal health; another major component is regular physical activity. We support programs that encourage people to be more active.

For example, the "Transform Your Patch" initiative in 2012 contributed to the regeneration of up to 165 outdoor spaces throughout the U.K., giving communities better access to sports facilities and parks that provide opportunities for community members to exercise and stay healthy.

Quaker and NFL PLAY 60, the National Football League's national youth health and fitness campaign — which focuses on increasing the wellness of young fans by encouraging them to be active for at least 60 minutes a day — teamed up during the 2012 football season. The program inspired kids to make eating

right and physical fitness priorities and encouraged them to motivate their peers to do the same.

Through a Super Bowl Contest presented by Quaker, kids from 6 to 13 years of age shared how they help power their play with nourishing foods and exercise. Thousands of kids entered and the winner attended the Super Bowl with his family.

Additionally, in 2012, PepsiCo signed a one-year strategic partnership with the Asian Football Development Project (AFDP) to encourage people across Asia, particularly women and young people, to play a greater role in society through a range of football-focused activities. The strategic partnership, “Kick for Hope,” between PepsiCo and the AFDP will include a range of football activities in more than 40 Asian countries with a special focus on 11 countries in the Middle East, in addition to India.

REDUCING MALNUTRITION IN EMERGING COUNTRIES

Today, almost 1 billion people worldwide lack sufficient access to food, and billions more suffer from micronutrient deficiencies. PepsiCo supports greater access to dietary staples and commonly consumed nutritious foods and beverages.

For example, PepsiCo’s Project Asha is a collaborative effort between the Global Nutrition Group, PepsiCo India Foods and Global R&D to address the serious problem of iron deficiency among adolescent girls in India. Project Asha delivers low-cost, iron-fortified snacks created to appeal to local tastes. PepsiCo India’s nutrition team developed Lehar Iron Chusti, two great-tasting iron- and vitamin-fortified snacks — one made with soy beans and ragi grains with masala flavor, the other made with a cane sweetener and peanuts. Each package of Iron Chusti is equivalent to five bundles of spinach. The snacks were piloted in two cities in the southern state of Andhra Pradesh, where seven out of 10 adolescent girls suffer from iron deficiency.

Another example is NourishCo, a joint venture between Tata Global Beverages and PepsiCo. NourishCo launched Tata Water Plus, India’s first nutrient water. Tata Water Plus is nutritionally rich to promote everyday health and targeted to mitigate nutritional gaps in the average Indian’s diet. It looks and tastes like normal water, but contains added nutrients that can be easily absorbed by the body. In its launch phase, Tata Water Plus is available in two varieties, zinc and chromium, two elements known to strengthen immunity and improve overall health, respectively.

To address the prevalence of anemia in Mexico, most of our biscuits sold there have been fortified with an anti-anemia premix which includes iron, folic acid and vitamin B12. Also, all our Ready-to-eat Cereals and Instant Quaker Oats are fortified with vitamins and minerals. For example, the Maizoro cereals value brand has four different products that are value-priced and distributed through different market channels. All are fortified with a premix of vitamins and minerals including iron, zinc, folic acid and Vitamins A, B and C.

In 2013, PepsiCo Mexico entered into an agreement with the Mexican Ministry of Social Development (Sedesol) to produce and sell at cost a line of Quaker fortified oat and peanut food products specifically for moderately malnourished pregnant and breast-feeding women and children (2 to 5 years old). The agreement includes in-kind donations of Quaker products, and the commitment to cooperate when natural disasters occur.

The PepsiCo Foundation provided a \$3.5 million grant to World Food Programme (WFP), the world’s largest humanitarian agency, to address malnutrition by developing a locally sourced, nutrient-rich, ready-to-use supplementary food. Setting an initial target of nearly 40,000 Ethiopian children aged 6 to 23 months, WFP will leverage its mass-distribution capabilities to assist those most in need of nutritional support.

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PepsiCo South America Foods is partnering with Embrapa, a Brazilian agricultural research corporation, to develop snacks based on biofortified ingredients rich in Vitamin A, iron and zinc.

The PepsiCo Foundation provided \$2 million to WFP to enhance its ability to deliver food and relief to the world's most vulnerable communities. This initiative utilizes PepsiCo global logistics experts to help strengthen WFP's response to growing hunger needs brought on by high food prices and the global financial crisis. We also support improvements to the organization's operating efficiency and response time in crisis situations. WFP and PepsiCo supply chain experts share best practices, collaboration tools, performance dashboards and training frameworks to improve food delivery. All of the operating efficiencies that WFP gains are then applied to better meet the needs of the disadvantaged communities it serves.

The European sector donated \$335,000 to WFP to combat hunger in Benin, on the West African coast. The meal program helped to feed more than 170,000 children in 364 primary schools.

In 2012, PepsiCo launched the Karam Campaign, which offered consumers the opportunity to support the Egyptian Food Bank by sending a text message from their mobile phones. PepsiCo covered texting costs with the objective of raising funds to combat hunger. The Karam Campaign generated approximately \$300,000, which will be used to fund the School Feeding Program of the Egyptian Food Bank. The program has provided over 1 million hot and nutritious meals for students to combat hunger and fight early-stage malnutrition.

PR1 Lifecycle stages in which health and safety impacts of products and services are assessed for improvement; percentage of significant products, service categories subject to procedures

For more information, please refer to Management Approach — Research and Development Centers.

FP6 Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and sugars

One of our stated goals is to continue to refine our food and beverage choices to meet changing consumer needs by reducing sodium, added sugars and saturated fat, and developing a broader portfolio of product choices. Today, more than ever, consumers are seeking new options for their snacking and beverage occasions. And now, more than ever, PepsiCo is strongly committed to providing a wide range of foods and beverages, from treats to healthy eats.

We have greatly expanded our portfolio of healthier, great-tasting and convenient foods and beverages. We have made significant progress against our saturated fat and sodium reduction goals, while still delivering the great taste consumers expect from our snacks. On reducing added sugars in our beverages, we have achieved per serving reductions in the majority of our key markets, with notable success in North America. Meeting these goals is not easy, but important work never is. Our journey continues, and we are more committed than ever to providing consumers with the choices they want.

PEPSICO OFFERS THREE DISTINCT PRODUCT PORTFOLIOS

GOOD-FOR-YOU

Our growing Good-for-You portfolio comprises nutritious foods and beverages that include fruits, vegetables, whole grains, low-fat dairy, nuts, seeds and key nutrients, with levels of sodium, sugar and saturated fat that are in line with global dietary recommendations. Also included are offerings that provide a functional benefit, such as addressing the performance needs of athletes.

BETTER-FOR-YOU

We have improved the nutritional profile of many of our social snacks and beverages. In snacks, we have reduced saturated fat levels and sodium content, and we are dialing up baked offerings and whole grains. In beverages, we are increasing the number of low- and zero-calorie choices and reducing added sugar.

FUN-FOR-YOU

Our Fun-for-You portfolio includes treats that are enjoyed all over the world as well as regional favorites.

SODIUM

We have removed 3,386 metric tons of sodium from our total food portfolio since 2006 (of which 1,076 metric tons comes from our key global food brands), and continue to invest in new technologies and recipes that allow us to reduce sodium levels while maintaining great taste and enjoyment for consumers.

We've made considerable headway in reducing sodium on flavored chips. For example, in the U.S., Frito-Lay has reduced sodium levels in its flavored

potato chips by an average of about 25 percent. This progress builds on earlier sodium-reduction efforts of "Lightly Salted" versions of Fritos Original corn chips and Lay's Classic potato chips, each with 50 percent less sodium than their original versions.

In Brazil, we reduced sodium in Fandangos by more than 30 percent, and we achieved a 30 percent sodium reduction in Doritos Nacho seasoning, even while delivering volume growth for Doritos in Brazil in 2012 compared to 2011.

At the end of 2012, PepsiCo's Australian snacks division, the Smith's Snackfood Company, achieved its goal of reducing the sodium content, on average, across its product range by 25 percent over five years. We improved more than 50 products from all of our major brands (Smith's Chips, Doritos, Twisties, Red Rock Deli and Grain Waves) by lowering sodium rates, reformulating seasoning flavors and using a new seasoning approach.

It is important to note that we continue to find it challenging to reduce sodium on plain, salted varieties of our snacks. We have made progress but still have work to do against our target to reduce by 25 percent the amount of sodium per serving in key global food brands by 2015. Since 2006, we have achieved a reduction of 7.5 percent from key global food brands, but we now anticipate it will take us longer than expected to reach our ambitious 25 percent goal. We continue to work toward this goal and to make investments in technology and innovation to provide products with lower sodium levels and great taste.

SUGAR

We have made great strides in bringing balance to our beverage portfolio. We offer low- or zero-calorie beverage options in all our key global markets. We also help our consumers around the world manage calories and make educated choices by offering smaller portion sizes and providing clear calorie labeling.

In particular, we're proud of the results in the United States, where low- or zero-calorie beverages, healthy juices, and active hydration drinks such as Pepsi Max, Pepsi Next, Mountain Dew Kickstart, SoBe lifewater, Trop50, and unsweetened Lipton³ Pure Leaf Ice Tea accounted for nearly half of our sales volume in 2012. We have expanded options in our Good-for-You beverage portfolio, which includes healthy juices as well as sports nutrition drinks. We removed approximately 370,000 metric tons of added sugar from our total beverage portfolio in North America since 2006.

We remain focused on achieving reductions in added sugar in our global beverage portfolio. To address this, we have offered more Good-for-You and Better-for-You beverage choices and have stepped up the innovations we are bringing to market. In Europe, for example, the majority of our beverage portfolio consists of low- or zero-calorie options. However, in the United States and many other markets, consumers are moving away from diet soft drinks, a market condition that creates a challenge for us. As a result, we have accelerated our research and technology investments in the development of naturally sourced sweeteners and flavorings, which are the best paths to a meaningful reduction in added sugars.

SATURATED FAT

We are achieving significant reductions in saturated fat by switching in certain instances to oils that contain lower saturated fat, and by providing more snacks that are baked. Since 2006, we have reduced saturated fat per serving by 6.6 percent, which means we are on track to achieve our target of a 15 percent reduction by 2020. With this reduction, we have removed approximately 22,000 metric tons of saturated fat from our key global food brands between 2006 and 2012.

3. Lipton teas are marketed and sold through a joint venture with Unilever.

Worldwide, PepsiCo has significantly expanded its range of baked snacks, launching Baked Lay's and Baked Ruffles potato crisps in a variety of flavors, as well as an assortment of other baked crisps and crackers. We have also significantly reduced saturated fat in local markets by delivering locally relevant solutions.

For example, since 2006, PepsiCo U.K. and Ireland have launched Walkers Lights, which contains 30 percent less fat, and Walkers Baked, which contains 70 percent less fat than our core brand. In Australia, the entire Smith's potato chip range is cooked in high oleic sunflower and/or canola oil, which reduces their saturated fat content by 75 percent compared to chips cooked in 100 percent palm olein oil. In China, increased sales of our Quaker products have helped drive a 10 percent decrease in saturated fat per serving across our foods portfolio. In Russia, saturated fat levels in our legacy business have been reduced by almost 13 percent since 2006 through the introduction of lower saturated fat versions of Cheetos snacks and the more than 300 percent growth of low saturated-fat Hrusteam products. In Saudi Arabia, Lay's Forno contains 60 percent less fat (and 20 percent less sodium) than regular potato chips.

Our Nutrition Portfolio

FP7 Percentage of total sales volume of consumer products, by product category sold, that contain increased fiber, vitamins, minerals, phytochemicals or functional food additives

As the need for convenient food and beverage solutions grows, PepsiCo is uniquely positioned to provide great-tasting, nutritious solutions in addition to its treat portfolio.

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PepsiCo's business strategy includes expanding our nutrition business. Consumers and governments are increasingly focusing on health and wellness. Consumers are clearly changing their habits, preferences and consumption patterns. These changes have presented opportunities for PepsiCo. As the world's second-largest food and beverage business, with an unparalleled distribution system, PepsiCo is uniquely positioned to lead the way in these changing market dynamics. We believe the expansion of our nutrition business will help PepsiCo attain a competitive advantage in the growing global packaged-nutrition market.

We are growing our global nutrition business by increasing the amount of whole grains, fruits, vegetables, nuts, seeds and dairy in our global product portfolio. As a result, from 2002 to 2012, our nutrition business revenue grew substantially, and in 2012 represented approximately 20 percent of total revenue.

We also are working to unlock growth opportunities in new product categories, such as dairy with the acquisition of Wimm-Bill-Dann in 2011. In 2012, PepsiCo entered the U.S. dairy market through a new joint venture, Muller Quaker Dairy. We launched new yogurts in select U.S. markets and are expanding distribution nationally in 2013. A state-of-the-art yogurt manufacturing plant opened in June 2013 in Batavia, N.Y., which will source dairy from the surrounding region and is one of the largest yogurt plants in the country. We are excited about the strong growth prospects of this category. New value-added dairy offerings in 2012 included Chudo drinkable yogurt in Russia and Muller Greek Corner yogurt in the U.S.

We also expanded our fruit and vegetable offerings with the launch of Tropicana Farmstand, which provides one serving of fruit plus one serving of vegetables, and is an excellent source of Vitamins A and C. Naked Juice also

offers 30 different fruit and vegetable varieties and, in 2012 grew net revenue 21 percent compared with 2011.

During 2012, PepsiCo China introduced Pulpy OJ, providing a light drink consistency with the sensation of whole fruit in the pulp, which appeals to Chinese tastes. Similarly in the U.K., Tropicana smoothies deliver the equivalent of two portions of fruit per serving.

Globally, Quaker continues to introduce new products to satisfy the growing consumer demand for a convenient and nutritional breakfast. In India Quaker launched ready-to-cook traditional breakfasts in flavors inspired by authentic Indian foods and packed with seven nutritional advantages including fiber, protein, healthy oil and 30 percent whole grain. PepsiCo China offers wholesome Quaker congees, with whole grain oats and local ingredients like red dates and wolfberry for added nutritional value. Due to their popularity, Quaker China increased the number of congee flavor varieties that appeal to local tastes. In the U.S. Quaker launched Quaker Real Medleys, which pair oatmeal with other whole grains, fruits and nuts in a portable cup and portion-controlled serving. It recently won Breakfast Product of the Year, the largest consumer-voted award recognizing outstanding innovation. Quaker also introduced Quaker Yogurt Bars, which deliver a good source of calcium and 12 grams of whole grains. In Russia Quaker launched oats under our local Chudo brand.

We are working to expand our business around hummus and other fresh dips through our Sabra Dipping Company joint venture with the Strauss Group. Sabra has opened a Center Of Excellence to develop further research capabilities and improve Sabra's products in all aspects of food manufacturing and distribution, from agriculture, nutrition and food science to engineering, packaging and product delivery. Sabra has also invested \$86 million in expanding its current manufacturing facility.

Through an international joint venture with the Strauss Group, PepsiCo Mexico entered the dips and spreads category in Latin America with the Obela® brand, which focuses on captivating the world's consumers with a variety of fresh, delicious and wholesome dips and spreads based on natural ingredients. We also are working to unlock growth opportunities in new product categories, such as dairy with our business in Russia, our joint venture with Almarai in parts of the Middle East and our Muller Quaker Dairy joint venture in the U.S.

To meet the unique needs of athletes, Gatorade sports nutrition products are designed for different phases of exercise. In 2012, Gatorade launched Gatorade Prime Energy Chews to fuel athletic performance.

Responsible Marketing and Advertising

PR3 Type of product and service information required by procedures. Percentage of significant products and services subject to information requirements

It is our responsibility to provide safe products and nutrition information to all consumers. Through this practice, we also protect equity in our brands, trademarks and goodwill.

PepsiCo complies with all legally required nutrition labeling. Our policies cover food safety, sanitation, recalls and allergens, and require that our products are coded, labeled, identifiable and traceable. Nutrition labeling is part of our food-safety compliance systems, which include website training, monitoring, preventive measures and readiness for corrective action. We have regular management reviews of our procedures and activities regarding our products.

On a global basis, we label all ingredient information on the back of product packages and provide any other relevant nutrition information in compliance with local country guidelines.

We voluntarily undertook an effort to display calorie count and key nutrients on our packaging (where feasible to print and where permissible by local regulations) for all of our products in key markets by the end of 2012. In 2012, we made a promise to extend the application of this commitment to all markets around the world by the end of 2015. PepsiCo has implemented Food Drink Europe's (FDE, formerly CIAA) Nutrition Labeling Scheme in all 27 countries in the European Union (EU) covered by the FDE's Nutrition Labeling Scheme. We also introduced front-of-pack labeling on many products in Australia and New Zealand and are expanding implementation to other countries, including Argentina, Brazil, Chile, Malaysia, Mexico, Paraguay, Thailand, Uruguay and the U.S.

We have reached 91 percent compliance in key global markets, including the U.S., on our goal to display calorie count and key nutrients on our packaging for all of our products. We continue to work toward 100 percent compliance in all markets.

We increasingly use a variety of electronic media to communicate our products' nutrition information and promote healthy lifestyles. For instance, on both the [Quaker Oats website](#) and [Quaker Oats Facebook page](#), consumers can find heart health and nutrition content, including shareable videos and fitness tips.

PR6 Programs for adherence to laws, standards and voluntary codes related to marketing communications

See Management Approach — [Policies](#).

ADVERTISING TO CHILDREN

PepsiCo has taken several important steps to ensure we are employing responsible advertising practices. We joined the International Food & Beverage Alliance (IFBA), a Swiss-based NGO, comprising multinational food and beverage manufacturers, to adopt a worldwide voluntary commitment to advertise to children under the age of 12 only products that meet specific nutrition criteria. PepsiCo also adopted a global company policy that is consistent with IFBA's policy. In 2010, we announced strict science-based criteria that ensure only our most nutritious products meet the standard for advertising to children under the age of 12.

In 2012, we strengthened our Advertising to Children Policy to define advertising to children to mean that we will not buy advertising in programs with an audience profile greater than 35 percent of children under 12 years of age. Previously, our policy applied to audiences consisting of greater than 50 percent of children less than 12 years of age. This policy change is currently being rolled out and will be fully implemented by the end of 2013. Our policy continues to provide that PepsiCo will advertise only to children under 12 appropriate products that meet PepsiCo's strict, science-based nutrition criteria for advertising to children.

As verified by a third party, we achieved 99 percent compliance by the end of 2012 in globally representative markets such as Russia, China, Saudi Arabia and six countries in the EU, all of which were monitored for compliance with our Advertising to Children Policy. Additionally, we achieved 100 percent compliance with our U.S. and Canada Advertising to Children Pledges, as verified by the Children's Food & Beverage Advertising Initiative in the U.S. and Advertising Standards Canada.

FP8 Policies and practices on communication to consumers about ingredients and nutritional information

See Management Approach — [Policies](#).

BIOENGINEERED FOODS

PepsiCo's Food Safety and Regulatory Affairs Department and our suppliers work closely together to take all reasonable and practicable measures to ensure the safety, integrity and authorized use of bioengineered ingredients and products. In addition, our scientific and regulatory specialists track emerging trends and current scientific reports on issues that are critical to maintaining our high standards in food safety and compliance.

PepsiCo acknowledges the benefits for farmers and society that utilizing bioengineered crops can offer, such as resistance to weeds, pests and diseases; resistance to climatic stress, thus reducing the need for agronomic chemicals; and potential economic and productivity benefits in certain growing regions. Bioengineered crops that have been assessed by governmental food authorities may become an increasingly valuable tool for sustainable food production and ensuring that growing populations across the globe can be fed.

PepsiCo recognizes the need for high standards of safety concerning bioengineered ingredients and the importance of engaging external stakeholders in dialogues on any concerns or feedback. PepsiCo supports the responsible development of non-food uses of bioengineered crops, such as plant-made pharmaceuticals (PMPs) and plant-made industrial compounds (PMICs) that can lead to benefits in the medical and industrial sectors. However, PepsiCo opposes the development of PMPs and/or PMICs in food or feed crops, as this poses undue risk to the food supply.

If a government permits development of PMPs and/or PMICs in food or feed crops, PepsiCo believes that adequate safeguards and appropriate regulation should be implemented to protect against potential contamination of the food supply from PMPs and PMICs. Although PMPs and PMICs are not intended to enter the food supply, food safety review by the responsible authorities should be included in the regulatory evaluation where food or feed crops are used. Government approval of bioengineered foods differs from country to country regarding both use and labeling. PepsiCo adheres to all relevant regulatory requirements regarding the use of bioengineered food crops and food ingredients within the countries it operates.

Like other global food and beverage companies, PepsiCo recognizes that different regional markets can have different expectations and consumer preferences, as well as varied raw material availability. Depending on these local factors, individual business units may or may not choose to utilize bioengineered ingredients, even if approved by government for use. In some markets where certain bioengineered ingredients have been approved by the responsible official authorities, we may offer both products that utilize bioengineered ingredients and products without bioengineered ingredients. If bioengineered materials are used, we ensure that the products containing these materials comply with local regulations for their use, including any labeling requirements.

Customer Satisfaction

PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction

We strive to maintain the highest level of customer satisfaction possible. We have procedures in place and conduct regular research to continually assess customer needs. Consumer satisfaction is monitored with a dedicated 24-hour toll-free number for consumer inquiries and feedback globally through our Contact Us pages on the PepsiCo-branded websites and through social network sites. To build on consumer satisfaction, a Consumer Relationship Management (CRM) model is in place to create an enterprise-wide consumer-centric culture that drives advocacy, loyalty and sales. For the first time, in 2012, Consumer Relations partnered with the CEB – CCC to conduct a statistically significant email survey to assess performance, identify trends and ensure satisfaction.

