



PEPSICO

PERFORMANCE

WITH PURPOSE

Sustainability Report 2013

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PepsiCo Chile sustainability manager at a Rainforest Alliance-certified potato farm in Melipilla, Chile

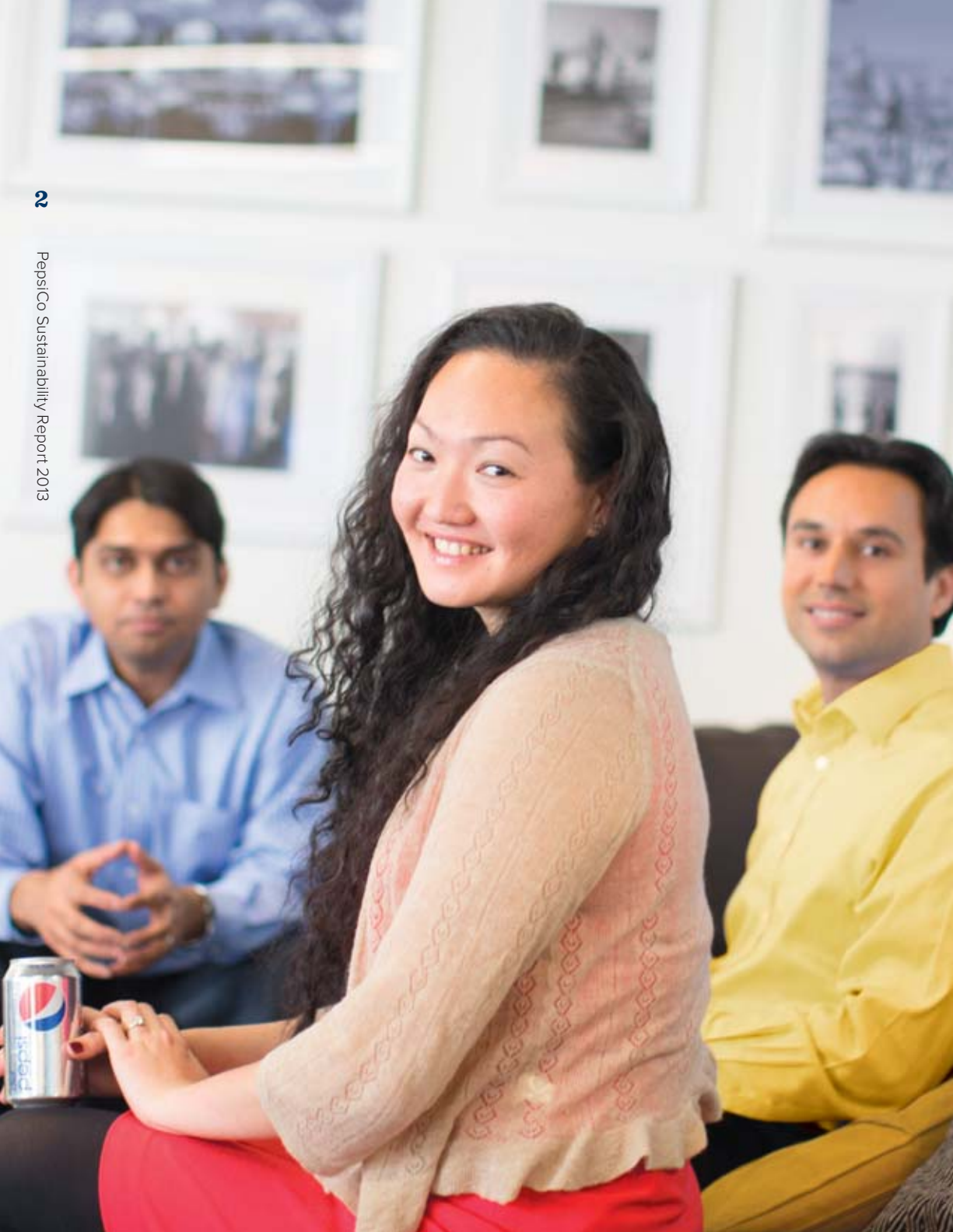
PERFORMANCE WITH PURPOSE

At the heart of PepsiCo is Performance with Purpose — our goal to deliver top-tier financial performance while creating sustainable value for all stakeholders.

In practice, Performance with Purpose means providing a wide range of foods and beverages from treats to healthy eats; finding innovative ways to minimize our impact on the environment and reduce our operating costs; providing a safe and inclusive workplace for our employees globally; and respecting, supporting and investing in the local communities where we operate.

Wherever we operate, Performance with Purpose is our guide. We believe that delivering for our consumers and customers, protecting our environment, sourcing with integrity and investing in our employees are not simply good things to do, but that these actions fuel our returns and position PepsiCo for long-term, sustainable growth.





Our Sustainability Reporting

PepsiCo is pleased to share the progress we've made in 2013 on our Performance with Purpose journey. This report outlines our sustainability goals and includes supporting data and examples of our efforts to achieve those goals.

Our companion Global Reporting Initiative (GRI) report provides greater detail on our 2013 sustainability activities. An index providing a comprehensive list of topics covered by the GRI report can be found in the GRI Index on pages 64–65.

Additionally, we regularly update the Performance with Purpose section of PepsiCo.com, as well as our corporate social media channels, with news and data regarding our sustainability efforts. Please follow us on Twitter @PepsiCo and on Facebook at <https://www.facebook.com/PepsiCo>.

Sustainability Governance

The Sustainability Task Force, chaired by the President of PepsiCo, leads our corporate sustainability strategy development, an integral part of our overall business objectives planning. This effort is executed in partnership with leadership teams who oversee the three focus areas of Performance with Purpose: Human,

Environmental and Talent Sustainability, and with the operational leads of each of our businesses. The leadership teams are responsible for developing strategy for each of the respective Performance with Purpose focus areas, driving implementation, and identifying and addressing issues and risks that are then communicated to the Sustainability Task Force for action. The Sustainability Task Force also regularly updates the Chairman and CEO along with the PepsiCo Executive Committee on sustainability stakeholder-related matters.

Materiality

PepsiCo conducted a formal assessment to identify those matters that are most important socially, environmentally and economically—both for our business and for our stakeholders. This assessment of “material aspects”¹ was conducted in accordance with the GRI Sustainability Reporting Guidelines, a widely used comprehensive sustainability reporting standard issued by the Global Reporting Initiative organization.

This process of prioritizing the topics we report on helps us to make a more direct link between our growth strategy and the societal challenges we face as a responsible company in order to deliver long-term, sustained growth. Throughout the year, PepsiCo regularly engages with our stakeholders on a wide variety of issues. We listen carefully to, and gather information and opinions from, our employees, shareholders, suppliers, the communities in which we operate, our retail service customers and consumers of our products, as well as from regulatory agencies and nongovernmental organizations (NGOs).

As part of this review, an internal team identified approximately 175 possible social, environmental and economic topics that could impact our business. We then prioritized those topics based on their importance to our business and to stakeholders. The results were used to select the topics covered in this report.

This list of topics may change from year to year based on updated materiality assessments. For further information about our materiality assessment and the full list of topics, see our companion GRI report.

Stakeholder Engagement

We count on our stakeholders across the globe to engage and partner with us on how we can continuously improve, innovate and adapt. This feedback is critical to our long