Our retail and food service customers include supermarkets, grocery stores, club stores, drugstores, convenience stores, restaurants, vending machines and others that sell our products directly to consumers. We provide customers not only our products, but also marketing support that contributes to their growth, profitability and positive cash flow. To adequately address their needs, we have dedicated customer teams staffed with sales, insights, supply chain, customer service and finance professionals. These teams work across our divisions to ensure we understand and address all customer feedback as quickly as possible. In addition to the day-to-day management of customer comments, PepsiCo has established forums to solicit feedback. For example, our annual Joint Business Planning Process allows us to preview growth drivers and innovation for the following year and beyond. We also conduct Supply Chain Summits with our top retail customers to build a

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strategic agenda around topics including in-store conditions, cost removal and sustainability. For most of our large accounts, we have joint scorecards, developed with the customer, which are focused on retailer revenue targets and profitability.

Additionally, PepsiCo Centers of Excellence (COEs) ensure high-quality customer service. One of our most active is Customer Insights, which helps quantify and provide innovative solutions for our customers' most challenging issues, including shopping habits, macro-consumption trends and retailer competitive dynamics. PepsiCo also has a COE dedicated to customer supply chain and logistics, and focused on "Go-To-Market" capabilities. It addresses customer supply issues and enables rapid resolution of problems and a more flexible and adaptive supply chain for individual retail customers.



At PepsiCo, “Environmental Sustainability” means finding innovative ways to minimize our impact on the environment and lower our costs through energy and water conservation as well as reduced use of packaging material.

Because six out of the top 10 of our purchased raw materials come from an agricultural plant commodity, agriculture represents a significant risk to the business. This means working to improve the resilience of our supply chain and represents a transformative opportunity for PepsiCo. In addition, agriculture embodies the largest component of our environmental footprint, and we are actively engaged in initiatives and partnerships to help reduce on-farm GHG emissions and water use, while improving farmer livelihoods.

Management Approach

OVERVIEW AND STRATEGY

The PepsiCo Environmental Health and Safety (EHS) Policy forms the foundation of our commitment to environmental stewardship at every level within PepsiCo. This includes the responsibility of implementing and maintaining an Environmental Management System (EMS) to help us identify and manage environmental risks. We apply formal governance and auditing processes to our environmental programs to ensure we are in compliance with both environmental regulations and company standards.

PepsiCo’s Global Environmental Health and Safety Management System (GEHSMS) is designed to fully incorporate and build upon each of the requirements of ISO 14001. The 105 ISO 14001-certified PepsiCo sites have their EMS independently verified to that standard per ISO requirements. GEHSMS is fully aligned with the ISO 14001 international standard. Manufacturing locations in all PepsiCo business sectors must implement GEHSMS or align their existing EMS with this more comprehensive standard, assuring that all major PepsiCo operations adhere to a common EMS and global environmental performance expectations. Third-party audits of GEHSMS implementation will begin in 2014, with all manufacturing sites to be audited by the end of 2016.

Environmental Sustainability

As reflected in our goals and daily activities, PepsiCo is fully and publicly committed to environmental compliance and sustainability. We believe in a company's responsibility to environmental stewardship in the greater global policy arena. Accordingly, PepsiCo is a signatory to the United Nations Global Compact (UNGC), the UNGC CEO Water Mandate, UNGC Caring for Climate Initiative, The Business Leadership Platform, the Center for Strategic & International Studies U.S. International Policy Declaration on Water, and the Rio+20 Communiqué on Water (http://www.unglobalcompact.org/docs/issues_doc/Environment/ceo_water_mandate/Water_COMMUNIQUE_en.pdf).

ORGANIZATIONAL RESPONSIBILITY

We govern implementation and execution of the PepsiCo EHS Policy through our ESLT, the PepsiCo Environmental Compliance Council (ECC) and Environmental Sustainability Council (ESC).

These groups consist of environmental representatives from across PepsiCo's operating divisions, and include public policy and legal representation.

The ECC, led by PepsiCo's Senior Director of Global Environmental Compliance, oversees implementation of the environmental aspects of PepsiCo's GEHSMS, our combined management system for all global EHS matters. The ECC, in partnership with the Health and Safety Leadership Council (HSLC), also works to implement myEHS, our global EHS management software platform. The ECC and ESC report to the PepsiCo ESLT.

The ESC is led by PepsiCo's Senior Director of Environmental Sustainability and is responsible for developing PepsiCo's environmental sustainability strategy. The ESC and its sector members help execute water, energy and waste environmental sustainability projects; enhance employee knowledge

of environmental sustainability through the ReCon Training Program; and track PepsiCo's global environmental sustainability metric performance.

The ESLT has chartered two councils in addition to the ECC and ESC: the PepsiCo Sustainable Packaging Council (PSPC) and the Sustainable Agriculture Council (SAGC). These councils are made up of subject matter experts from each of our business units and meet regularly to drive PepsiCo performance and provide governance for our sustainable packaging and agricultural commitments.

As part of our sustainability infrastructure, PepsiCo also incorporates sustainability criteria into our Capital Expenditure Filter (CapEx Filter), which is applied to all capital expenditure requests over \$5 million. Each request must include a review of the sustainability issues and opportunities of the proposed project. The goal is to incorporate sustainability concerns into projects and plans right from the start. Several regional units of PepsiCo have incorporated sustainability filters on capital expenditures that are lower than \$5 million.

POLICIES

PepsiCo is committed to being an environmentally responsible corporate citizen. We express that commitment in our EHS and other policies related to environmental compliance and sustainability, which are described below.

To download the full text of our policies, please visit <http://pepsico.com/Purpose/Performance-with-Purpose/Policies>.

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PEPSICO ENVIRONMENTAL HEALTH AND SAFETY POLICY

PepsiCo believes that environmental stewardship and protecting the health and safety of our people underpin our core values and help us deliver on Performance with Purpose, our goal to deliver long-term, sustainable financial performance. We believe that environmental incidents and occupational injuries and illnesses are preventable and we aspire to an incident-free workplace. We implement our EHS Policy through the GEHSMS.

Guided by our values and consistent with our Global Code of Conduct, PepsiCo has established the following EHS Principles:

- 1. Ownership Culture:** We build a proactive culture by driving ownership of EHS at the individual, managerial and organizational levels. We engage, consult with and train our people and actively encourage participation.
- 2. Business Integration:** We include EHS considerations in both our short- and long-term business decisions.
- 3. Resource Allocation:** We provide appropriate resources to implement our EHS management system to identify, assess and control risks. We share EHS best practices across the company.
- 4. Regulatory Compliance:** We apply appropriate EHS management practices in order to comply with company standards, applicable legal requirements and other requirements. We conduct regular audits to verify compliance.
- 5. Performance Measurement:** We establish meaningful metrics and monitor our EHS performance against goals, using these metrics to guide our continual improvement.
- 6. Continual Improvement:** We monitor emerging issues and keep abreast of regulatory changes, technological innovations and stakeholder interests

in order to implement effective and sustainable solutions to minimize waste, reduce resource consumption, protect natural resources, reduce energy consumption, and create a healthy and safe work environment.

- 7. Stakeholder Collaboration:** We collaborate with our contractors, licensed bottlers, suppliers, customers and local communities to reduce the EHS impacts of daily operations, technology and products. By working with governments, academia, NGOs, business associations and other interested stakeholders, we strive to develop effective and sustainable solutions to the EHS challenges we face in our business activities.
- 8. Annual Review:** We annually review the company's performance in implementing this policy and update it as needed.

It is the responsibility of our senior leaders to ensure this policy is understood and effectively communicated and implemented throughout PepsiCo, worldwide. All employees are responsible for understanding the implications of this policy for their day-to-day work practices and are expected to apply and support the principles stated above.

The Policy also expresses our commitment to conserve natural resources, reduce waste, prevent pollution and share environmental best practices to minimize the environmental impacts of our business. We continue to monitor environmental performance and work with stakeholders up and down our supply chain to reduce environmental impacts of our products throughout their life cycle. We have committed to annual reviews of our performance in implementing our policies, and periodically review and update our EHS Policy as needed. Our expectations for environmental stewardship are further described in the PepsiCo Global Sustainable Agriculture Policy, the PepsiCo Global Code of Conduct and the PepsiCo Supplier Code of Conduct.

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GLOBAL SUSTAINABLE PACKAGING POLICY

PepsiCo's Global Sustainable Packaging Policy outlines our commitment to strive for the smallest possible environmental footprint while still meeting the value, cost and performance criteria expected from consumers and customers. The policy provides the framework through which we aspire to:

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

To uphold this Global Packaging Policy, we have established a PSPC (Pepsi Sustainable Package Council). This multidisciplinary team reports to the ESLT and includes leaders from our R&D, innovation, procurement, sales and marketing, and public policy groups to support our packaging strategy, policy and commitments.

SUSTAINABLE AGRICULTURAL POLICY

The Sustainable Agriculture Policy sets standards of performance and expectations for PepsiCo's raw materials that are sourced from agricultural production. It is designed to have global reach, be relevant for industry and agricultural crops, and be adaptable for every size farm in developing and mature markets.

The Sustainable Agriculture Policy reflects current objectives for improving the sustainability of our agricultural supply chain. The policy contains six environmental, social and economic focus areas aimed to represent a balanced sustainability focus at the farm level. Additional social and economic objectives have been developed from our work with the Sustainable Farming Initiative (SFI) and will be incorporated into our Sustainable Agricultural Policy in 2013.

HUMAN RIGHT TO WATER COMMITMENT

In 2009, PepsiCo became one of the first companies of its size to publish public guidelines in support of water as a fundamental human right, in the context of the WHO and the United Nations Joint Declaration on the Human Right to Water. The United Nations defines the human right to water as all people's right to safe, sufficient, acceptable, physically accessible and affordable water for personal and domestic use.

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

- **Safety:** We will work to have our operations preserve the quality of the water resources in the communities in which we do business.
- **Sufficiency:** We will develop operating objectives to manage our use of water with a view to the availability of community water resources to the individuals or the communities in the areas in which we operate.
- **Acceptability:** We will work to involve communities in our plans to develop water resources and will work to be more transparent of any risks or challenges to the local governments and community.
- **Physical Accessibility:** We will work to assure our operations will not adversely impact physical accessibility of community members to

community water resources and seek opportunities to address community concerns in a cooperative manner.

- **Affordability:** We will engage, as appropriate, government bodies to ensure our position is known concerning the Human Right to Water and that supplies should be available in a fair and equitable manner to members of the community. Such water should be safe and of consistent and adequate supply and affordable within local practices.

GOALS

To guide our environmental initiatives, PepsiCo has focused its efforts on those areas where we can have the greatest positive impact — primarily on the issues of water, packaging, climate change, waste elimination and agriculture. In the same manner, our key policies and partnerships help to address the world's environmental challenges.

We recently announced that PepsiCo achieved its goal to improve water-use efficiency by 20 percent per unit of production four years ahead of schedule. In addition, we achieved our previously stated goal of partnering to provide access to safe water to 3 million people in developing countries by the end of 2015. Given the company's strong progress to date, PepsiCo recently announced a new goal to provide access to safe water to an additional 3 million people over the next three years through continued partnerships with water organizations, doubling the company's original goal.

Similar to our efforts related to water, PepsiCo exceeded our goal by 20 percent to reduce the packaging weight of our products 350 million pounds over the last five years by 2012.

TRAINING AND AWARENESS

Our environmental stewardship policies and expectations are communicated to our associates, business partners and other stakeholders through our PepsiCo EHS Policy, Sustainable Agriculture Policy, Sustainable Packaging Policy, Human Right to Water Commitment, Global Code of Conduct, and Supplier Code of Conduct.

MONITORING AND FOLLOW-UP

PepsiCo's major legacy operations previously implemented an Emergency Management System (EMS) that aligned with the former PepsiCo EMS framework. Each sector or major business unit implemented either internal or third-party audits of their EMS. In 2011, the PepsiCo Environmental Compliance Council, in concert with the Health and Safety Leadership Council, helped develop a more comprehensive combined GEHSMS. This new standard expands on the prior PepsiCo EMS framework, providing more comprehensive and integrated management of key issues impacting our associates and communities.

In 2012, Wimm-Bill-Dann facilities began their journey toward implementation of the PepsiCo GEHSMS. Wimm-Bill-Dann is working to establish essential competencies and implement GEHSMS through 2013, to be fully implemented in 2014, and begin audits by 2015.

A PepsiCo Environmental Sustainability Metrics Protocol has been published and is used as a corporate-wide guide to ensure consistency in reporting. PepsiCo operations collect "Data Elements" from the facilities each month in accordance with the protocol. The sites are responsible for ensuring that the correct data are reported and subject matter experts in each division review data input on a monthly basis, review all reports for reasonableness, and follow up on discrepancies.

Environmental impacts include the following outputs from company-owned operations:

- Fuel combusted during manufacturing, calculated by standard emission factors according to each fuel;
- Fuel combusted for building heat;
- Emissions from fleet vehicles, based on vehicle type, fuel type and volume of fuel used;
- Fugitive emissions from refrigeration units at manufacturing sites based on leak rates and refrigerant purchases, and fuel consumption at offices and distribution centers;
- Consumption of electricity purchased from the electrical grid;
- Water withdrawals and wastewater discharge; and
- Waste generation and disposal.

In addition to the PepsiCo Environmental Sustainability Metrics Protocol, the following external accounting standards are followed:

- The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition);
- The Climate Registry: General Reporting Protocol;
- Defra Voluntary Reporting Guidelines;
- Energy Information Administration 1605B;

- Intergovernmental Panel on Climate Change Guidelines for National Greenhouse Gas Inventories, 2006;
- U.S. EPA Climate Leaders: Direct Hydrofluorocarbon and Perfluorocarbon Emissions from Manufacturing Refrigeration and Air Conditioning Equipment;
- U.S. EPA Climate Leaders: Direct HFC and PFC Emissions from Use of Refrigeration and Air Conditioning Equipment;
- U.S. EPA Climate Leaders: Indirect Emissions from Purchases/Sales of Electricity and Steam;
- U.S. EPA Climate Leaders: Direct Emissions from Stationary Combustion; and
- U.S. EPA Climate Leaders: Direct Emissions from Mobile Combustion Sources.

An independent organization, Bureau Veritas, was commissioned to verify the company's 2012 environmental performance data including direct GHG emissions (Scope 1), indirect GHG emissions (Scope 2), specific supply chain GHG emissions (Scope 3), energy consumption, waste production and water withdrawals. Bureau Veritas previously verified data for 2008 through 2011.

Climate Change

PepsiCo recognizes the impact carbon dioxide (CO₂) and other GHGs have on global temperatures, weather patterns and the frequency and severity of extreme weather and natural disasters. We are continuously working to address climate change concerns, including initiatives that range from scaling up the company's use of renewable fuel sources to reducing energy

Environmental Sustainability

consumption. We continue to reduce GHG emissions in company-owned operations and fleets by reducing our use of and reliance on fossil fuels.

In addition to continued practices to help mitigate our impacts on climate change, we also believe in the importance of helping society adapt to a changing climate environment. We are leading multiple efforts in this regard, primarily in the realm of sustainable agriculture. Examples include new technology development and deployment, farmer engagement, facilitation and advocacy. For example, we developed novel farm equipment to help farmers automate direct seeding of rice in order to grow a staple food crop with significantly less water (20 to 30 percent), fewer GHG emissions (70 percent) and lower costs.

We have also applied life-cycle analysis (LCA) thinking to our brands by performing carbon footprint measurements on some brands. This exercise led to an early understanding that most of our GHG emissions are generated through our supply chain. Through carbon footprinting, PepsiCo was the first consumer goods company in the U.K. to have the Carbon Trust label placed on the front of our Walkers Crisps packages. We were also the first company in North America to be certified by the Carbon Trust for our Tropicana brand. Additionally, PepsiCo created a proprietary tool with Columbia University's Lenfest Center for Sustainable Energy that enables us to rapidly calculate the carbon footprint of thousands of products virtually at the push of a button. We will work to understand more about the life cycle of PepsiCo products.

EN3 Direct energy consumption by primary source

and

EN4 Indirect energy consumption by primary source

The total energy consumption in 2012 for our legacy operations was 12.6 million megawatts per hour (MWh). Our energy efficiency has improved by 14 percent when compared with our 2006 baseline. This improvement is ahead of our plan to improve energy intensity through conservation and consumption of renewable energy by 20 percent per unit of production by 2015 for manufacturing and fleet operations. It represents an estimated energy cost savings of more than \$70 million in 2012. This goal applies to legacy operations as they existed in 2006 and does not include any major acquisitions since the baseline year and adjusting for divestitures. Progress toward the reduction goal is driven by our resource conservation initiatives aimed at improving the energy efficiency of our operations, as well as conversion to renewable forms of energy. For more information, please refer to description of activities under EN5: Energy saved due to conservation and efficiency improvements and EN17: Other relevant indirect greenhouse gas emissions by weight.

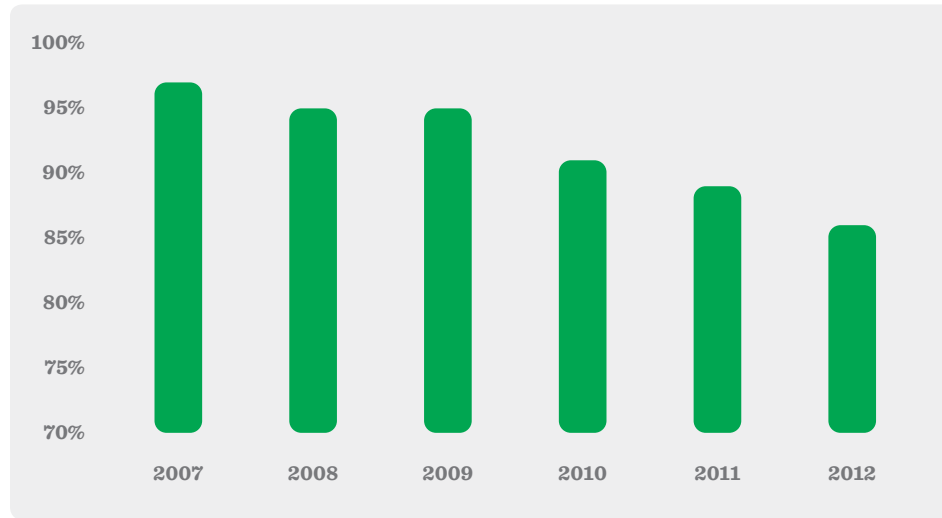
TOTAL ENERGY (MWh)	BASELINE 2006	2009	2010	2011	2012
Total Legacy Operations	12,457,655	12,574,000	12,702,000	12,847,000	12,636,000
Total PepsiCo ¹	16,366,058	17,585,000	20,496,000	20,806,000	20,405,000

¹ Includes data for significant mergers and acquisitions post-2006, as well as non-manufacturing facilities such as warehouses and distribution facilities. Significant acquisitions include Lebedyansky and Wimm-Bill-Dann, juice and dairy businesses in Russia, and franchise bottling operations in North America and Europe. Adjustments have been made for divestitures.

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ENERGY INTENSITY

TOTAL ENERGY PERFORMANCE VS. 2006 BASELINE YEAR

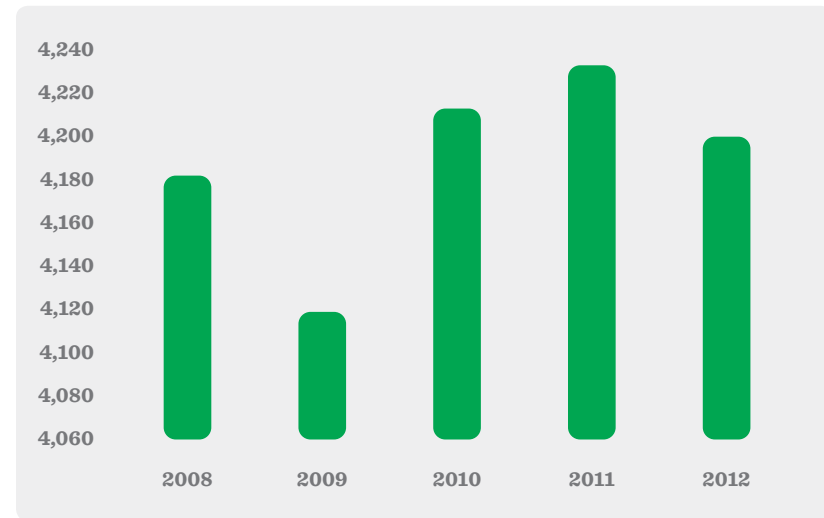


The chart above includes energy consumption for company-owned manufacturing facilities and fleet operations, excluding significant mergers and acquisitions post-2006, as well as non-manufacturing facilities such as warehouses and distribution facilities. Significant post-2006 acquisitions include Lebedyansky and Wimm-Bill-Dann, juice and dairy businesses in Russia, and franchise bottling operations in North America and Europe. Adjustments have been made for divestitures.

EN16 Total direct and indirect greenhouse gas emissions by weight

In 2012, total direct (Scope 1) and indirect (Scope 2) GHG emissions for legacy operations was 4,200,000 metric tonnes of CO₂ equivalents. PepsiCo's goal to maintain Scope 1 and Scope 2 GHG emissions essentially flat versus a 2008 baseline year applies to the "legacy business" as it existed in 2008, excluding major mergers and acquisitions and adjusting for divestitures.

LEGACY GHG EMISSIONS (1,000 METRIC TONNES)



The chart above shows Scope 1 and Scope 2 GHG emissions for PepsiCo global operations, excluding significant mergers and acquisitions post-2006, such as Lebedyansky and Wimm-Bill-Dann, juice and dairy businesses in Russia, and franchise bottling operations in North America and Europe. Adjustments have been made for divestitures.

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GREENHOUSE GAS EMISSIONS

GREENHOUSE GAS EMISSIONS (1,000 MT)	BASELINE 2008	2009	2010	2011	2012
Total Legacy	4,182	4,119	4,213	4,233	4,200
Total PepsiCo ¹	4,185	4,119	5,578	5,865	5,783

¹ Includes data for significant mergers and acquisitions post-2006, as well as non-manufacturing facilities such as warehouses and distribution facilities. Significant acquisitions include Lebedyansky and Wimm-Bill-Dann, juice and dairy businesses in Russia, and franchise bottling operations in North America and Europe. Adjustments have been made for divestitures.

EN17 Other relevant indirect greenhouse gas emissions by weight

BEVERAGE COOLERS AND VENDING MACHINES

As part of our climate change strategy, PepsiCo is looking to increase the efficiency of our beverage coolers. Historically, cooling equipment consumed significant amounts of energy. We continue to improve the energy efficiency of these units while also investing in sustainable refrigerants worldwide.

PepsiCo provides refrigeration equipment at the point of sale, including coolers and vending machines, to our retail partners around the world. Although PepsiCo retains ownership of the equipment, the electricity used is the responsibility of the retailer. As a result of an ongoing effort to improve the energy efficiency of this equipment, PepsiCo improved efficiency by 54 percent for vending machines and 63 percent for coolers in 2012 as compared to models available in 2004. As a result, the per-unit emissions from these coolers are on the decline. From 2011 to 2012, the total amount of point-of-sale equipment in service globally decreased by slightly more than 3 percent; however, absolute emissions decreased by 11 percent. In 2012, absolute emissions from this equipment totaled 4,148,000 tonnes, a decrease of 516,000 tonnes from 2011.

PepsiCo is a member of the Consumer Goods Forum (CGF), a consumer goods manufacturing and retailer's industry association that adopted the following resolution, which PepsiCo directly supports.

CGF RESOLUTION ON SUSTAINABLE REFRIGERATION

As the Board of the Consumer Goods Forum, we recognize the major and increasing contribution to total greenhouse gas emissions of HFCs and derivative chemical refrigerants.

We are therefore taking action to mobilize resources within our respective businesses to begin phasing out HFC refrigerants as of 2015 and replacing them with non-HFC refrigerants (natural refrigerant alternatives) where these are legally allowed and available for new purchases of point-of-sale units and large refrigeration installations.

We recognize that barriers exist to wide-scale adoption of more climate-friendly refrigeration, namely legislative restrictions in some markets, availability, cost, safety, maintenance and servicing. We will work to overcome those barriers by strengthening existing collaborative platforms and initiatives. We also will use our collective influence to encourage our supply base to develop natural refrigerant technologies that meet our business demand under commercially viable conditions.

EN5 Energy saved due to conservation and efficiency improvements

EN7 Initiatives to reduce indirect energy consumption and reductions achieved

and

EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved

Energy efficiency and GHG emission reductions go hand in hand. We monitor GHG emissions from company operations on a global scale, with each business unit tracking key performance indicators. Emissions monitoring results are reported quarterly to the PepsiCo Executive Committee, the ESLT, PepsiCo subject matter experts, and business unit Green Teams. PepsiCo sustainability teams rely on these data to develop best practices. Data are consolidated and then reported to customers and external stakeholders. The Resource Conservation System (ReCon) is a customized online site audit and diagnostics program we utilize to apply global best practices and identify water, GHG and solid waste reduction opportunities and implement techniques on a global scale.

PepsiCo has a goal of holding direct and indirect GHG emissions flat versus a 2008 baseline while growing the business. The commitment applies to global operations, excluding significant mergers and acquisitions after the baseline year. In 2012, emissions were comparable to 2008, representing a 0.4 percent increase, which is considered to be on-target. This performance was achieved despite production volume growth of 7 percent for foods and 12 percent for beverages, which indicates significant efficiency improvements were made in order to maintain emissions essentially flat over this time period.



HIGHLIGHT — QUAKER FOODS RESOURCE CONSERVATION

We have made resource conservation a priority for Quaker Foods in 2012. All four Quaker plants reduced their total energy intensity and water use intensity, with a combined overall reduction of 6 percent and 12 percent, respectively, versus 2011. This resulted in over \$500,000 of utility savings in 2012. One of the plants received a U.S. EPA ENERGY STAR Challenge for Industry award in 2012.

Waste to landfill was reduced by almost 40 percent versus 2011, with the Bridgeview and Columbia plants leading the way with zero waste to landfill. Quaker is also on track to meet the zero landfill goal by the end of 2013. For more information, please refer to [Zero Landfill](#).

The Quaker Oats Cedar Rapids plant was built in 1873 and produces oatmeal, corn meal, corn grits, Aunt Jemima pancake syrup and many ready-to-eat cereals. The plant is over 2.1 million square feet and occupies approximately 25 acres of land in downtown Cedar Rapids. With over 1,000 employees, it is a major part of the economy of Cedar Rapids.

The Cedar Rapids plant achieved the ENERGY STAR Challenge for Industry in 2012 when the plant reached a 10.8 percent reduction in energy intensity within two years of its baseline. The Quaker Oats Cedar Rapids plant achieved the Challenge through many energy conservation measures, including lighting upgrades, identifying and reducing compressed air and steam leaks, capturing waste heat and using the heat for processes, and installing a new high-efficiency boiler plant. Overall, the Cedar Rapids plant has reduced energy intensity by 243 British thermal units per pound of food product manufactured. This has resulted in a savings of over 3.7 million British thermal units (MMBtu) in the two years since baseline.

The Quaker Oats Cedar Rapids facility maintains a comprehensive corporate energy management program. Under this program, the Cedar Rapids plant (as is the case at all PepsiCo plants) has progressively applied good energy practices promoted by ENERGY STAR, including goal-setting, energy benchmarking, and tracking. The Cedar Rapids plant will continue to reduce its energy use intensity further in the coming years to achieve the goals for energy, water and waste to landfill reductions.

Environmental Sustainability

The following table summarizes the key initiatives in place at PepsiCo to reduce our Scope 1 and 2 GHG emissions.

INITIATIVE	DESCRIPTION OF INITIATIVE
Green buildings	<p>PepsiCo has 10 new construction Leadership in Energy and Environmental Design (LEED) equivalent certifications. PepsiCo has 33 facilities with existing building or commercial interiors with LEED certification or its equivalency. These are voluntary initiatives impacting Scope 1 and 2 emissions.</p>
Renewable energy (biogas, biomass, wind, solar)	<p>PepsiCo implemented at least 10 renewable energy projects in 2012. We continue to explore additional process emission reductions through our ReCon Program.</p> <p>Examples include:</p> <p>PepsiCo Americas Beverages (PAB) Solar Thermal Expansion — Tolleson, Ariz.</p> <p>The Tolleson Gatorade facility is in the process of expanding its existing solar thermal system. The expansion consists of two phases. The first phase added 1.7 million kilowatt hours (kWh) of renewable generation and resulted in the offset of 7,500 MMBtu of natural gas consumption at the facility. The expansion will utilize three different innovative collector technologies: flat panel, parabolic and trough. The second phase will be completed in 2013. Field evaluation of each technology will aid with future reapplication decisions.</p> <p>Biomass — India</p> <p>In 2012, the Pune Snacks Plant installed a Biomass boiler for the site, replicating an identical system installed in the Kolkata Snacks plant, reducing GHG emissions and energy usage. All snacks and beverage manufacturing in India operated on Biomass boilers. Biomass boiler operation at Kolkata has resulted in 55 percent of its energy requirements being met through renewable energy.</p>



Environmental Sustainability

INITIATIVE

DESCRIPTION OF INITIATIVE

Energy efficiency: processes

In 2012, process-efficiency improvements included electric efficiency projects focused on compressed air, motors and lighting, and high-efficiency combustion and heat recovery. We continue to explore additional process emission reductions through our ReCon Program. Examples include:

PAB Lighting Upgrades — This project, implemented at 16 different sites throughout the U.S., saves 6,167,000 kWh of electricity per year.

PAB Refrigeration Controls — This project saves 4,859,000 kWh of electricity per year.

PAB Pasteurization Systems Increased Thermal Recovery — Tropicana installed improved thermal recovery systems on a number of its major orange juice pasteurizers, which resulted in a reduction of both steam requirements for heating and electrical requirements for cooling. The project will save 3,400,000 kWh of electricity and 47,700 MMBtu of natural gas each year.



Transportation: fleet

PepsiCo continues to invest in the efficiency of its fleet through the purchase of electric and hybrid vehicles. Through our electric vehicle program, “Right Truck, Right Route;” the “Road to Green” initiative; and our FLNA Division’s compressed natural gas (CNG) initiatives and programs, we are replacing vehicles with electric and CNG equivalents, educating drivers and optimizing the use of the vehicles in our fleet.

INITIATIVE

DESCRIPTION OF INITIATIVE

Behavioral change

Individual employee awareness can be a significant factor in the success of our programs. We provide awareness and education through ReCon and Green Teams in manufacturing sites and offices. PepsiCo is constantly striving to train, re-train and improve our workforce on reducing energy use and climate change causing GHGs, and making more efficient use of water.

Examples:

In support of meeting our environmental goals, PepsiCo's ESLT hosted a PepsiCo-wide 2012 Operations Environmental Sustainability Summit in Denver. The primary objectives of the Summit were to provide a forum for knowledge transfer, collaboration, education, networking and sharing of best practices in support of achieving our energy, carbon, water and waste targets.



Fugitive emissions reduction

Through participation in Refrigerants Naturally (www.refrigerantsnaturally.com), we aim to reduce Scope 3 emissions by using natural, hydrofluorocarbon-free refrigerants in coolers and vending machines.

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GREEN BUILDING AND DESIGN

PepsiCo continues its commitment to saving energy through green building and design worldwide. We encourage our facilities to meet the U.S. Green Building Council's (USGBC's) Leadership in Energy and Environmental Design LEED standards — among the most rigorous benchmarks for green building design, construction and operation in the world. So far, 33 facilities across PepsiCo now have achieved LEED certification or its equivalent.

PepsiCo's Global Sustainable Engineering Guidelines (SEGs), which are based on LEED standards, were developed to ensure our buildings are constructed based on environmentally sustainable principles. The guidelines are applied globally to all new construction, as well as major remodels. The SEGs can be accessed through a website available to all PepsiCo engineers and key partners worldwide. This website provides guidelines for the following:

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

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

In 2013, PepsiCo India's Sathariya plant was awarded LEED Gold Green Factory Building Certification by the Indian Green Building Council. This is the third PepsiCo plant in the AMEA region to obtain this prestigious recognition. It is also India's first plant in the food and beverage category and the eighth plant across all industries to receive this distinguished certification.

China's Wuhan Food Plant also received LEED Gold Certification for its application of the latest technologies, including a high-efficiency clean heat exchanger, a solar heater, solar tubes and lighting. These applications helped the facility to achieve 38 percent energy savings over traditional or non-LEED-standard buildings. The project also reduced water usage by 40 percent through the use of water-efficient equipment and the recycling of wastewater for gardening.

In recognition of our continued environmental leadership through energy efficiency, PepsiCo was honored for the eighth consecutive year by the U.S. EPA with a 2013 ENERGY STAR Partner of the Year — Sustained Excellence Award.

EN29 Significant environmental impacts of transporting products

ROLLING OUT EFFICIENT ELECTRIC VEHICLES

As part of our effort to conserve energy and reduce our carbon footprint, we continuously look for new ways to reduce emissions from our delivery vehicles. Setting a standard for the industry, PepsiCo uses U.S. EPA's SmartWay-certified carriers for 100 percent of its transportation needs in

the U.S. In addition, our fleet operations have incorporated sustainable approaches into their everyday practices and long-term business plans. This is reflected in programs such as our FLNA electric vehicle program, which involves the largest company-owned electric fleet in the U.S., with more than 195 trucks currently and 280 targeted for year-end 2013. Other programs include: our “Right Truck, Right Route” program focused on ensuring we optimize our vehicles for the routes they run; the “Road To Green” initiative, which teaches drivers fuel-efficient practices such as not idling trucks; and our internal parts, maintenance and mechanic efficiency programs; all aimed at ensuring we have the most fuel-efficient vehicles on the road.

In addition, PepsiCo recently embarked on a program to transition our global fleet to electric vehicles and CNG. For example, the FLNA business had approximately 195 electric trucks fully deployed on routes in 2012. As a result of our investment in electric and hybrid vehicles, we have seen almost \$2 million in savings over the two years the vehicles have been operating, based on an assumed cost of \$3.85 per gallon, and a calculated savings of approximately 500,000 gallons. Since their introduction in 2010, Frito-Lay’s electric vehicles have travelled nearly 3 million miles, reducing carbon emissions by 5,000 metric tonnes. In addition, since our initial pilot in 2011 for CNG, we rolled out an additional 83 CNG trucks across our FLNA operations in 2012, and have placed an order for 125 more new CNG engines in 2013 to replace older, inefficient diesel fuel engines. Between using CNG and electric vehicles, and increasing fuel efficiency on our diesel vehicles, we have seen a reduction in GHG emissions of approximately 50,000 metric tonnes since the initial deployment of the programs.

EC2 Financial implications and other risks and opportunities for the organization’s activities due to climate change

There is concern that CO₂ and other GHGs in the atmosphere may have an adverse impact on global temperatures, weather patterns and the frequency and severity of extreme weather and natural disasters. In the event that climate change has a negative effect on agricultural productivity, we may be subject to decreased availability or less favorable pricing for certain commodities that are necessary for our products, including sugar cane, corn, wheat, rice, oats, potatoes and various fruits. Similarly, we may be subjected to decreased availability or less favorable pricing for water, which could impact our manufacturing and distribution operations. In addition, natural disasters and extreme weather conditions may disrupt the productivity of our facilities or the operation of our supply chain. Increasing concerns over climate change also may result in more regional, federal and/or global legal and regulatory requirements to reduce or mitigate climate change risk. In the event that such regulation is more aggressive than our current sustainability, we may experience significant increases in our costs of operation and delivery.

PepsiCo has several processes in place to identify and manage risks associated with climate change. The company joined with the U.K. nonprofit organization Forum for the Future in a project called Global Scenarios and Strategies for 2030. In this effort, we analyzed critical risks and opportunities associated with climate change and other environmental, health and social factors. More than 100 interviews were conducted among PepsiCo executives and external thought leaders to develop a database of critical factors that may impact our future operating environments. These factors were examined through a series of workshops involving dozens of PepsiCo personnel and more than 20 outside experts.

We have incorporated the risks and opportunities identified into our strategic planning and risk management processes. By having done so, we aim to be better prepared to mitigate our impacts and adapt to factors beyond our control. The four key carbon-related mitigation and adaptation tactics identified in the study include:

- Reducing carbon intensity in our operations;
- Investing in carbon reduction technologies, including renewable fuel technology and clean development mechanisms;
- Reducing fugitive emissions; and
- Working with supply-chain partners to reduce their emissions.

PepsiCo divisions in virtually every market in the world are working to implement these tactics, through the use of green building design, construction of renewable energy systems, improvements to equipment efficiency and the involvement of our supply-chain partners.

EN19 Emissions of ozone-depleting substances by weight

PepsiCo is working to deploy more sustainable refrigeration equipment. Enhanced refrigerator technology decreases CO₂ emissions and cuts energy use by approximately half. We have participated in partnerships to develop this technology and implement it in our own operations. In 2009, we introduced the first CO₂ vendor to the U.S. marketplace, and in 2010, we introduced the first UL-listed HydroCarbon (HC)-based cooler to the U.S. marketplace. By the end of 2012, we had deployed HC units and CO₂ units globally, for a total of nearly 200,000.

PepsiCo now has over 43 approved HC models approved in the system, and we placed Hydrofluorocarbon (HFC)-free units in 30 different countries. We developed and placed the first 35 HC coolers for the Super Bowl in Miami. Our Turkey operations converted to 100 percent HC refrigerant for all new cooler purchases in 2009. Turkey was the first country that implemented 100 percent HC-based refrigeration systems. The model will be used to expand sustainability efforts to other PepsiCo regions around the world. In 2011, Russia converted to 100 percent HC refrigerant for all new cooler purchases. We currently have field trials taking place in India, Mexico, China and several EU countries. We developed and placed the first CO₂ vending machine in a key location in Washington, D.C., and placed 30 CO₂ units at the Winter Olympics in Canada. We currently have approximately 200,000 HFC-free refrigerant units in the field.

Our sustainable refrigeration equipment has reduced our energy consumption. Our energy-efficient coolers have resulted in a 63 percent energy reduction in 2012 compared with a 2004 baseline, and energy-efficient vending machines have resulted in a 54 percent energy reduction compared with a 2004 baseline. PepsiCo has established GHG emissions tools to calculate energy use and emissions for all equipment worldwide, and we continue to track energy use, HFC-free units and GHG emissions. As a result of our sustainable equipment, in 2012 we have reduced total GHG emissions by 11 percent compared with 2011.

Water

PepsiCo takes a comprehensive approach to water stewardship. Because we use water to make our products, maintaining the highest-quality standards for consumers means using the best water possible. At the same time, it is essential that we treat water as the limited resource it is by optimizing

our water use through greater efficiency, innovative processes and new technologies. We have made great strides in reducing water use in our direct operations. We know that water is inherently local, so we strive to work on specific solutions for watersheds where we operate, to make more and better water available to local communities. We also have a wide range of partners and have delivered access to safe water to over 3 million people, in conjunction with the PepsiCo Foundation and its partners.

In recognition of our efforts, PepsiCo was honored with both the prestigious 2012 Stockholm Industry Water Award and the U.S. Water Prize. These distinctions result from our efforts throughout our business operations, our work in the communities in which we operate, and our continued leadership in water stewardship.

EN8 Total water withdrawal by source

and

EN10 Percentage and total volume of water recycled and reused

In 2012, PepsiCo achieved its goal to improve water-use efficiency by 20 percent per unit of production four years ahead of schedule. In addition, PepsiCo attained its previously stated goal of partnering to provide access to safe water to 3 million people in developing countries by the end of 2015. Given the company's strong progress to date, PepsiCo announced a new commitment to provide access to safe water to an additional 3 million people over the next three years through continued partnerships with water organizations, thereby doubling the company's original goal.

WATER CONSERVATION IN OPERATIONS

By embedding water conservation practices into day-to-day operations at our manufacturing facilities, we have been able to meet and exceed our conservation goals. Our Resource Conservation (ReCon) tool has been a key component of our success. ReCon is a multi-stage program that is applied to energy and water conservation, and greenhouse gas and solid waste management. ReCon guides our manufacturing facilities through detailed self-audits of their resource management practices. We identify and prioritize conservation opportunities by mapping all streams within the facility and assigning relative values to each of these streams based on local economies. For example, ReCon Water maps all water uses and assigns relative values to each based on the cost of water, the energy used to heat and pump it, and chemicals used to treat it. ReCon is now being expanded to our franchise bottler network, co-packer partners and direct suppliers.

Through deployment of our ReCon Water program and incorporation of various technological improvements throughout our global manufacturing operations, PepsiCo was able to achieve its goal of improving water-use efficiency by 20 percent per unit of production four years ahead of schedule. This saved us the equivalent of nearly 14 billion liters of water in our direct operations in 2012, and more than \$15 million in water costs. These savings resulted from actions ranging from monitoring and fixing leaks to optimizing the water purification systems in our beverage plants to recycling and reusing water. For example, the PepsiCo South America Caribbean, Central America Foods (SACCAF) business has installed a high-efficiency water reclamation system at its plant in Funza, Colombia. In 2012, this technology enabled the reuse of 75 percent of the water entering the plant while conserving nearly 90 million liters.

In late 2012, the Tingyi-PepsiCo strategic alliance, the leading beverage system in the Chinese market, was recognized by China Beverage Industry

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Association (CBIA) for its outstanding performance in water conservation and sustainable development. Forty-three of our plants were honored with the water conservation excellence award, with our alliance winning over 50 percent of the total 2012 CIBA awards presented. The CBIA awards committee is made up of a panel of industry experts who measure candidates against the organization's strict national standards. A final selection is made among those who significantly exceed those standards.

Our facilities in developed countries most often utilize raw water from on-site groundwater wells and/or municipal or similar water supplies. Many of our plants, particularly in developing countries, have established their own water sources such as extraction from on-site wells, and we do so in full compliance with applicable regulations covering the use of local resources. In these cases, we work with the local authorities to ensure that the quantity of water needed to run our business — and to help support the local community and economy — is consistent with regulations and protective of local water supplies.

WATER AVAILABILITY AND QUALITY

The amount of water we use is one part of the equation; the other critical components are the availability and quality of that water. Across PepsiCo, we implement a variety of standardized processes and procedures to ensure the safety of our water for consumers and the integrity of our products.

In addition to conducting routine assessments to monitor water quality in our operations and proactively initiating water replenishment programs around the world, PepsiCo supported the development of a Global Water Tool (GWT) sponsored by the World Business Council for Sustainable Development (WBCSD). We have used the tool since 2008 to help quantify the water scarcity-related risk associated with all PepsiCo facilities and major office buildings. The tool maps water scarcity at the watershed level.

Over 97 percent of PepsiCo's water consumption has been mapped to the tool. Based on interpolation between retrospective (1995) and prospective (2025) data obtained through use of the GWT, 41 percent of our manufacturing facilities were determined to be located in areas of water stress in 2012.

We have expanded our water stress mapping efforts and are now using three complementary mapping tools: the GWT, WRI's Aqueduct baseline water stress indicator, and a method developed at ETH-Zurich that incorporates the timing of water supply and demand to assess stress. By comparing projections offered through these assessment tools, we will be able to determine which sites are at greatest risk for water scarcity. We have completed this exercise for all of our corporate-owned locations and have begun mapping our franchise operations and key water sensitive suppliers.

POSITIVE WATER IMPACT

As we continue to advance water stewardship at PepsiCo facilities around the world, we recognize the greater challenge of water scarcity and focus our efforts on achieving a positive water balance in our operations. Of particular concern are those water-distressed areas where demand continues to increase.

For example, in India, our PepsiCo India manufacturing facilities have made great strides in conserving water and achieved the country-level Positive Water Balance in 2010 and 2011, with credit exceeding debit by a greater margin in each successive year. In 2011, we restored 14.7 billion liters, exceeding the 6.3 billion liters of water used in our manufacturing facilities. We accomplished this through the multi-pronged approach of working with our communities, engaging farmers and improving in-plant activities.

- Savings through agricultural interventions/Direct Seeding of Rice (DSR): During 2011, an additional 3,470 acres were converted to DSR. This translates

into 12,800 acres overall, compared with 9,330 acres in 2010 and 6,500 acres in 2009. This has resulted in water savings of 11.2 billion liters.

- Savings through drip irrigation initiatives for potato cultivation: In 2011, incremental efforts were undertaken to promote this irrigation method. Starting with 1,100 acres in 2010, we expanded to 1,902 acres in 2011 and, as a result, conserved more than 900 million liters of water.
- Water recharged through community programs: Our interventions such as checking dams and recharging ponds focused on conserving and recharging water in communities around our manufacturing plants and providing access to water for rural communities. In 2011, our water projects created the potential to recharge over 2.6 billion liters of water, contributing toward a positive water balance and benefitting nearly 48,000 community members.
- In-plant water recharging and harvesting: We continue to adopt rainwater harvesting. In 2011, these initiatives yielded the recharge potential of approximately 228 million liters.

We are finding ways to improve water balance worldwide, based on local conditions, existing and new technologies, and available resources. In Jordan for example, PepsiCo established a partnership agreement with the Ministry of Water and Irrigation to participate in the country's Positive Water Balance Project. In addition to project funding, PepsiCo-Jordan also funded the entire construction cost of the Wadi Al-Ahmar dam project in Tafileh. Upon completion, the dam will collect rainwater using advanced harvesting techniques, which subsequently will contribute to local community development and rehabilitate ecosystems affected by climate change.

We also recognize that people don't simply need enough water, they need enough clean water. Positive water impact, which we define as making

more and better water available to the environment and the communities where we and our suppliers operate, is the logical evolution of Positive Water Balance.

In the first phase of our Positive Water Impact initiative, we partnered with The Nature Conservancy in an effort to understand the key parameters needed to develop locally relevant, scientifically rigorous watershed protection and restoration strategies. This initial pilot studied five distinct watersheds in China, Mexico, Europe, India and the U.S. By working with local PepsiCo associates providing insight into critical information and processes, appropriate solutions could be identified for each location. If implemented, these strategies would restore more than 3 billion liters of water.

AGRICULTURAL EFFICIENCY

One method we utilize to achieve a positive water balance is our work with farmers in India to reduce the amount of water used in rice cultivation by automating an agronomic practice known as "direct seeding." PepsiCo has been leading this pioneering initiative in Punjab to replace the transplanting of paddy with direct seeding methodology. For example, instead of growing seedlings in a nursery, planting them and then flooding their fields, seeds are sown directly into the ground. This technique bypasses the nursery, eliminates the need for flood irrigation, and reduces water use by as much as 30 percent. The practice of direct seeding has been around for decades, but PepsiCo developed the innovative farm equipment that helps automate the process.

Over the past several years, PepsiCo has expanded direct seeding in India and applied it to approximately 10,000 hectares, conserving more than 9 billion liters of water. In addition, since direct seeding requires less water at the base of the crop, it reduces the production of methane created during flood irrigation techniques, and reduces the amount of GHG emissions by

an estimated 75 percent while still maintaining yield and quality paddy production. To build on its achievement of positive water balance, PepsiCo India has developed a strategic plan to double the replenishment of its consumption of freshwater by 2015.

In 2013, the United Nations Framework on Climate Change Convention (UNFCCC) included the Direct Seeding of Rice program in its private sector database of case studies for climate adaptation. For more information, please refer to the [UNFCCC Adaptation Private Sector Initiative](#).

EN21 Total water discharge by quality and destination

PepsiCo facilities discharge both treated and untreated wastewater into municipal sewer systems for subsequent treatment. In some instances, in compliance with local regulations, we complete wastewater treatment on our own prior to discharge. Although we have not conducted a detailed analysis, PepsiCo is not aware of any receiving waters or locations negatively impacted by our wastewater procedures.

We realize that the quality of water in streams, rivers and lakes is a key area of concern around the globe, and that the quality of our wastewater discharges can have a direct environmental impact. That's why PepsiCo developed its Responsible Effluent Standards for Processing Wastewater, which provides specific water quality limits for discharge. This standard was adopted as one of the key Technical (performance) Standards that make up our GEHMS. The PepsiCo Global Environmental Compliance Council (ECC) recently completed a review and update of this standard to ensure its continued relevance and applicability to our global operations.

EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement

RESPECTING THE HUMAN RIGHT TO WATER

Our search for a clean and ample water supply has an impact on each community in which we operate, as well as on our business operations. We are committed to working with governments that preserve the human right to water for individuals in the communities where our company operates, in addition to advocating for this right more broadly.

PepsiCo established a goal of partnering to provide access to safe water to 3 million people in developing countries by the end of 2015. We met that goal three years ahead of schedule through the efforts of the PepsiCo Foundation, our local facilities and multiple partners. These efforts have helped to install village water and irrigation systems, establish water health centers, construct rainwater harvesting cisterns, improve sanitation programs and recharge aquifers in developing communities.

PROVIDING ACCESS TO SAFE WATER

The PepsiCo Foundation has partnered with a number of organizations to develop programs to provide access to safe water to underserved communities in water-stressed areas around the globe.

China Women's Development Foundation PepsiCo and the PepsiCo Foundation have been associated with the All China Women's Federation (ACWF) for 11 years. Most recently, in 2011, the PepsiCo Foundation provided a \$5,000,000 grant — which is being awarded over a three-year period and administered by Give2Asia, a U.S.-based nonprofit organization founded by the Asia Foundation — to help fund the efforts of ACWF's China Women's Development Foundation (CWDF) to provide safe water access to 500,000

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people in the central and western regions of China by 2015. The grant is the largest individual donation the PepsiCo Foundation has ever made in China and builds upon its ongoing support of the CWDF's "Water Cellars for Mothers" project, an award-winning program that has benefited 1.7 million people.

As of 2012, more than 100 projects in eight different Chinese provinces were established. With the support of China's Ministry of Water Resources, the PepsiCo Foundation's grant will fund safe water access projects for people in rural villages and primary schools in eight provinces and municipalities, including Yunnan, Gansu, Guangxi, Sichuan, Chongqing, Guizhou, Qinghai and Inner Mongolia.

Inter-American Development Bank In 2011, The PepsiCo Foundation provided a \$5 million grant to AquaFund, a fund launched by the Inter-American Development Bank (IDB) to facilitate investment in water supply and sanitation, water resources, and solid waste management and wastewater treatment. The PepsiCo Foundation is the first private sector donor to contribute to AquaFund.

The IDB grant will fund pilot projects in five countries to provide access to safe water to dispersed rural communities, reaching approximately 500,000 people in the region by the end of 2015. PepsiCo Foundation's contribution to the AquaFund will help drive social and economic development across Latin America.

The Earth Institute's Columbia Water Center In 2008 the PepsiCo Foundation provided a \$6 million grant to The Earth Institute's Columbia Water Center (CWC) to support a number of strategic water initiatives in Brazil, China, India (mainly in Punjab and Gujarat) and Mali. By the end of 2012, these programs have provided access to safe water to more than 3 million people.

The ongoing efforts seek to address water sustainability in key geographies that suffer from water stress. To improve interaction with stakeholders at all levels (government agencies, communities, corporations, farmers), the CWC established an office in India and collaborated with local universities.

Via our ongoing collaboration, we have developed, tested and delivered solutions to water scarcity to millions of people around the world. Together with CWC, we have provided low-cost solutions in water-scarce regions.

Safe Water Network PepsiCo Foundation provided a \$3.5 million grant from 2008 to 2011 for Safe Water Network to continue refining and improving innovative solutions to provide safe water access to those in need in India. The PepsiCo Foundation supported its work in Andhra Pradesh, Uttar Pradesh and Rajasthan to establish self-sufficient water systems that are operated and managed locally. As part of the broader mission to foster best practices across the water sector, PepsiCo participated in Safe Water Network events, such as their Beyond the Pipe Forum held in New Delhi that brought together key stakeholders across the country's water sector.

Water.org In 2011, the PepsiCo Foundation announced it would expand its partnership with water.org to scale WaterCredit, a market-driven model that provides micro loans to families throughout India. The WaterCredit partnership model and financing mechanisms serve to channel and redeploy financial resources more efficiently and effectively to enable increasing numbers of people to meet their drinking water and sanitation needs.

This expansion seeks to enable approximately 800,000 people to access safe water by March 2016. The commitment is built upon a long-standing partnership between the PepsiCo Foundation and Water.org and is made possible through an \$8 million grant.

SEMI-ARID ARTICULATION

PepsiCo is collaborating with the Semi-Arid Articulation, a network comprising 750 nonprofit organizations dedicated to improving the quality of life in the semi-arid region of Brazil. The program's mission is to build cisterns for the region's residents to provide more reliable water access. Through this initiative, we launched a Rain Harvesting Project to involve PepsiCo brands, employees and consumers in the cisterns' construction and monitoring. The program will provide a Facebook app to support the participation of internal and external stakeholders.

WATERHOPE

WaterHope is a partnership between PepsiCo and the Wholistic Transformation Resource Centre (WTRC), a Philippine humanitarian and development organization. WaterHope aims to make safe, clean drinking water available to poor communities in the Philippines. The enterprise's stated vision is to help transform and empower poor and marginalized communities into ones that are vibrant, healthy and productive.

WaterHope helps establish community-owned and operated water stations. Local NGOs manage the stations to provide low-cost water to a network of community water dealers, who in turn sell this water to consumers. Profits are to be channeled back into the communities in the form of local development programs. By ensuring that the profits from this enterprise are used in this way, WaterHope provides a mechanism for delivering clean, safe water that can support health and other community services. WaterHope also provides high-quality, free drinking water to schools, churches, health clinics and public transport stations.

The organization also helps residents improve their lives through microenterprise and participation in business, while additional health and

education activities facilitated by the stations have helped nearly 1.3 million Filipinos in underserved communities as of April 2013 via the seven stations currently in use in the country. In 2013, the first WaterHope station opened in Vietnam. Profits from the water station will fund a community center that will serve as a kindergarten for underserved children in its area.

Packaging

At PepsiCo, we continually think about new ways to package and deliver our products to minimize our impact on the environment. In this effort, we strive for the "5 Rs" — to reduce, recycle, use renewable sources, remove environmentally sensitive materials, and promote the reuse of packaging in the entire process of packaging selection, design and procurement. To meet this commitment, our R&D and Procurement teams work with our packaging suppliers to use the most environmentally suitable packaging available in their given country of operation. Additionally, our Global Quality and Food Safety policies provide packaging guidelines to ensure the safety and quality of every PepsiCo product.

EN1 Materials used by weight or volume

REDUCE

Around the world, we continue to introduce new packaging designs that reduce the amount of material used. Over the last five years, we have reduced the packaging weight of our products by more than 350 million pounds in all manufacturing for which we procure packaging, including acquisitions — exceeding our goal by more than 20 percent. The packaging weight reductions we have achieved are equivalent to removing more than 95 tons of packaging material each day during that five-year period.

Environmental Sustainability

PepsiCo has worked for years to design the lightest-possible beverage packaging that still meets government specifications for strength and safety as well as consumer needs.

In the U.S., the PepsiCo Beverage business has implemented a number of successful initiatives:

- Since 2008, Aquafina avoided using more than 135 million pounds of plastic. The 16.9 ounce bottle is currently 10.9 grams and uses half the plastic of our 2002 bottle.
- The amount of resin used in 32-ounce Gatorade bottles has been reduced from 45 grams to 39 grams, resulting in approximately 595,000 pounds of PET reduction in 2012.
- Lightening the Dole/Ocean Spray/Tropicana bottle achieved a 331,000-pound reduction of PET in 2012.
- Naked Juice bottles are made with 100 percent post-consumer recycled plastic. We are the only nationally distributed beverage company to use 100 percent rPET (recyclable polyethylene terephthalate) across the product portfolio. In 2012, reNEWabottle reduced our virgin plastic consumption by 9.75 million pounds.
- Our Propel and Gatorade bottles and closures have undergone significant light-weighting as well, removing almost 73 million pounds of resin in two years. The resulting reduction of waste is equivalent to over 960 million new 20-ounce Gatorade bottles with closures.

In Europe, package light-weighting initiatives across our line of carbonated soft-drink bottles, as well as Tropicana and Punica bottles, have reduced bottle waste by nearly 9 million pounds in 2012.

Our progress in light-weighting has advanced throughout Latin America, with the implementation of short-neck and lightweight closures for beverage packaging. By the end of 2012, leveraging key learnings from the U.S. market, packaging-weight reductions across a variety of beverage sizes, ranging from 500 milliliters to 2.25 liters, reduced plastic resin use by an estimated 3 million pounds.

Key markets in Vietnam and Thailand also introduced the lighter-weight short neck finish preforms and closures for beverage applications, resulting in significant weight reductions and reduced plastic resin use of approximately 10.6 million pounds. Similar measures have been taken in Europe, where plastic resin use has been reduced by approximately 9.1 million pounds.

Efforts to reduce food packaging are also achieving solid results internationally. In 2012, in Colombia and Ecuador, we successfully down-gauged the film used for packaging our Frito-Lay and Doritos snack products, reducing corrugate use by 414,000 pounds. In China, we down-gauged snack film and lowered material content in carton structures, reducing packaging material use by around 170,000 pounds.

Sabritas received the 2012 Sustainable Packaging Award from 3M's Global Tape and Adhesive division in recognition of a client's efforts to use sustainable products in its daily packaging processes. Sabritas invested in a sustainable stretch wrap system to significantly reduce waste material. 3M provided Sabritas with a tailor-made, innovative and effective solution to guarantee the transfer and delivery of product, while reducing waste by 70 percent. The new solution also cuts costs by 5 percent while reducing warehouse space needs. PepsiCo Mexico Foods is redefining the packaging, delivery and handling of products to eliminate solid waste and minimize environmental impact.

EN2 Percentage of materials used that are recycled

We continue to lead the industry by incorporating on average up to 10 percent post-consumer recycled PET in our primary soft-drink containers in the U.S.

Consistent with our commitment to expand the use of post-consumer rPET in international markets, we introduced carbonated and noncarbonated soft-drink packaging that incorporated up to 21 percent recycled materials in France and 8 percent rPET usage, which collectively amounts to 7.7 million pounds of rPET in beverage packaging. PepsiCo supports reusing primary and secondary packaging components where feasible. We continue to successfully reuse a number of our secondary and transport packaging components, such as plastic shells, pallets and corrugate boxes for shipping food and, particularly, our beverage products. In our U.S. operations, boxes, in multiple sizes, are reused an average of 5.5 times, eliminating the need to purchase nearly 295,000 new corrugated cartons, equal to 200,000 pounds of corrugated material.

EN27 Percentage of products sold and packaging materials reclaimed

We are committed to increasing the recyclability of our packaging, increasing recycling of post-industrial packaging related to our products, and making sure our containers utilize materials that are compatible with accessible recycling systems.

Since their U.S. launch in September 2009, our Frito-Lay sponsored TerraCycle bag brigades have diverted over 23 million of our post-consumer snack bags from landfill. The program expanded into Brazil, Mexico and Israel in 2012, collecting more than 6 million bags in just one year. The program now operates 70 brigades in 22 countries. Funded by Sabritas, Gamesa and Quaker,

PepsiCo Mexico and TerraCycle's chip-bag collection program has diverted more than 1 million chip bags from going into landfills. Printed directions on the product's packaging encourage consumers to visit TerraCycle's website, sign up and recruit others to collect chip bags for recycling.

We also have some unique brand activities. For example, over the last two years, Mountain Dew and Burton have worked together on a collaboration that introduced a line of sustainable apparel. The partnership creates fabrics out of recycled plastic bottles that can be used in Burton products. The first product, a collection of T-shirts made from 50 percent recycled plastic bottles and 50 percent organic cotton, was launched in 2011. In 2012, the line was expanded to include men's and women's pants and jackets made from recycled bottles. The new collection for 2013 continues to change the way outerwear and apparel are made by creating sustainable fabrics out of recycled plastic bottles and using this material in key products within the Burton line.

PARTNERSHIP TO PROMOTE BOTTLE/CAN RECYCLING

We have a recycling initiative to address PepsiCo's commitment to create partnerships to increase the U.S. national beverage container recycling rate to 50 percent by 2018. This initiative provides Americans with a convenient and rewarding recycling solution, and establishes a closed-loop system to capture more recycled plastic for use in manufacturing new bottles. To achieve our recycling goal, we work with other U.S. industry leaders, retail customers and our bottlers to support programs and policies that effectively increase recycling. We also help educate consumers and develop innovative programs to encourage recycling.

Since the launch of the program, we have added more than 5,000 recycling systems across North America and created recycling programs in more than 42 states. The systems include intelligent kiosks, static bins, school programs

and event recycling, and have diverted more than 196 million beverage containers to recycling since the program's inception in 2010.

The kiosks are computerized devices that include a personal reward system for consumers to earn points for every bottle or aluminum can they recycle. The points can be redeemed for local discounts on entertainment, dining and travel. In addition, the more bottles and cans people recycle in Dream Machines, the more support PepsiCo provides to the Entrepreneurship Boot Camp for Veterans with Disabilities (EBV), a national program offering free, experiential training in entrepreneurship and small business management to post-9/11 U.S. veterans with disabilities. Over the past three years, PepsiCo's Dream Machine program has donated \$1.5 million to EBV.

Hundreds of schools in the U.S. have joined PepsiCo's Dream Machine Recycle Rally program to demonstrate their commitment to recycling and earn rewards. Each year, PepsiCo recognizes the top performing schools with funding from \$3,000 to \$50,000 for "green improvements" such as installing solar panels, purchasing low-energy printers and planting trees.

REMOVING MATERIALS

We are working to reduce or remove the amount of environmentally sensitive materials that can potentially enter the waste stream. In 2012, PepsiCo finalized an internal guideline to fully transition out of PVC content in our beverage labels. We have worked closely with our Latin American franchise bottler to align and institute a 2013 conversion plan to use PETG-based labels. Our Europe business will complete its phaseout of PVC use in 2014.

Minimizing Solid Waste

We are making progress in eliminating all solid waste sent to landfills from our plants.

EN22 Total weight of waste by type and disposal method

In 2012, PepsiCo generated an estimated 1.36 million metric tons of solid waste from our manufacturing facilities. Of that total, 91.2 percent of waste generated in 2012 was sent off-site for beneficial use, such as recycling, leaving approximately only 8.8 percent for more traditional disposal methods.

ZERO LANDFILL

In 2011, PepsiCo established an internal target of having 10 percent or less of total waste generated in our manufacturing plants be recycled instead of landfilled. Our "percent recycled" definition includes beneficial disposal methods such as recycling, reuse, energy recovery and composting. In 2012, we achieved this target early by posting an 8.8 percent to landfill value. This represents a milestone goal for PepsiCo's overall target, which is to eliminate all solid waste to landfills from our production facilities. Moreover, around the world, we have 61 plants that send less than 1 percent of their waste to landfills. We introduced our waste elimination program in our FLNA business in 2008. Over the years, FLNA has reduced waste-to-landfill by over 90 percent, resulting in decreased landfill costs and revenues from recyclable materials. Currently, the majority of FLNA and PepsiCo U.K. manufacturing sites average less than 1 percent of solid waste disposed to landfill.

Based on the success of the FLNA and PepsiCo U.K. programs, we are now introducing waste-reduction plans and training in many of our facilities around the world and expect to see similar results. Since 2009, PepsiCo has decreased landfill costs by an estimated \$1 million per year, while

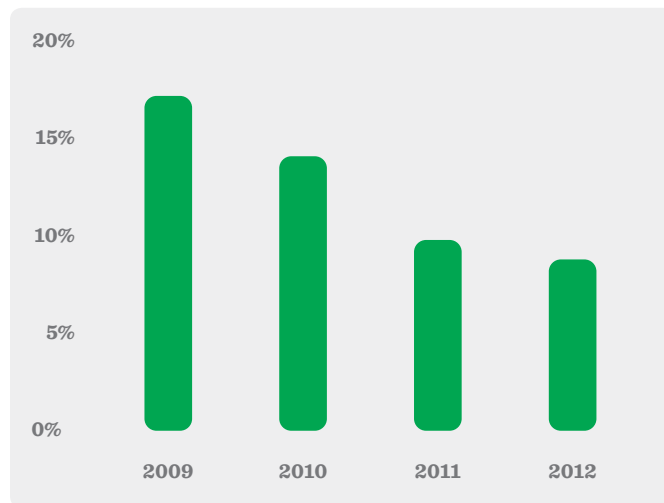
Environmental Sustainability

simultaneously increasing revenue from recyclable and reusable materials diverted from landfills. In 2012, we launched a new landfill elimination initiative in our South American, Mexican and Asian businesses to drive further landfill waste reductions. Initially this initiative has achieved an additional \$2.7 million in combined cost savings and revenue gains.

TOTAL WASTE (MT)	FY2009	FY2010	FY2011	FY2012
Total Legacy	1,015,000	1,228,000	1,331,000	1,263,000
M&A	81,000	93,000	82,000	94,000
Total	1,096,000	1,321,000	1,413,000	1,357,000

% LANDFILL

TOTAL PEPSICO INCLUDING M&A



WASTE TO WEALTH

PepsiCo's Latin America business has been working with waste pickers, who salvage reusable or recyclable materials to sell or for personal consumption.

We also work with area associations to develop sustainable “waste to wealth” programs that help improve the environment, enhance the quality of life of recyclers and contribute to a local recycling market. For example, in Brazil, in partnership with the business association CEMPRE (Compromisso Empresarial para Reciclagem), we support an initiative that includes the training of waste pickers, professional development, waste management and recycling training, and business management practices training to help waste pickers increase their income. In order to expand this work, in November 2012 PepsiCo, together with Ciudad Saludable and GAIA Social, started a project with the aim of increasing recycling rates of BOPP and PET, taking the best of a recycling model initiated in Peru and adapting it to the Brazilian market. The project works with eight cooperatives in São Paulo, to assess their current situation, create action plans and provide training for commercialization to establish an advantageous partnership for the recycler.

PepsiCo Argentina celebrated its successful first year of the Urban Recyclers program, founded in alliance with the IDB and Avina Foundation. The project aims to strengthen the cooperation between recyclable materials collectors, large companies and local governments. In addition to being a donating partner for the program, PepsiCo started the Pepsi Music 5x1 promotion, which invites consumers to redeem five yellow plastic caps from Pepsi or 7UP bottles at different points of sale in exchange for a free Pepsi or 7UP 2.25 liter product. Across the country, 35 tons of plastic bottle caps were collected for recycling. In return for the recycled material, PepsiCo supplier and partner Scrap Control will make a donation to El Alamo, a local cooperative, to fund new recycling machines and improve the cooperative's production processes.

The Urban Recyclers project is a Power of One initiative and part of the regional “Wealth from Waste” program currently implemented in Brazil, Bolivia, Colombia, Peru, Guatemala, the Dominican Republic and, now, Argentina.

Environmental Sustainability

PepsiCo is part of the leadership team of ECOCE in Mexico, a nonprofit organization formed by the soft drink industry to manage PET waste. The organization focuses on education to manage an important part of the country's PET residues.

Agriculture

Agriculture is one of the largest elements of our environmental footprint and we strive to continually improve our agricultural processes. We invest in new knowledge and innovation in farming practices that can improve the performance of our crops and the welfare of our growers and the communities that are part of our agriculture supply chain. A significant part of this effort is our support for local farmers. We provide training in best practices, including water conservation techniques, soil protection, fertilizer management and chemical use. Through these practices, we are raising farm productivity, increasing farmers' incomes and improving the quality of life in many communities.

EN26 Initiatives to mitigate environmental impacts and extent of impact mitigation

PepsiCo is committed to respect and responsibly use natural resources in our businesses and in the local communities we serve, including application of proven sustainable agricultural practices.

ON-FARM SUSTAINABILITY MODEL

In 2012, PepsiCo completed the framework and content for a comprehensive on-farm verification program named the Sustainable Farming Initiative (SFI). The framework contains nine environmental, four social and three economic sustainability indicators with detailed criteria and global standards. In 2011

and 2012, global pilots were completed to check relevance across the industry for potatoes, citrus, oats, rice and corn crops, and adaptability for growers of all sizes in mature and emerging markets. In total, 36 pilots were completed in 14 countries.

SUSTAINABLE FARM INITIATIVE: GLOBAL INDICATORS

Environmental Indicators

- Agrochemicals
- Air
- Biodiversity
- Energy
- Greenhouse Gas (GHG)
- Nutrients
- Soil
- Waste
- Water

Social Indicators

- Employment Conditions
- Employment Practices
- Community
- Health, Wellness and Safety

Farm Foundation Indicators

- Storage
- Handling and Transport
- Machinery
- Records
- Trainings

Economic Indicators

- Management Practices
- Efficiency
- Commercial Relationships

A web-based platform enables growers to complete the requested SFI information. The platform is supported through a comprehensive library of definitions, explanations and solution sets used to demonstrate opportunities for continuous improvement across the entire SFI agenda. The solution sets are designed to allow access to a wide range of farm based tools, new

technologies and measurement capabilities that create a continuous journey of improvement and compliance for the grower.

In January 2013, SFI was launched in the North American market for FLNA potato growers; it will be expanded throughout 2013 and beyond, across global markets for core raw materials.

RESPECTING THE COMMUNITIES FROM WHICH WE SOURCE

Our commitment to responsible sourcing includes respecting human rights and the environment. PepsiCo's SFI is a comprehensive on-farm verification program that focuses on the three pillars of sustainability — environment, social and economic. Environmental indicators support protection of natural resources and environmental improvement; social indicators center on respect for human rights, the well-being of local communities and basic health and nutrition; and economic indicators promote sound management practices, resource efficiency, and commercial relationships to ensure greater productivity and continuity of operation. With a focus on these issues, together with our farmer suppliers, we plan to increase supply chain productivity, build greater resilience to uncertainty, and reduce risk to farmers and to PepsiCo. SFI was developed with consultation and review from key external stakeholders. For instance, Business for Social Responsibility (BSR) assisted in developing the social and economic indicators, which were piloted in China.

DEMONSTRATION FARMS

In September 2011, PepsiCo signed a Memorandum of Understanding with China's Ministry of Agriculture to promote sustainable agriculture projects and accelerate the development of the Chinese countryside. As part of the joint initiative, PepsiCo and the Ministry of Agriculture will build and operate demonstration farms that will leverage the most advanced irrigation, fertilization and crop management techniques, to promote best

practices across China's farming system to improve yields and increase the farmers' income. PepsiCo operates eight demonstration farms in China. Our potato farms in China yield 45 tons per hectare, among the highest yields in the world.

SOIL CONSERVATION AND PRESERVATION

PepsiCo understands the importance of soil conservation and the need to preserve topsoil in unstable erosion-prone areas of agricultural production. We undertake best practices that preserve soil whenever possible. For example, the inclusion of cover crops in a rotation reduces soil erosion and maintains land viability.

We also implement longer-term solutions that can preserve and conserve soil, and provide shelter or protection from the wind in frequent storms. We also execute reforestation projects by donating trees to protect the viability of land for further use. We actively promote these practices with farmers as well. For example, in China, we encouraged the planting of willow trees on 20 hectares of sand-prone erosion areas, both on PepsiCo farms and among farmers within the Baotou district.

Cultivation practices are also important in conserving soil. Our solutions range from using global positioning system (GPS) technology to guide tractors to increase land utilization in Australia to employing contour furrow technology in the high mountains of Ecuador and Thailand to reduce the impact of water erosion during periods of heavy rain.

PepsiCo has also promoted "no till," a system for planting crops without plowing, in order to reduce soil erosion and preserve soil nutrients as a cultivation practice in the production of oats for use in the Quaker business.

Environmental Sustainability

AGROCHEMICALS AND NUTRIENTS

We conduct life-cycle analyses to determine ways we can continuously improve our agriculture processes. We determined that fertilizer manufacture and use have a direct impact on greenhouse gas (GHG) emissions as well as optimal crop performance. As we identify new sustainable farming practices, technologies and products, PepsiCo actively supports the trial use of new fertilizers as an important sustainability initiative.

In 2012, trials in Europe investigated GHG reduction opportunities using alternatively manufactured fertilizers. This represents a key element of our “50 in 5” project, which targets a 50 percent reduction of GHG in our agriculture supply chain in the U.K. over five years.

Frito-Lay Turkey’s Agro team has developed its own Organo-Mineral fertilizer from manufacturing waste, which is now being used by the company’s potato growers. Use of the anaerobic digester program to produce fertilizer has the significant benefits of reducing the use of inorganic fertilizer while producing sustainable sources of energy. Up to a 19 percent reduction in CO₂ emissions has been demonstrated.

PepsiCo is also actively using, and encouraging the use of, safer insecticides and the recycling of agrochemical containers and packaging in countries around the world.

In Brazil, we have mandated the proper management of agrochemical waste containers in potato fields. Responding to strict legislation regarding the safe management and disposal of agrochemicals, as well as the threat posed to human health from misuse, it is a requirement of potato suppliers to implement management practices that demonstrate effective control of chemicals and the containers in which they are supplied. This practice is being extended to global markets as a requirement of suppliers and is a key criterion in the Sustainable Farming Initiative.

Additionally, we have directly invested in the development of new potato varieties and the introduction of the latest breeding technologies to improve the quantity and quality of crop yields. PepsiCo-bred potato varieties have global applications and are grown successfully in diverse climates, within a range of pest and disease pressures, and are in commercial use on every continent, including in tropical, temperate, extreme heat and cold climates.

PRECISION AGRICULTURE

In conjunction with the U.K.’s Cambridge University, PepsiCo developed “i-crop,” a “precision-farming” technology and web-based tool that enables PepsiCo’s farmers to monitor, manage and reduce their water use and carbon emissions, while also maximizing potential yield and quality. Initial trials of i-crop across 46 of PepsiCo’s U.K. potato farms have already seen a 13 percent increase in crop yield and an 8 percent reduction in water usage.

CERTIFICATION

PepsiCo recognizes the value of third-party certification and supports the use of this recognition in particular markets to develop business opportunities for sustainable practices. For example, in Chile, 100 percent of potato producers for factory supply and 100 percent of seed producers have earned rainforest certification. In Brazil and Argentina, Global Good Agricultural Practice (GAP) certification has been introduced to PepsiCo suppliers. Three growers are now Global GAP certified, five more growers are completing the process in Brazil, and eight growers have achieved certification in Argentina.

ENVIRONMENTAL SUPPLIER OUTREACH

We work with our suppliers whenever possible to improve sustainability in their agricultural practices. PepsiCo Mexico has worked with small-scale producers to promote the production of high-oleic sunflowers in order to produce oil with healthier fats. To accelerate the project and benefit the small and medium producers, PepsiCo Mexico partnered with the

Inter-American Development Bank to develop a long-term collaboration model consisting of technical assistance, training, financial support, education and cultural transformation, in which PepsiCo Mexico commits to buy the sunflower harvest.

SUSTAINABLE PALM OIL

While PepsiCo uses palm oil in some products, we are making efforts in a number of regions to convert to oils that are lower in saturated fat. However, in some parts of the world, palm oil is often our only option. Consequently, when we purchase palm oil, we seek suppliers that operate responsibly and in a sustainable manner.

PepsiCo is a member of the Roundtable on Sustainable Palm Oil (RSPO), founded in 2004 to increase the supply of sustainable palm oil products through global standards and stakeholder engagement. Through the RSPO, we have committed to purchase 100 percent certified sustainable palm oil exclusively for our products by 2015.

Palm oil sourcing touches on other agricultural issues as well. PepsiCo is a member of the Consumer Goods Forum (CGF), a manufacturing and retail industry group that has adopted the following resolution concerning deforestation:

CGF RESOLUTION ON DEFORESTATION

As the Board of the Consumer Goods Forum, we pledge to mobilize resources within our respective businesses to help achieve zero net deforestation by 2020.

We will achieve this both by individual company initiatives and by working collectively in partnership with governments and NGOs.

Together we will develop specific, time bound and cost effective action plans for the different challenges in sourcing commodities like palm oil, soya, beef, paper and board in a sustainable fashion.

We will also work with other stakeholders such as NGOs, development banks and governments to create funding mechanisms and other practical schemes that will incentivize and assist forested countries to conserve their natural assets and enable them to achieve the goal of zero net deforestation, whilst at the same time meeting their goals for economic development.

Biodiversity

EN14 Strategies, current actions and plans for managing impacts

Through our sustainable agriculture programs, we work to ensure that a healthy and balanced ecosystem is maintained to mitigate the risks of biodiversity loss. As such, PepsiCo is engaging in industry- and farm-based initiatives to profile the importance of ecosystem services.

Environmental Sustainability

For example, as a member of Sustainable Agriculture Initiative platform, PepsiCo is jointly working to define the scope and suitable metrics to measure and improve biodiversity in arable crops to a recognized global standard. In the U.S., we have improved waterfowl and wildlife habitat by placing select Gold Dust potato fields under a flood/fallow program.

Biodiversity is also a key indicator for our Sustainable Agriculture (SAG) certification program.

Responsible Sourcing

At PepsiCo, we believe that responsible and sustainable sourcing means looking beyond the traditional procurement aspects of cost, quality and consistent supply.

We use our relationships within our global supply chains to ensure that those we work with operate ethically and responsibly, respect the environment, and continue to provide packaging, ingredient and agricultural innovation. We are committed to continuously improving our procurement practices within and beyond our agriculture supply chain by leveraging our talents, programs and policies across the globe to all associates involved in purchasing functions and decisions. Our commitment to responsible sourcing falls into four main areas: Supplier Corporate Social Capability Management, Environmental Supplier Outreach, Sustainable Packaging and Sustainable Agriculture.

OVERVIEW, STRATEGY AND POLICY

Our products depend on a safe, high-quality and affordable supply of agricultural raw materials to meet the demands of our business as well as the expectations of our consumers, customers and other stakeholders. Increasing pressure on global food supplies and an active regulatory outlook

for GHG management create a new set of challenges and opportunities for our business.

These challenges and opportunities are not only connected to the crops we need to support our brands, but also to a complex, global supply chain that involves thousands of independent farmers, hundreds of intermediaries and a small number of company-owned farms.

Our Global Sustainable Agriculture Policy demonstrates our approach to sustainable development across our entire agriculture supply chain, encompassing water savings, waste reuse, soil protection and chemical use. The policy includes our vision, aspirations and guiding principles. It is designed to have global reach across industry and agriculture, and is adaptable to farms of all sizes, in developing and mature markets. For more information, please refer to our Sustainable Agriculture Policy.

ORGANIZATIONAL RESPONSIBILITY

PepsiCo's Sustainable Agriculture Council (SAG) reports to the Environmental Sustainability Leadership Team (ESLT) and PepsiCo's Sustainability Steering Committee. The SAG is staffed by agricultural specialists and multi-functional divisions including public policy and government affairs, strategic communications, procurement, and R&D.

GOALS

We strive to continuously improve the sustainability of our procurement practices by leveraging our talents, programs and policies across the globe and among all associates involved in purchasing functions and decisions.

We have established multiple objectives focused on improving the sustainability of our agriculture supply chain. They are broad enough to be leveraged across the various commodities we procure around the globe, at

Environmental Sustainability

regional and local levels. Programs with specific and measurable goals are successfully implemented worldwide, based on these foundational objectives and the challenges and opportunities that exist in specific regions.

TRAINING AND AWARENESS

It is the responsibility of both corporate and divisional leaders to effectively communicate our policies throughout PepsiCo operations worldwide. All employees are responsible for understanding our SAg Policy and are encouraged to apply good agricultural environmental, social and economic stewardship both in and beyond their immediate area of responsibility to ensure we continuously improve our SAg performance. Business unit and regional policies also exist to articulate specific programs that are of critical importance to that commodity or brand. Wherever these specific programs exist, they cover 100 percent of activities for that business unit. In addition, we conduct Environmental Supplier Outreach events to engage with our supply chain.

In 2011, PepsiCo released its Sustainable Agriculture brochure to communicate our SAg policy and commitments to SAg practices globally through the demonstration of relevant farm-based activities. This corporate-wide communication was supported by regionally based initiatives profiling individual projects and programs in locations including China, South America and the U.K. In 2012, team participation in external forums such as Rio+20, B4E Berlin and World Water Week Stockholm helped profile our activities.

MONITORING AND FOLLOW-UP

SUPPLIER CODE OF CONDUCT

PepsiCo is committed to maintaining a high standard of business ethics in its dealings with employees, governments, customers and consumers. It is also our mission to make sure suppliers providing PepsiCo with goods and services do the same, sharing one set of values that guide our daily decisions and

actions. PepsiCo's Supplier Code of Conduct defines our expectations for how suppliers should "do business the right way." It is designed to help them meet their obligations, show respect to those in their workplaces, act with integrity in the marketplace, and comply with all relevant rules and regulations.

While we use our Supplier Code of Conduct to articulate our priorities, we use our Supplier Social Capability Management Program to communicate and educate our suppliers, validate compliance and facilitate continuous improvements within our supply chain. We partner with our industry peers, suppliers, and third-party service providers such as [Supplier Ethical Data Exchange \(SEDEX\)](#) and social audit providers to drive transparency and social accountability across our supply chain.

PARTNERING WITH OUR SUPPLIERS ON SOCIAL CAPABILITY MANAGEMENT

PepsiCo's approach to supplier standards encompasses four dimensions: **Accountability** for adhering to the Supplier Code of Conduct (SCoC); **Engagement** through code training; **Assessment** of CSR risks; and **Mitigation** through third-party audit and corrective action planning/ resolution management.



Accountability: PepsiCo includes SCoC in its standard contract terms to ensure accountability to its principles.

Environmental Sustainability

Engagement: PepsiCo Global Procurement provides supplier training to communicate our SCoC principles and expectations that suppliers “do business the right way.” We do this through live or recorded webinars or through in-person meetings with our suppliers.

Assessment: We proactively identify social risk exposure embedded in our supply base to ensure sustainable supply. We apply a supplier prescreen to prioritize existing supplier sites to identify “high risk” suppliers for further evaluation. The prescreen risk evaluation process focuses on four major criteria: criticality to our business; supplier country risk; type of material/service; and extensive use of manual labor. These prescreen characteristics allow us to identify supplier sites for potential corporate social responsibility (CSR) audits.

Mitigation: We protect our brand reputation and ensure long-term, sustainable supply by addressing known social risks and building supplier capability. Third-party audit results are uploaded to the SEDEX platform, and are accessible by PepsiCo and other secured customers. As part of the process, corrective action plans for issue resolution are itemized for review and tracking. Progress is reviewed by approved auditors to assess and validate resolution.

PARTNERING WITH OUR PEERS

PepsiCo is a founding member of an industrywide initiative known as AIM-PROGRESS — PROGram for RESponsible Sourcing. As an active member, we collaborate with our peer companies to develop and implement common methods of evaluating supplier CSR performance, improve the effectiveness and efficiency of the evaluation process, and elevate CSR performance within our supply base.

PARTNERING WITH OUR SERVICE PROVIDERS (SEDEX)

PepsiCo is a member of the Supplier Ethical Data Exchange (SEDEX), a collaborative platform that allows a secure exchange of data regarding CSR topics between suppliers and customers. The SEDEX platform enables member suppliers to share self-assessment and third-party social audit results with customers, easing the burden on suppliers facing multiple audits, questionnaires and certifications. Additionally, SEDEX supports risk assessment screening, issue resolution and validation through corrective action planning.

RURAL DEVELOPMENT

PepsiCo has worked to establish supply arrangements not only with large-scale farming units, but also with farmers who have small land holdings or low incomes.

- **Mexico:** As part of an expanded requirement for high-oleic acid sunflower oil (HOSO) to be used in manufacturing, PepsiCo targeted 180 farmers and increased production from 136 tons in 2011 to 180 tons of oil in 2012. In addition, total hectares of planted production should reach 5,000 by the end of 2013.
- **Colombia:** Since beginning our work with ASPROAGRO and several local foundations in the Algeria Valle del Cauca area in 2008, PepsiCo has increased the amount of sustainably sourced plantains by almost 550 percent for our Natuchips and Detodito brands. In addition, the number of farms that are Global G.A.P. certified has grown to 20. This effort has established a direct purchasing model with small farmers, eliminating interim channels and increasing farmer profits while keeping the same cost structure for PepsiCo.
- **India:** PepsiCo India contracts directly with 24,000 potato farmers, the majority of whom have small holdings farms with less than 3 acres of land.

Environmental Sustainability

Training is an active area for PepsiCo, which engages in formal and informal, electronic and verbal, research and basic practices exchanged with growers, suppliers and communities-at-large. For example, in Peru, PepsiCo established the Certificate in Ecological Agriculture, a nine-month distance-learning course in partnership with the Liberoamericano Science Institute to teach new farming techniques in sustainability to growers and employees. In the U.K., PepsiCo conducts training and workshops for growers focused on topics related to sustainability, including energy, water, agrochemicals and biodiversity.

PepsiCo continues to invest in grower training programs to improve management practices across each of the core crops it purchases. This includes transferring best practices based on the latest research and trial results to improve crop performance. The company also provides growers with free access to a technical website, which provides help on subjects ranging from crop diseases to storage management.

PepsiCo recognizes the impact of its purchasing activities on local communities where crops are produced, and supports activities that improve the welfare of those communities. For example, in China, we continue to practice contract farming. Potatoes are the cornerstone of PepsiCo's agricultural operations in China, where we use both small- and large-scale contract farms and, in some cases, demonstration self-farming. PepsiCo works with local government agencies to improve the yield and quality of contract farms by providing a network of highly trained agronomists to visit its contract farmers throughout the crop cycle. Farmers working with PepsiCo have enjoyed yield improvements of up to three times China's national average. And since PepsiCo extends seed, fertilizer and equipment loans to farmers ahead of their crops, their financial risks are reduced.

PepsiCo sources its raw materials across a diverse range of geographies and cultures and works to improve the conditions of people employed in the production of its crops. In Mexico, the PepsiCo Mexico Foundation and Save the Children established an alliance to improve the quality of life for potato field laborers' children in Los Mochis, Sinaloa. This alliance also includes the support of institutions such as SEDESOL (Mexican government), which contributes day-care centers, as well as local municipalities and local NGOs. The program has served 643 laborers and their children; two clinics have treated 325 children; and 164 workshops have instructed parents and children on children's rights.

ENVIRONMENTAL SUPPLIER OUTREACH

We educate and work with our suppliers to improve social responsibility performance across our supply chain. By working with strategic suppliers on specific initiatives, PepsiCo is able to grow and extend our resource conservation programs and set quantifiable goals for energy, greenhouse gases, water, agriculture and forestry resource conservation within the extended supply chain.

We are a member of the Carbon Disclosure Project (CDP) Supply Chain. Our membership demonstrates to our suppliers how important we feel climate change is to business decision making, along with our desire to work collaboratively. In 2012, 106 of the 206 invited suppliers in North America and Europe participated in the program. This response rate of 51 percent exceeds the global rate of 39 percent. We shared the results with our purchasing agents through webcasts conducted by CDP. Key findings from the 2012 survey include:

- 1) PepsiCo's suppliers are performing better on disclosure scores and performance bands compared with their global peers.

- 2) The percentage of PepsiCo's suppliers reporting emissions remains strong, and the percentage of suppliers reporting performance has improved on major indicators.
- 3) The majority of PepsiCo's suppliers report emission reductions from investments in low-carbon energy installation and energy efficiency.

PepsiCo further engages its supply chain through a Supplier Outreach program to drive energy conservation with strategic suppliers and franchise operations in the U.S., Mexico, Latin America, South America and Western Europe. Compared with 2011, franchise operations in our Latin American Beverage business, which extends from Mexico to South America, have improved energy efficiency by 4 percent. In the U.S. there are over 50 co-packers and suppliers in the program. In March 2012, over 100 employees, suppliers and vendors met at the 2012 PepsiCo Supplier Sustainability Outreach Summit in San Antonio, Texas to share how they are reducing their environmental impact. The Summit's objective was to spread energy conservation techniques to PepsiCo suppliers through training and best practice sharing.

FP1 Percentage of purchased volume from suppliers compliant with company's sourcing policy

PepsiCo is committed to working in partnership with our suppliers to follow our Supplier Code of Conduct. The Supplier Code of Conduct accompanies raw material contracts with growers/suppliers to clarify our global expectations. The Code includes 14 principles regarding labor practices, associate health and safety, environmental management, and business integrity. It has been translated into more than 25 languages, is proactively communicated and was made mandatory in all procurement contracts.

In addition, raw materials purchased by PepsiCo must meet individual quality specifications and compliance to minimum standards consistent with the crop and geography in which they are sourced.

Supplier Diversity

Along with assuring responsible sourcing, PepsiCo is committed to supporting diverse suppliers. The Supplier Diversity Program aligns with PepsiCo's Diversity and Inclusion Program. PepsiCo views supplier diversity as a real business advantage because we support building economic wealth with diverse businesses, as well as the development of minority communities. Supplier diversity helps us develop innovation to spur sustainable growth and creates a supplier base that mirrors our employee and customer base. PepsiCo has also established a strong Tier 2 program. We engage our Prime (non-diverse) suppliers in this important objective by requesting they incorporate diverse suppliers in their business with PepsiCo. In 2012, we spent \$1.4 billion with minority- and women-owned suppliers in the U.S. alone.

Environmental Sustainability

HISTORIC MINORITY-OWNED & WOMEN-OWNED BUSINESSES SPEND GROWTH



Compliance

EN28 Monetary value of significant fines and number of sanctions

In 2012, PepsiCo paid approximately \$359,000 or 0.0005% of net revenues in fines related to environmental matters at our manufacturing locations. These fines were the result of relatively minor infractions of local environmental regulations, and were paid across each of PepsiCo's business regions, which included over 350 manufacturing operations.



Talent Sustainability means providing a safe and inclusive workplace globally; and respecting, supporting and investing in the local communities where we operate. In all of our markets, we are developing the talent of associates, preparing them to lead PepsiCo into the future.

Management Approach

OVERVIEW AND STRATEGY

PepsiCo has a long-standing history of delivering leadership excellence supported by our best practice people-development tools and processes. We also draw on a curriculum of leadership development programs led by our most senior executives. To ensure a supportive and empowering workplace, we regularly conduct performance reviews and surveys. PepsiCo also ensures that associates have clear lines of communication to report potential issues.

As both a global and a local company, PepsiCo is committed to hiring, developing and retaining employees from diverse backgrounds. We aim to continuously provide an inclusive culture and environment for our associates.

Furthermore, we have a competitive global compensation structure, comprehensive benefits and ongoing wellness programs. PepsiCo offers wellness plans to help associates and their family members achieve and sustain healthy behaviors to improve their overall quality of life.

For occupational health and safety, each PepsiCo business is staffed with health and safety professionals, and safety committees or coordinators are present and active in all company-owned manufacturing plants. We set annual health and safety strategic plans and targets for improvement in all our individual businesses.

ORGANIZATIONAL RESPONSIBILITY

The Talent Sustainability Leadership Team oversees programs concerning associate relations, engagement, diversity, compliance, and health and safety. PepsiCo's Global Diversity and Inclusion Governance Council is composed of internal and external thought leaders and co-chaired by our Chairman/CEO and our Chief Diversity Officer. We have also established Diversity and



Inclusion Councils on all four continents of PepsiCo's international business. Ethics and compliance, issues and violations are handled by the human resources and PepsiCo law departments.

Our Health and Safety Leadership Council (HSLC), comprising members from all PepsiCo businesses, ensures we have the strategies, frameworks and systems to effectively manage risks, build health and safety leadership capabilities, establish global metrics, and track performance.

POLICIES

GLOBAL CODE OF CONDUCT

At PepsiCo, we believe acting ethically and responsibly is not only the right thing to do, but also the right thing to do for our business. Our Global Code of Conduct is our road map and compass for doing business the right way. Simply put, we believe that you do business the right way when you act ethically and consistently with our values, our Code, our policies and the law.

Effective October 1, 2012, PepsiCo released an updated version of its Global Code of Conduct. The updated Code addresses regulatory changes and evolving risk areas, and provides specific guidance on acting ethically and legally while performing work for PepsiCo. It is organized around four pillars that reinforce our values and govern our day-to-day decisions and actions:

- Respect in the workplace
- Integrity in the marketplace
- Ethics in our business activities
- Responsibility for our shareholders

We announced our updated Code to our workforce in a CEO broadcast email sent to all email-enabled employees worldwide. It was posted on internal

and external websites and promoted by our annual Training Program and Awareness Campaign. The Awareness Campaign included new Code of Conduct and Speak Up posters in 26 languages, learning aids, frontline presentation decks, implementation FAQs, internal newsletter articles, broadcast emails from Sector CEOs and other senior leaders, launch of a new Global Compliance and Ethics Resource Center (portal), and distribution of the Code in some form to all employees via training or other means.

In our 2012 annual training program, over 64,000 salaried, email-enabled and Internet-accessible employees completed a 40-minute custom-created web-based training course and certified their compliance to the Code. Available in 26 languages, the course presented the updated Code in the context of the PepsiCo business environment and provided a means for disclosing exceptions or potential conflicts of interest. Moreover, 150,000 frontline employees in our plants and warehouses received in-person training on the updated Code.

In addition to annual Code of Conduct training, additional subject matter training on compliance was conducted in our 2012 training cycle as follows: 37,900 employees completed a 40-minute online anti-bribery course; over 6,200 U.S.-based employees completed a 50-minute "Employment Law for Managers" course and were certified to our Global Anti-Harassment Policy; and 850 managers completed a two-hour sexual harassment prevention course. In January 2013, over 10,000 U.S. beverage employees completed a course regarding compliance with a Federal Trade Commission (FTC) Consent Order relating to our 2010 bottler acquisition.

PepsiCo's Chief Compliance and Ethics Officer has responsibility for overseeing implementation of the Global Code of Conduct. Our Code applies to every employee, officer and director of PepsiCo, its subsidiaries, and joint ventures over which PepsiCo has management control. All employees are



expected to comply with the spirit and letter of our Code. Failure to comply with our Code can result in disciplinary and corrective action depending upon the type and seriousness of the matter, up to and including termination. Actions that uphold the Code are being integrated into 2013 employee Annual Performance Appraisals in certain sectors and regions, and are set forth in our Leadership and Individual Effectiveness Model.

The full text of the [Code](#) can be accessed here.

HUMAN RIGHTS WORKPLACE POLICY

PepsiCo's Human Rights Workplace Policy is guided by the Universal Declaration of Human Rights and related international covenants. The principles underlying our Human Rights Workplace Policy, available in 44 languages, are broadly communicated as part of the Code of Conduct training. It includes the expectation to:

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

For more information please refer to [Human Rights Management Approach](#).

The full text of this policy can be accessed [here](#).

Anti-Bribery and Anti-Corruption

SO3 Percentage of employees trained for organization's anti-corruption policies and procedures

We are dedicated to operating in compliance with all applicable laws and regulations consistently, without compromise. PepsiCo's Global Code of Conduct prohibits unethical business practices such as corruption, bribery, extortion, kickbacks and money laundering.

Our Global Anti-Bribery Compliance Policy prohibits any payment of or offer, promise or authorization to pay anything of value to any government official or any other person or entity whether in the private or commercial sector if the payment is intended to obtain or retain business, influence decisions or obtain an unfair advantage. These prohibitions apply to all employees as well as our business operations and anyone acting on our behalf, including agents, consultants, suppliers and contractors. Third parties acting on our behalf or performing work for PepsiCo are subject to our Supplier Code of Conduct, which contains similar prohibitions against corruption and bribery.

PepsiCo associates receive training annually in our Global Anti-Bribery Policy. In our 2012 training cycle, 37,900 salaried, email-enabled, Internet-accessible employees completed a 40-minute online training course on anti-corruption and certified their compliance with our updated Global Anti-Bribery Policy. The course was made available in 26 languages. In addition, over 2,800 executives and managers participated in in-person training sessions in Europe, Latin America, Asia and the Middle East.

PepsiCo also has a Gifts, Travel and Entertainment Policy that further defines acceptable and unacceptable business gift practices. Associates are prohibited from giving or accepting a gift to or from a customer or supplier



unless it is nominal in value and frequency; has a legitimate business purpose; is in good taste, consistent with accepted business practices; is not offered to gain an unfair advantage and will not create an appearance of impropriety or embarrass PepsiCo; and is permitted by PepsiCo's policies and the law. Similar rules govern meals and entertainment.

[Links to policies](#)

Public Policy and Political Engagement

SO5 Public policy positions and participation in public policy development and lobbying

PepsiCo believes that, both as a company and as individuals, it is important to be engaged in the public policy and political arena. As required by law, we have consistently disclosed information on how we are spending resources for political purposes. In 2011, PepsiCo updated its Political Contributions Policy, originally issued in 2005, to provide shareholders with details on the policies, procedures and criteria used in connection with all political contributions. In addition, PepsiCo associates who lobby at the U.S. federal and state level undergo annual ethics training by external counsel.

PepsiCo prioritizes issues that are most likely to impact our business, such as product taxes, marketing/advertising restrictions, food security/agriculture programs and trade.

SO6 Total value of financial and in-kind contributions to political parties

In April 2013, PepsiCo further enhanced its transparency by disclosing all of its direct lobbying and contributions made to trade associations, grassroots lobbyists and tax-exempt organizations that write and endorse model legislation.

In 2012, PepsiCo's total political contributions, including all U.S. political action committee and corporate political contributions, were \$341,260. Information on our Political Contribution Policy and Processes and actual contributions is available online. All contributions and support of U.S. or state political parties, committees or candidates from the PepsiCo political action committee, the Concerned Citizens Fund (CCF), or from corporate funds are made in accordance with applicable campaign finance and disclosure laws. All company contributions are reviewed by the law department for legal compliance as well as by external counsel. All payments from CCF to support U.S. or state political parties, committees or candidates are approved by the CCF Executive Committee. Coercion of any employee to contribute to CCF or to make any political contribution of any kind is unacceptable.

POLITICAL CONTRIBUTIONS POLICY

PepsiCo's Political Contributions Policy applies specific criteria to any PepsiCo contributions made to political candidates or entities in the U.S. All such contributions must be made in accordance with applicable campaign finance and disclosure laws. Contributions are made through corporate funds or through the PepsiCo Concerned Citizens Fund, which is supported by employee donations. An explanation of how candidates are selected is available online at <http://pepsico.com/Company/Corporate-Governance>.



WHISTLEBLOWER POLICY

An important component of our culture of ethics and integrity is our Speak Up program, which encourages all employees to ask questions, raise issues and seek guidance when a course of action is unclear. Furthermore, all employees have an obligation to report suspected Code of Conduct violations whenever they arise.

Our Speak Up ethics hotline provides employees, consumers, suppliers and other business partners with a confidential, anonymous means to report issues that could pose a risk to the company. Operated by an independent third-party vendor, our Speak Up hotline is available on a 24/7 basis worldwide. Reports can be made via dedicated toll-free phone lines in 61 countries and 38 languages or by using the [Speak Up Webline](#) available in 25 languages. All matters reported through Speak Up are handled in accordance with an incident management process and escalation policy, with oversight from our Global Compliance and Ethics Department. The total number of Speak Up contacts each calendar year is published on [pepsico.com](#).

PepsiCo policy protects the rights of those individuals who report issues. Our Global Code of Conduct prohibits retaliation against an individual who in good faith:

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

PEPSICO ENVIRONMENTAL, HEALTH AND SAFETY POLICY

PepsiCo believes that environmental stewardship and protecting the health and safety of our people underpin our core values and help us deliver on Performance with Purpose. We believe that environmental incidents and occupational injuries and illnesses are preventable, and we aspire to an incident-free workplace. We implement the PepsiCo Environmental Health and Safety (EHS) policy through the PepsiCo Global Environmental, Health and Safety Management System (GEHSMS).

Guided by our Values and consistent with our Global Code of Conduct, PepsiCo has established the following Environmental, Health and Safety Principles:

1. **Ownership Culture:** We build a proactive culture by driving ownership of environment, health and safety at the individual, managerial and organizational levels. We engage, consult with, and train our people and actively encourage participation.
2. **Business Integration:** We include environmental, health and safety considerations in both our short- and long-term business decisions.
3. **Resource Allocation:** We provide appropriate resources to implement our environmental, health and safety management system to identify, assess and control risks. We share environmental, health and safety best practices across the company.
4. **Regulatory Compliance:** We apply appropriate environmental, health and safety management practices in order to comply with company standards, applicable legal requirements and other requirements. We conduct regular audits to verify compliance.



- 5. Performance Measurement:** We establish meaningful metrics and monitor our environmental, health and safety performance against goals, using these metrics to guide our continued improvement.
- 6. Continual Improvement:** We monitor emerging issues and keep abreast of regulatory changes, technological innovations and stakeholder interests in order to implement effective and sustainable solutions to minimize waste, reduce resource consumption, protect natural resources, reduce energy consumption, and create a healthy and safe work environment.
- 7. Stakeholder Collaboration:** We collaborate with our contractors, licensed bottlers, suppliers, customers and local communities to reduce the environmental, health and safety impacts of daily operations, technology and products. By working with governments, academia, NGOs, business associations and other interested stakeholders, we strive to develop effective and sustainable solutions to environmental, health and safety challenges we face in our business activities.
- 8. Annual Review:** We annually review the company's performance in implementing this policy and update it as needed.

It is the responsibility of our senior leaders to ensure this policy is understood and effectively communicated, and implemented throughout PepsiCo, worldwide. All employees are responsible for understanding the implications of this policy for their day-to-day work practices and are expected to apply and support the principles stated above.

GOALS

Our continued growth and ability to effectively respond to a rapidly changing environment require us to develop and retain talented associates. To address this critical need, we are committed to providing current and future

employees with the opportunity to learn and grow professionally through regular training and proven career development tools.

TRAINING AND AWARENESS

PepsiCo's approach to people development is grounded in our Career Growth Model (CGM) and supported by our core people processes. CGM outlines the five major areas of knowledge, skills and abilities that we expect employees to continue to develop throughout their careers with the company. The CGM applies to all levels of employees and is broadly used as an integrated tool for training and development, career mapping and communications across all divisions.

MONITORING AND FOLLOW-UP

The PepsiCo Health and Safety Leadership Council (HSLC) tracks global performance and reports to the PepsiCo Environment, Health and Safety Executive Committee (EHSEC). The HSLC publishes a global scorecard every quarter that tracks our successes and challenges, lost-time injury rates (LTIR), near-misses or similar crises, and proactive initiatives being taken to improve occupational health and safety. In 2012, Bureau Veritas verified our health and safety data.

To measure satisfaction and drive organizational improvements, PepsiCo surveys its associates and reports the results at both the strategic level (with the CEO and most senior leaders) and at a local plant, region and work group levels to develop improvement strategies. This combination of reporting and data analysis affords us the ability to make local changes in the workplace or work group level, and to drive broad-scale initiatives across PepsiCo.



Occupational Health & Safety

To build a sustainable culture and support our aspiration of an incident-free workplace, we take a comprehensive approach to health and safety. All of our company-owned manufacturing plants are implementing the PepsiCo Global Environment, Health and Safety Management System (GEHSMS), which aligns with OHSAS 18001 and ISO 14001. Currently, 55 of our company-owned plants are independently certified to OHSAS 18001 (up from 41 in 2011), and 33 facilities in the United States are part of the OSHA Voluntary Protection Programs (VPP). While each business implements the framework in a locally relevant way, we are in the process of standardizing minimum mandates to address our greatest risks.

LA7 Rates of injury, occupational disease, lost days and work related fatalities

Our first priority as a company is the safety, health and well-being of our associates around the world. Our global Road Map to Safety, Health and Well-Being Excellence is based on five pillars:

1. Lead and Commit — focusing on accountability, governance and investment
2. Manage Risk — implementing GEHSMS and reducing high risks through PepsiCo EHS Standards that specify our minimum expectations and requirements
3. Build Capability — deploying safety leadership and safety coaching training to improve the skill set of business leaders and employees

4. Perform and Measure — evolving our global metrics to drive risk reduction and encourage safe behaviors to improve performance
5. Engagement — communicating, consulting and collaborating about health and safety throughout our business to foster teamwork, knowledge transfer and sharing of good practices

We aim to achieve world-class Health & Safety performance. The total Lost-Time Injury Rate (LTIR)³ across PepsiCo (for employees and contractors) was 1.17 per 200,000 hours worked in 2012, a decrease of 35 percent since 2011. We collect health and safety data from our company-owned plants. Our 2012 data received third-party verification from Bureau Veritas.

In 2012, we regret that 12 PepsiCo employees and six contractors lost their lives while working for us. Of these fatalities, eight were associated with road traffic accidents and five were the result of security-related incidents. Three involved a fall from height and two were struck by an object. Statistically, this compares with 23 fatalities in 2011.

We believe that occupational fatalities are unacceptable and preventable. We have been focusing on our “Top 6” health and safety risk areas (Confined Spaces, Machinery Safety, Hazardous Energy, Working at Height, Vehicle Safety and Contractor Management). We have set global EHS standards and we audit against these standards. We also continue to work with our contractors to implement the global PepsiCo EHS standards which describe minimum expectations for managing contractor health and safety.

3. The 2011 data includes Legacy PepsiCo operations and the bottler acquisition. It also includes data from PBC Mexico until P11, 2011 after which time the business was divested. For 2012, the Dilaxis, Mabel and Wimm-Bill-Dann plants were still being integrated into our reporting systems and therefore were unable to report data in line with our metrics.

Our greatest challenge in reducing workplace fatalities is avoiding motor vehicle accidents. Our large fleet operates in many high-risk countries where traffic fatalities are a serious public health and safety issue. However, we know we can improve and continue to actively implement defensive driver training along with our global EHS standards for Commercial Vehicle Safety. PepsiCo drivers are taught defensive driving techniques through either proprietary training programs or the company's comprehensive course, TEST (Ten Easy Safety Tips) Drive. TEST is delivered via DVD and through in-vehicle training. We have conducted TEST Drive training in 29 countries and translated the training materials into 14 languages. We have also begun investing in telematics systems that gather and report data on a vehicle's operations so that we can optimize our routes, reduce fuel usage and provide coaching on driving behaviors with feedback on speed, harsh acceleration, harsh deceleration, wearing seatbelts, etc. We are pleased to report that our Egypt business experienced zero employee fatalities from vehicles in 2012, despite Egypt's having one of the highest traffic mortality rates in the world (42 per 100,000 inhabitants per the World Health Organization).

LA8 Education, training, counseling, prevention and risk control programs to assist workforce members, their families, or community members regarding serious diseases

Our global wellness strategy is designed to engage associates and their families in developing and sustaining healthy behaviors to improve their overall quality of life. We provide education and training regarding serious diseases, particularly HIV/AIDS.

In 2012, we launched a global wellness Center of Excellence (COE) to establish global principles and identify appropriate programs. The key offerings of the COE will be to:

- Design principles and policy frameworks
- Deliver access to subject matter expertise and best practices
- Provide greater visibility globally in order to enable longer-term harmonization and procurement opportunities
- Deliver a toolkit of materials, best practices and methodologies
- Offer expertise in approaching the implementation of eventual changes

To support employee wellness, we offer on-site health and wellness services in many countries around the world, including China, India, Mexico, South Africa, the U.K. and the U.S. These initiatives, which vary by location, include routine medical care at work sites; education programs on health, nutrition and exercise; programs on smoking cessation; on-site fitness centers; and organized programs to encourage exercise. Some examples of programs are introduced below.

HEALTHY LIVING

The Healthy Living program encourages associates and their families to focus on healthy lifestyles at home, at work and at play. It includes access to preventive screenings and rewards for participating in personal health assessments and for completing health improvement programs. Healthy Living promotes healthier lifestyles through a combination of personalized coaching, fitness and nutrition programs, online tools and resources, incentives, educational messaging, worksite wellness initiatives and health benefit coverage. It is comprehensive in scope and uses a multi-pronged strategy to maximize reach, effectiveness and added value for employees. Healthy Living is PepsiCo's system that provides Personal Health Assessments; Worksite Wellness Programs; Expert Resources and Benefits (including wellness coaching, a healthy pregnancy program, a smoking cessation



program, stress and sleep management programs, back care programs, disease management programs and preventive care coverage); Fitness and Nutrition Programs; and Weight Management and Healthy Decisions, including access to nurses, expert doctors for external consultation, condition assessments, and a healthy topics library. Coverage varies by country.

WELLNESS AT WORK

Emotional well-being is also an important part of a healthy lifestyle. We offer stress management in 20 countries, providing coping skills via online support, printed materials, email support and online seminars. In the U.S. and Canada, we offer one-on-one coaching sessions via telephone. We also provide incentives of \$50 for completing the online wellness program and up to \$100 for completing the phone-based wellness coaching program in the U.S.

In Canada, Mexico, the U.S., and many countries across Europe, we also have an Employee Assistance Program, which provides free confidential telephone or face-to-face counseling to help employees address a range of personal issues. We also offer a variety of flexible work arrangements that allow employees to adapt their working hours, their workplace or even their job structures.

Additionally, PepsiCo collaborates with organizations such as the World Economic Forum, the National Business Group on Health, the Health Enhancement Research Organization, the Workplace Wellness Board, the World Health Organization, the Alliance for a Healthier Generation and the Healthy Weight Commitment Foundation to improve workplace wellness.

HEALTHY MONEY

Healthy Money is a financial education program that provides tools and resources to improve the financial fitness of PepsiCo's U.S. associates. Through Healthy Money, associates have access to professional financial counselors

and online tools. Healthy Money workshops and webinars have covered a broad range of employee financial concerns, including retirement and investing, funding college expenses, and cash and debt management. The program has also addressed timely topics such as understanding foreclosure, and issues specific to certain segments of the employee population, such as financial planning for domestic partners.

Employment Benefits

EC3 Coverage of the organization's defined benefit plan obligations

Our pension plans cover certain full-time employees in the U.S. and certain international employees. Benefits are determined based on either years of service or a combination of years of service and earnings. Certain U.S. and Canada retirees are also eligible for medical and life insurance benefits (retiree medical) if they meet age and service requirements. Generally, our share of retiree medical costs is capped at specified dollar amounts, which vary based upon years of service, with retirees contributing the remainder of the cost.

For the full financial disclosure see page 52 of our 2012 Annual Report.

LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees

We are continually looking for ways to make PepsiCo a great place to work. One way we do this is by offering associates a comprehensive benefits package. Benefits are designed to meet or exceed the standards of the competitive marketplaces in which our associates work around the world.



In the U.S. we offer a full range of health care, savings and retirement benefits. Our health and welfare benefits include medical, dental, vision, prescription drugs, mental health, life and accident insurance, disability and flexible spending accounts. In addition to these benefits, the company provides access to services and resources that deliver expert medical advice and high-quality care to associates and their families who have serious or complex health needs at no additional costs to associates. We also offer commuter reimbursements, adoption assistance, child and elder care referral and resources, smoking cessation programs, care and lifestyle management programs, and family and medical leaves. Same-sex domestic partners who meet certain eligibility requirements may be covered under PepsiCo benefits. Eligible part-time associates receive medical, dental, vision and life insurance benefits.

Outside the U.S., benefits are provided through a combination of company-sponsored programs and state programs funded by payroll or other taxes. PepsiCo has adopted global standards designed to ensure all associates receive at least basic medical, disability, and life insurance and retirement benefits, regardless of location. The company has an ongoing process in place to review and, if necessary, adjust practices in mature markets and shape practices in emerging markets against these standards.

In our AMEA region, we launched a new online portal, My Total Rewards, to help employees build awareness, understanding and appreciation of PepsiCo's compensation and benefits offerings. The portal features detailed descriptions of how compensation, benefits, wellness and work-life quality programs operate. It also provides comprehensive access to policies, forms, internal and external contact information, and key website links to provide a "one stop shop" for all benefits information. The portal has been launched in five languages to over 6,000 employees in 21 AMEA countries.

Currently, 61 percent of associates in this region have taken advantage of the new offering.

Personal & Professional Development

LA11 Programs for skills management and lifelong training

We conduct training for associates, from the front line to senior management, to make sure they have the knowledge and skills they need to achieve performance goals in a changing world.

As a global organization, PepsiCo's network can be vast and widespread. In 2012, we launched PEPnet, a knowledge-sharing networking tool, which enables people to connect and share what they know — regardless of location — in ways that foster new approaches to problem-solving and innovation. Participants in PEPnet's communities collaborate by sharing their knowledge, insights and learnings, as well as answering each other's questions. These voluntary interactions create a collective body of knowledge that can be leveraged to overcome real business challenges.

In addition, PepsiCo has several formal classroom and online coursework platforms to help employees expand their knowledge and improve aptitude in core business areas.

PEPSICO UNIVERSITY

PepsiCo University offers expansive classroom and online coursework to develop managerial and leadership programs, which are available globally. Through our Global Development Council, PepsiCo University sets priorities for global curriculum needs.



PepsiCo University has created a global learning architecture to systematically develop skills and knowledge and provide our associates with robust opportunities for professional growth. The PepsiCo University Leadership Transition curriculum addresses capability building to develop a global mindset, foster strategic thinking, develop talent, and create a collaborative and innovative culture.

The more advanced programs in the Leadership Transition curriculum (Leader of Managers, Senior Leader) help our associates understand the importance of partnering with a multitude of stakeholders — including governments, NGOs and nonprofit organizations — on a variety of projects and initiatives across the business.

Global Leadership programs are centrally designed. For the programs addressing larger audiences (First Time Manager & Leader of Manager), deployment is owned by the sectors. A core team of trainers responsible for program design will travel to a central location or sector where local training associates and HR professionals participate in a “train the trainer” session, building local expertise to facilitate and cascade training to local markets. PepsiCo University oversees global functional learning for our associates, including building functional knowledge such as finance, R&D and human resources.

FINANCE UNIVERSITY

Finance University is a collection of multi-hour, web-based courses organized to provide course work around investor relations, external reporting, audit, risk management, control, tax, treasury, operations and supply chain finance, sales finance, strategy, mergers and acquisitions, business planning, systems and IT.

In 2012, Finance University launched a new course, increasing its total course offerings to 16. Participation included nearly 5,000 associates and more than 60,000 hours of learning. Finance University courses are open to all associates. In 2012, approximately 2,300 employees outside of the target audience improved their financial aptitude by completing Finance University courses.

GLOBAL PROCUREMENT UNIVERSITY

Formal learning is one of several ways we advance our procurement capability. In 2012, we took a significant step when we launched Global Procurement University (GPU) and achieved 100 percent completion of the foundational training. GPU comprises a variety of e-learning courses designed to build the knowledge and skills that will help enable procurement professionals to increase functional capability that results in enhanced performance and professional development. GPU offers consistent learning to targeted Global Procurement employees in multiple languages, driving globally consistent team and organizational capability growth. For 2013, we have rolled out new coursework that aligns with key areas identified for further capability development with several new courses in the areas of category strategy and insights and analytics, as well as other offerings designed to build associates’ procurement expertise.

CUSTOMER MANAGEMENT UNIVERSITY

In another training initiative that supports our commercialization competencies, a robust and continuously updated sales and customer management curriculum is available for all U.S. sales professionals across all divisions. Customer Management University courses are carefully aligned to ensure that needs for each division are being met and are under the direction of the PepsiCo Customer team. Leadership and execution of sales training was transferred to the sectors and/or divisions. Similarly, PepsiCo’s Sales Talent Development focuses on creating a One PepsiCo framework to allow employees to: identify areas where they need to further develop their



skills; access One PepsiCo Sales information, training and tools; and identify opportunities to advance their capabilities and design their future at PepsiCo.

GLOBAL R&D UNIVERSITY

The purpose of this learning initiative is to create a holistic technical training program for all R&D associates worldwide. Global R&D University consists of eight individual colleges, each with one or two deans that govern their particular “learning domain.” The eight colleges are Packaging, Nutrition, Food Safety and Regulatory, Ingredient Application Science, Human Research and Science, Experience Design, Product Development, and Process Engineering.

In addition, the global functional and leadership programs of each line of business provide specific training designed to meet the local needs of their frontline and mid-level associates.

HR UNIVERSITY

In 2012, we launched HR University with seven courses focusing on content ranging from organization design and business consulting skills to HR analytics and talent forecasting. More than 1,000 associates completed at least one course, leading to more than 5,600 hours of learning. HR University courses are open to all associates, and 461 associates outside of the HR University scope improved their skills by accessing the curriculum.

SMART U

Smart U is PepsiCo’s social media training for associates. With the social media landscape changing so quickly, it can be difficult keeping up-to-date. Smart U teaches associates about our Social Media Policy and how to talk about PepsiCo responsibly within their social media circles using two major tools, Facebook and Twitter. Smart U online training provides associates with resources, including a video module series to help associates stay current with

social media tools and technology, including modules for Twitter, Google+, Content Curation and Podcasting.

LA12 Percentage of employees receiving regular performance and career development reviews

We have a robust program in place to help associates manage their careers and become the future leaders of PepsiCo. Elements include a guide for career growth tailored to PepsiCo, as well as guides focused on specific functions. Our year-long proprietary career process includes objectives-setting, performance and development reviews, development action plans, mid-year reviews and 360-degree evaluations — all supported by training and materials. Executive leadership training focuses on helping high-potential managers learn to be more effective leaders and to gain a broader perspective on our business. All associates are included in some form of the performance management process across PepsiCo.

360-DEGREE FEEDBACK

The 360 Feedback process is a key developmental tool for managers and leaders based on the PepsiCo Leadership and Individual Effectiveness Model. The 360 process enables participants to collect feedback on their leadership behaviors from their manager, directs, peers and others in order to enhance their self-awareness and improve their effectiveness in working with others. The process requires mandatory follow-up meetings with certified professionals (based on a custom-designed three-day certification program), and includes tools to support the development of action plans for each participant. This total process ensures high-quality and rigorous feedback and development planning discussion.

For 100 percent of our executive and professional population (all salaried associates at all levels), we also have a formal performance evaluation system,



with separate “business” and “people” objectives on which our employees are evaluated each year. As part of the performance appraisal process, our entire executive and professional population is required to have both a midyear and year-end review with their manager. Additionally, all associates provide input on results achieved against their objectives.

AWARD PROGRAMS

PepsiCo recognizes excellence among our associates through a variety of award programs. We provide gift awards for length of service to promote retention. All associates are eligible to receive stock option grants as recipients of The Chairman’s Award, a program that recognizes outstanding accomplishments above and beyond an individual’s basic job accountabilities that deliver a sustainable business impact. The Chairman’s Award is the highest honor at PepsiCo.

We also have a variety of other award programs within our functions. In supply chain/operations, associates are eligible for the Circle of Champions award which was created by PepsiCo Chairman and Chief Executive Officer Indra Nooyi to annually recognize and celebrate the best-of-the-best of PepsiCo’s world-class supply chain. In sales, there is the Ring of Honor award which annually recognizes PepsiCo’s top frontline sales performers from around the world. One additional example is the Academy of Sciences award, an annual global PepsiCo Award recognizing R&D team members for developing and designing our products and processes in a sustainable way, ensuring that our great company and products become even better. The award is sponsored by our Chairman and CEO and Chief Scientific Officer.

ASSOCIATE ENGAGEMENT

Our biennial Organizational Health Survey helps foster a workplace in which associates can speak with truth and candor. All associates are surveyed in every country in which we operate, resulting in the survey being

translated into 48 languages. Topics include benefits, working conditions, compensation, career development, and diversity and inclusion initiatives. The results of the survey are shared with associates and used at multiple levels to drive action plans and improvement throughout the corporation.

By conducting the survey every two years, we are able to analyze the data, create meaningful action plans and measure plan effectiveness. We also benchmark our results against other highly respected companies from different industries, using data from the Mayflower Group, a survey consortium of companies to which PepsiCo belongs.

In 2011, we conducted our Organizational Health Survey of all associates. From this most recent full survey, we learned that 68 percent of our associates rated PepsiCo as a favorable place to work compared with other companies, which is equal to the Mayflower benchmark. Our overall associate engagement index was also favorable at 74 percent, and our associate response rate of 92 percent was well above survey industry benchmarks.

In 2013, we plan to conduct an engagement survey of our entire employee population.

Diversity and Equal Opportunity

LA13 Composition of governance bodies and breakdown of employees

As a company doing business in more than 200 countries and territories, diversity and inclusion are vital to our success. Reflecting the diversity of our consumer base enables us to have a better understanding of our consumers. An inclusive workplace culture that values different perspectives builds employee engagement, fosters creativity and fuels innovation.

Talent Sustainability

Diversity and Inclusion councils have been successfully established on the four continents of our PepsiCo International business, concentrating on locally relevant diversity and inclusion strategies and plans, with a particular focus on women. In the U.S., our numerous Diversity and Inclusion Networks or Employee Resource Groups (ERGs) include African Americans; Latinos/Hispanics; Asians; Native Americans; Women; Women of Color; White Males; Lesbian, Gay, Bisexual and Transgender individuals; EnAble, for individuals with disabilities; and Aspire, for administrative professionals.

2012 DIVERSITY AND INCLUSION

PepsiCo cultivates an employee base that reflects the best of the communities in which we do business and ensures the existence of a talent pipeline to increase and sustain diverse senior leaders. We work to leverage diversity and inclusion as a competitive business advantage to drive innovation, strengthen our reputation and encourage engagement within internal and external communities worldwide.

Taking a Stand for Equality: As a global company, PepsiCo works in countries with a broad array of laws and regulations. Regardless of where we operate, PepsiCo takes great care to respect the diversity, talents and abilities of all.

At PepsiCo, we define diversity as all the unique characteristics that make up each of us: personality, lifestyle, work experience, ethnicity, race, color, religion, gender, gender identity, sexual orientation, marital status, age, national origin, disability, veteran status, or other differences.

At year-end, we had approximately 278,000 associates worldwide. The data below includes only full-time associates. Executives, all managers and all associates are approximate numbers as of December 31, 2012, for U.S.

associates only. The data in this chart is based on the U.S. definition for people of color.

2012 U.S. DIVERSITY AND INCLUSION STATISTICS

	TOTAL	WOMEN	%	PEOPLE OF COLOR	%
Board of Directors	13	4	31	5	38
Executives Officers	12	3	25	3	25
Executives	2,755	852	31	609	22
All Managers	16,969	5,618	33	4,522	27
Full-Time Associates	97,781	18,144	19	33,173	34

WOMEN IN THE WORKPLACE

In the U.S., PepsiCo partnered with Lean In, a nonprofit organization committed to offering women encouragement and support to achieve their personal and professional goals. PepsiCo associates can access a number of tools and resources such as online discussion forums through which they can receive insights from leaders from across business, government and academia, and use free development modules. Female associates may also meet regularly in small groups to share, learn and support each other to achieve their goals. Additionally, in 2011, PepsiCo launched the Pinnacle Program in an effort to increase its retention of PepsiCo female sales talent and strengthen and diversify the company's future leadership bench. The three-day program focuses on building self-awareness, leadership, business capability, career development and support networks. The participant selection criteria are high-potential and promotable key contributor female sales talent (manager/director level) who demonstrate consistent high performance, future capability and the desire to advance their career



trajectory within sales. Pinnacle has also been leveraged internally as a best practice for other employee resource groups to increase retention of female talent.

In the U.K. and Ireland, we implemented the Strategies for Success Women's Program. Launched in 2012, this customized program is designed to accelerate female managers within PepsiCo. Strategies for Success offers talented future leaders the opportunity to receive group and one-on-one coaching to achieve new milestones within their career. The program also features the Women of the Future Award, to recognize women on the rise at PepsiCo U.K. and Ireland. In two years we increased female representation in senior management roles from zero to 33 percent in the operations team. In addition, over 50 percent of participants in the 2011 and 2012 Strategies for Success programs have since been promoted.

In Saudi Arabia, our women's initiative laid the foundation for employing more females. In early 2009, we had one female employee in Saudi Arabia. Since deploying our women's initiative there, we have received hundreds of job applications from women. PepsiCo was honored by the Saudi Royal family for our vision and focus on developing female talent in a country where women represent less than 5 percent of the workforce, the lowest proportion in the world. In 2011 and 2012, we hired 25 women and now have female associates across Supervisors and Senior Managers levels, occupying functions from finance to warehouse management and from marketing to HR. As a signatory to the UN Women Empowerment Principles, we believe that our company should represent the communities in which we operate. Since adding women to our workforce in Saudi Arabia, the business has experienced even more growth, and we have had more insightful discussions around equality in the workforce.

In 2012, PepsiCo was acknowledged by *Working Mother* as one of the Best Companies for Multicultural Women.

In our U.S. college campus recruiting, women, people of color and people from diverse backgrounds comprised more than 60 percent of our new hires in 2012.

In 2012, the Human Rights Campaign awarded PepsiCo a perfect score (100/100), on its Corporate Equality Index for lesbian, gay, bisexual and transgender (LGBT) efforts.

YOUTH ENGAGEMENT

PepsiCo recognizes the opportunity that developing the next generation of leaders represents. We have been actively involved in multiple initiatives to engage and inspire youth across a number of the regions in which we operate. For example:

- In Latin America, PepsiCo, together with the Young Americas Business Trust (YABT) and Organization of American States (OAS), launched the Eco-Challenge, a competition that encourages youth to develop entrepreneurial ideas to address environmental challenges. Eco-Challenge is a category within the regional Talent and Innovation Competition of the Americas (TIC Americas), dedicated specifically to water and environmental conservation. Since its inception, we've reached approximately 5 million people digitally. During 2012, 1,000 teams across 27 countries submitted proposals. <http://performancenotes.pepsicoblogs.com/2012/05/the-spirit-of-the-americas/>
- PepsiCo AMEA participates in a multiyear engagement through the Corporate Social Responsibility Youth Summit, which brings together Arab youth between the ages of 16 and 30. The Summit gives young and

budding social entrepreneurs from the Middle East and North Africa the opportunity to create, debate or activate their social business ideas for long-term benefit. Separately, PepsiCo AMEA's Tomooh partnered with the World Food Programme to support Food for Education, which provides underprivileged families with nutritional necessities in return for the promise that children will attend school. Since 2007, this joint partnership has helped more than 2,600 of the most vulnerable children and their families annually, or approximately 13,000 people, in 84 schools in Dar El Salam, Geheina and the Saqulta districts of the Sohag governorate.

- In the U.S., PepsiCo launched the **Dream Machine** Recycle Rally to raise awareness of the importance of recycling among students in grades K–12. The initiative incorporates recycling and environmental sustainability into school curricula and gives over 900 participating schools a chance to earn rewards and compete for prizes.
- PepsiCo entered into a one-year strategic partnership with the Asian Football Development Programme (AFDP) under the theme of Kick for Hope. The ground-breaking initiative will run in more than 40 Asian countries, with a particular focus on the Middle East and India. Using football-focused activities as a catalyst for change, Kick for Hope will encourage women and youth to assume a greater role in society while supporting grassroots social development throughout Asia.
- PepsiCo's Quaker Oats partnered with the GENYOUth (Generation Youth) Foundation to develop effective programs in schools and through other channels to increase children's access to breakfast, nutritious snacks and physical activity. As part of the partnership, Quaker sponsored the first Nutrition and Physical Activity Learning Connection Summit, which convened leaders from the public and private sectors. Our participation in the summit is part of Quaker's Performance with Purpose journey to

build stronger, healthier communities and stronger businesses through innovative products and programs.

INTERNAL AWARDS

To recognize individuals within our company who actively support greater diversity and inclusion in the workplace, we have created two internal honors, the Harvey C. Russell Inclusion Award and the Global Steve Reinemund Diversity and Inclusion Leadership Legacy Award.

One of the first senior African American executives in the U.S., Harvey C. Russell became a vice president of PepsiCo in 1962, and went on to set the standard for our company's corporate social responsibility platform. The prestigious award given in his name reflects his leadership, perseverance and commitment to continuous improvement, and his key role in helping create the foundation upon which PepsiCo's diversity initiative is built. In 2012, 74 associates were honored for their outstanding achievements in diversity and inclusion. Russell Award winner's distinctions included: building and improving retention rates; establishing a support system for women taking maternity leave; fostering an inclusive work environment for hearing-impaired employees; engaging in community outreach efforts; and supporting the development of health, nutrition and educational programs.

The Global Steve Reinemund Diversity and Inclusion Leadership Legacy Award, created in 2007, recognizes PepsiCo senior staff who model exemplary leadership and commitment to diversity and inclusion. Award recipients inspire and move PepsiCo to new levels of achievement in diversity and inclusion through their words and actions. Two individuals were honored in 2012: Umran Beba, President of the Asia Pacific Region, and Pedro Padierna, President of PepsiCo Mexico. Umran demonstrated sustained passion and ambassadorship in advancing the careers of women both within PepsiCo and externally; and Pedro, a champion of inclusion initiatives, was honored for



promoting a work environment where associates' skills, talents and interests can be fully realized. Pedro sponsored the Female Executive Council and created the first Gay and Lesbian Network in Latin America.

Human Rights Management Approach

OVERVIEW

Our commitment to respect the fundamental human rights of our employees, people working for our suppliers and the communities in which we operate is at the core of Performance with Purpose and the way we do business. This commitment is guided by the United Nation's Universal Declaration of Human Rights and related international covenants.

While governments are responsible for protecting human rights through legal frameworks, businesses have a corporate responsibility to respect all human rights through their policies and practices. As a signatory to the United Nations Global Compact we are visibly committed to aligning our policies, operations and strategies with its ten universally accepted principles, which include human rights and labor standards.

POLICIES IN SUPPORT OF HUMAN RIGHTS

PEPSICO'S GLOBAL CODE OF CONDUCT

Our Global Code of Conduct reinforces our company values, governs the actions and decisions of all employees and promotes human rights in the workplace.

The underlying principles of our Human Rights Workplace Policy are broadly communicated in our annual Code of Conduct training program, which reaches more than 64,000 salaried employees and 150,000 hourly employees worldwide. Employees are required to monitor their actions to ensure that

they do not contradict or violate these principles, and to report suspected human rights violations within our operations or supply chain if they arise.

HUMAN RIGHTS WORKPLACE POLICY

Our Human Rights Workplace Policy states PepsiCo will:

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

PepsiCo's Supplier Code of Conduct clarifies our global expectations in the areas of labor practices, associate health and safety, environmental management, and business integrity. It is based on principles established by the International Labour Organization, and the United Nations Global Compact and other internationally recognized standards.

Our suppliers are subject to the Supplier Code of Conduct, which includes 13 principles including basic compliance with applicable laws; respect for human rights; the prohibition of all forced, compulsory or child labor; and cooperation with reasonable assessment processes requested by PepsiCo. We have translated our Supplier Code of Conduct into more than 25 languages, have proactively communicated it, and it appears in procurement contracts globally.

In 2013, PepsiCo updated its Supplier Code of Conduct to include more detail on PepsiCo's expectations, particularly concerning human rights and labor



issues. Training regarding the enhanced Supplier Code of Conduct is being rolled out through both on-line training and in-person sessions.

Additional policies used to support implementation include our Global Anti-Harassment/Discrimination Policy, Occupational Health and Safety Policy, Workplace Violence Policy, Conflicts of Interest Policy, and Global Anti-Bribery Compliance Policy.

IMPLEMENTATION

In June 2011, the United Nations Human Rights Council unanimously endorsed a set of Guiding Principles on Business and Human Rights, a significant step toward establishing the respective roles of businesses and governments in ensuring that companies respect human rights in their operations and business relationships. According to the UN, the corporate duty to respect human rights comprises three key elements:

- A policy commitment;
- A due diligence process to identify, prevent and mitigate any human rights abuses; and
- A grievance mechanism to address abuses when they do occur.

Preventing and addressing human rights abuses is ongoing, complex work that needs to be coordinated in a cross-functional manner. In 2012, PepsiCo created a more robust governance structure to better coordinate human rights activities and implement the UN Guiding Principles. PepsiCo's Human Rights Operating Council (HROC) is chaired by our global senior vice president of employment law and comprises representatives of relevant corporate functions (Human Resources, Public Policy, Legal, Global Procurement, Operations, Research and Development, Sales, Global Compliance and Ethics, and Communications) from our various geographic regions.

The HROC met in person for a two-day workshop in September 2012, at which it aligned on the company's top human rights priorities, which are largely consistent with the priorities identified by industry initiatives. These include forced labor; child labor; freedom of association; discrimination/harassment and abuse; health and safety; wages; benefits and terms of employment; working hours; and access to water. To address these priorities, the HROC organized itself into four work streams: policy, assessment/due diligence, training and disclosure. The HROC meets once a month, and the working groups meet as needed.

As defined in the HROC charter, its role is to:

- Define the strategy and framework for assessment, implementation and communication of PepsiCo's management of human rights issues;
- Regularly review PepsiCo's human rights policies to ensure compliance with legal and regulatory requirements and the company's external commitments and internal human rights management strategy;
- Stay informed of legislative and regulatory developments, stakeholder expectations, competitive landscape and emerging trends related to human rights issues;
- Prioritize initiatives and activities, and identify internal and external partnerships, to address human rights risks and opportunities;
- Monitor PepsiCo's progress with respect to human rights management on an ongoing basis; and
- Submit periodic reports, recommendations and/or action plans, as appropriate, to the Executive Committee for review and approval.



Twice yearly, the Human Rights Operating Council reports on progress to the Environmental and Health and Safety Executive Committee (EHSEC) along with the head of Health and Safety and Environmental Compliance. EHSEC members include PepsiCo's President, the heads of relevant corporate functions (Legal, Compliance, Human Resources, Operations) and all regional CEOs.

In 2012, the HROC partnered with PepsiCo's Enterprise Risk Team to incorporate human rights due diligence questions into our Global Risk Tool to be distributed and answered at the country level. This process will continue on an annual basis in order to raise awareness of human rights and better determine where additional policies, training or mitigation efforts are needed.

In April 2013 PepsiCo began conducting human rights audits of its own operations, using a third-party reviewer. The assessment is based on the SEDEX Members Ethical Trade Audit and was conducted along with a health and safety and environmental audit of the facility. Using learnings from this pilot audit, PepsiCo will develop a rollout plan for conducting human rights audits for all its operations.

REPORTING SUSPECTED HUMAN RIGHTS VIOLATIONS

For more information, please refer to the [Whistleblower](#) section.

EXTERNAL STAKEHOLDER ENGAGEMENT

We engage with a wide range of experts and organizations in the field of human rights and business around the world. However, we work most closely with Ceres; Business for Social Responsibility; and AIM-PROGRESS to develop our implementation plan.

PepsiCo is a member of Ceres, an advocate for sustainability leadership. Ceres coordinates our external stakeholder panel, made up of NGO representatives, investors, and social and environmental issue experts. The panel includes a number of experts on human rights. Our stakeholders help to inform human rights management approaches and initiatives (e.g., Sustainable Farming Initiative), and provide feedback on our progress.

PepsiCo is a member of the Business for Social Responsibility (BSR) Working Group on Human Rights. This cross-sector group focuses on governance structures, stakeholder engagement, due diligence, grievance mechanisms, training and disclosure. PepsiCo is actively working to implement learnings from this working group with an eye to more effectively integrating human rights into everyday business processes.

PepsiCo is a founding member of an industrywide initiative called AIM-PROGRESS — PROGram for RESponsible Sourcing. As an active member of AIM-PROGRESS, we collaborate with our peer companies to develop and implement common methods of evaluating supplier corporate social responsibility (CSR) performance, improve the effectiveness and efficiency of the evaluation process, and elevate CSR performance within our supply base.

HR3 Total hours of employee training on policies and procedures concerning human rights, including percentage employees trained

Our Global Compliance and Ethics Department conducts annual training to promote compliance with our Values, our Code, our policies and applicable law. In 2012, more than 64,000 salaried employees completed online training and approximately 150,000 hourly employees worldwide received in-person Code of Conduct training.



In early 2013, we enhanced our Supplier Code of Conduct to include more details on PepsiCo's expectations, particularly on human rights and labor issues. We are using this updated Supplier Code as the basis for a series of in-depth training on human rights issues with our key suppliers. We conducted our first in-person training with the new Supplier Code at our FLNA Potato Grower Summit in January 2013, and followed up with training for our North American co-packers in February. We received very positive feedback from both groups, and plan to expand this training program significantly through additional in-person meetings as well as recorded and live webinars.

HR10 Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments

Our partnership with SEDEX and use of workplace audits help us manage our risk and promote respect for human rights in our manufacturing supply base, but a different approach is needed for agricultural supply chains. To this end, we have developed and launched our Sustainable Farming Initiative (SFI), a comprehensive on-farm verification program that covers environmental, economic and social sustainability indicators. Human rights and labor standards are a core element of the SFI, which was developed in close consultation with a range of external experts. Topics covered in the social pillar include:

- Health and Safety
- Management System
- Health Care
- Hygiene and Sanitation

- Pregnant Women and Children
- Employment Conditions
- Contracts
- Working Hours
- Wages
- Benefits
- Accommodation and Resources
- Physical Conditions
- Support for Diversity
- Training & Education
- Community
- Employment Practices
- Freedom of Association
- Child Labor
- Forced Labor
- Discrimination and Harassment

The environmental and economic pillars of SFI also address related human rights issues such as access to water, land management and environmental compliance.



In 2012, the SFI was peer-reviewed through our external stakeholder panel organized by Ceres and circulated among recognized subject matter experts such as Cornell University, BSR and industry experts, with positive results.

We have also commissioned a risk assessment by a third-party provider to better understand the human rights risks inherent in the countries where we operate and in the commodities we source. This information will help us prioritize the rollout of the SFI where we have the highest potential risk.

RESPECTING THE HUMAN RIGHT TO WATER

PepsiCo has long embraced water's importance to the communities in which we operate. In May 2009, we went a step further by formally and publicly acknowledging water as a human right, making us one of the first companies of our size to do so.

PepsiCo supports the basic elements of the World Health Organization and United Nations Joint Declaration on the Human Right to Water and commits to the following:

Safety: Ensure that our operations preserve the quality of the water resources in the communities in which we do business;

Sufficiency: Our operating objective is to ensure that our use of water will not diminish the availability of community water resources to the individuals or the communities in which we operate;

Acceptability: We will involve communities in plans to develop water resources, and assure transparency of any risks or challenges to the local governments and community members in an ongoing manner;

Physical accessibility: We will ensure that our operations will not adversely impact physical accessibility of community members to

community water resources and will address community concerns in a cooperative manner; and

Affordability: We will appropriately advocate to applicable government bodies that safe water supplies should be available in a fair and equitable manner to members of the community. Such water should be safe and of consistent and adequate supply and affordable within local practices.

Since our public commitment, we have engaged with the UN Independent Expert (and now Special Rapporteur) on Water and Sanitation as a Human Right, sharing our approach and journey toward implementation of this commitment. In 2012, we continued to work with one of our socially responsible stakeholders to refine a draft Human Right to Water Impact Assessment, which we believe will be the first of its kind specifically targeted to this topic.

For more information, please refer to EC8: Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.

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PROFILE DISCLOSURES	DESCRIPTION	SECTION	PROFILE DISCLOSURES	DESCRIPTION	SECTION
<u>1.1</u>	Statement from the most senior decision-maker of the organization	CEO Letter	<u>3.6</u>	Boundary of the report	About This Report
<u>1.2</u>	Key impacts, risks, and opportunities	Description of key impacts, risks & opportunities	<u>3.7</u>	State any specific limitations on the scope or boundary of the report	About This Report
<u>2.1</u>	Name of the organization	About PepsiCo	<u>3.8</u>	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities	About This Report
<u>2.2</u>	Primary brands, products, and/or services.	About PepsiCo	<u>3.9</u>	Data measurement techniques and the bases of calculations	About This Report
<u>2.3</u>	Operational structure of the organization	About PepsiCo	<u>3.10</u>	Explanation of the effect of any re-statements of information provided in earlier reports	About This Report
<u>2.4</u>	Location of organization's headquarters	About PepsiCo	<u>3.11</u>	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	About This Report
<u>2.5</u>	Number of countries where the organization operates	About PepsiCo	<u>3.12</u>	Table identifying the location of the Standard Disclosures in the report	About This Report
<u>2.6</u>	Nature of ownership and legal information	About PepsiCo	<u>3.13</u>	Policy and current practice with regard to seeking external assurance for the report	About This Report
<u>2.7</u>	Markets served	About PepsiCo	<u>4.1</u>	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	Governance, Commitments and Engagement
<u>2.8</u>	Scale of the reporting organization	About PepsiCo	<u>4.2</u>	Indicate whether the Chair of the highest governance body is also an executive officer	Governance, Commitments and Engagement
<u>2.9</u>	Significant changes during the reporting period regarding size, structure, or ownership	About PepsiCo			
<u>2.10</u>	Awards received in the reporting period	About PepsiCo			
<u>3.1</u>	Reporting period	About This Report			
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<u>3.3</u>	Reporting cycle	About This Report			
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PROFILE DISCLOSURES	DESCRIPTION	SECTION	PROFILE DISCLOSURES	DESCRIPTION	SECTION
<u>4.3</u>	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members	Governance, Commitments and Engagement	<u>4.10</u>	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	Governance, Commitments and Engagement
<u>4.4</u>	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Governance, Commitments and Engagement	<u>4.11</u>	Explanation of whether and how the precautionary approach or principle is addressed by the organization	Governance, Commitments and Engagement
<u>4.5</u>	Linkage between compensation for members of the highest governance body, senior managers, and executives	Governance, Commitments and Engagement	<u>4.12</u>	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	Governance, Commitments and Engagement
<u>4.6</u>	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Governance, Commitments and Engagement	<u>4.13</u>	Memberships in associations (such as industry associations) and/or national/international advocacy organizations	Governance, Commitments and Engagement
<u>4.7</u>	Process for determining the composition, qualifications and expertise of the members of the highest governance body	Governance, Commitments and Engagement	<u>4.14</u>	List of stakeholder groups engaged by the organization	Governance, Commitments and Engagement
<u>4.8</u>	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	Governance, Commitments and Engagement	<u>4.15</u>	Basis for identification and selection of stakeholders with whom to engage	Governance, Commitments and Engagement
<u>4.9</u>	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	Governance, Commitments and Engagement	<u>4.16</u>	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Governance, Commitments and Engagement
			<u>4.17</u>	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	Governance, Commitments and Engagement

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PERFORMANCE INDICATORS	DESCRIPTION	SECTION
ECONOMIC		
<u>DMA EC</u>	Disclosure on Management Approach Economic	About PepsiCo; Governance, Commitments and Engagement; Talent Sustainability Management Approach
<u>FP1</u>	Percentage of purchased volume from suppliers compliant with company's sourcing policy (partial)	Responsible Sourcing
<u>EC1</u>	Direct economic value generated and distributed (partial)	About PepsiCo
<u>EC2</u>	Financial implications and other risks and opportunities for the organization's activities due to climate change	Climate Change
<u>EC3</u>	Coverage of the organization's defined benefit plan obligations	Employment Benefits
<u>EC8</u>	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Water

PERFORMANCE INDICATORS	DESCRIPTION	SECTION
ENVIRONMENTAL		
<u>DMA EN</u>	Disclosure on Management Approach Environmental	Environmental Sustainability Management Approach
<u>EN1</u>	Materials used by weight or volume (partial)	Packaging
<u>EN2</u>	Percentage of materials used that are recycled	Packaging
<u>EN3</u>	Direct energy consumption by primary source (partial)	Climate Change
<u>EN4</u>	Indirect energy consumption by primary source (partial)	Climate Change
<u>EN5</u>	Energy saved due to conservation and efficiency improvements	Climate Change
<u>EN7</u>	Initiatives to reduce indirect energy consumption and reductions achieved	Climate Change
<u>EN8</u>	Total water withdrawal by source (partial)	Water
<u>EN10</u>	Percentage and total volume of water recycled and reused (partial)	Water
<u>EN14</u>	Strategies, current actions and plans for managing impacts on biodiversity	Biodiversity
<u>EN16</u>	Total direct and indirect greenhouse gas emissions by weight (partial)	Climate Change
<u>EN17</u>	Other relevant indirect greenhouse gas emissions by weight	Climate Change

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PERFORMANCE INDICATORS	DESCRIPTION	SECTION
<u>EN18</u>	Initiatives to reduce greenhouse gas emissions and reductions achieved	Climate Change
<u>EN19</u>	Emissions of ozone-depleting substances by weight (partial)	Climate Change
<u>EN21</u>	Total water discharge by quality and destination (partial)	Water
<u>EN22</u>	Total weight of waste by type and disposal method (partial)	Minimizing Solid Waste
<u>EN26</u>	Initiatives to mitigate environmental impacts and extent of impact mitigation	Agriculture
<u>EN27</u>	Percentage of products sold and packaging materials reclaimed (partial)	Packaging
<u>EN28</u>	Monetary value of significant fines and number of sanctions (partial)	Compliance
<u>EN29</u>	Significant environmental impacts of transporting products	Climate Change

SOCIAL: LABOR PRACTICES AND DECENT WORK

<u>DMA LA</u>	Disclosure on Management Approach Labor	Talent Sustainability Management Approach
<u>LA3</u>	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employment Benefits
<u>LA7</u>	Rates of injury, occupational disease, lost days and work related fatalities (partial)	Occupational Health and Safety

PERFORMANCE INDICATORS	DESCRIPTION	SECTION
<u>LA8</u>	Education, Training, counseling, prevention and risk control programs to assist workforce members, their families, or community members regarding serious diseases	Occupational Health and Safety
<u>LA11</u>	Programs for skills management and lifelong training	Employment Benefits
<u>LA12</u>	Percentage of employees receiving regular performance and career development reviews	Employment Benefits
<u>LA13</u>	Composition of governance bodies and breakdown of employees (partial)	Employment Benefits

SOCIAL: HUMAN RIGHTS

<u>DMA HR</u>	Disclosure on Management Approach Human Rights	Human Rights Management Approach
<u>HR3</u>	Total hours of employee training on policies and procedures concerning human rights, including percentage employees trained	Human Rights
<u>HR10</u>	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments (partial)	Human Rights

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PERFORMANCE INDICATORS	DESCRIPTION	SECTION
SOCIAL: SOCIETY		
<u>DMA SO</u>	Disclosure on Management Approach Social	Human Sustainability Management Approach
<u>FP4</u>	Nature, scope and effectiveness of any programs and practices that promote healthy lifestyles; the prevention of chronic disease; access to healthy, nutritious and affordable food; and improved welfare for communities in need	Healthier Options
<u>SO3</u>	Percentage of employees trained for organization's anti-corruption policies and procedures (partial)	Anti-bribery and Anti-corruption
<u>SO5</u>	Public policy positions and participation in public policy development and lobbying	Public Policy and Political Engagement
<u>SO6</u>	Total value of financial and in-kind contributions to political parties	Public Policy and Political Engagement

PERFORMANCE INDICATORS	DESCRIPTION	SECTION
SOCIAL: PRODUCT RESPONSIBILITY		
<u>DMA PR</u>	Disclosure on Management Approach Product Responsibility	Human Sustainability Management Approach
<u>PR1</u>	Lifecycle stages in which health and safety impacts of products and services are assessed for improvement; percentage of significant products, service categories subject to procedures (partial)	Healthier Options
<u>FP5</u>	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards	Human Sustainability Management Approach
<u>FP6</u>	Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and sugars	Healthier Options
<u>FP7</u>	Percentage of total sales volume of consumer products, by product category sold, that contain increased fiber, vitamins, minerals, phytochemicals or functional food additives (partial)	Our Nutrition Portfolio
<u>FP8</u>	Policies and practices on communication to consumers about ingredients and nutritional information	Responsible Marketing and Advertising

PERFORMANCE INDICATORS	DESCRIPTION	SECTION
<u>PR3</u>	Type of product and service information required by procedures. Percentage of significant products and services subject to information requirements	Responsible Marketing and Advertising
<u>PR5</u>	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Responsible Marketing and Advertising
<u>PR6</u>	Programs for adherence to laws, standards and voluntary codes related to marketing communications	Responsible Marketing and Advertising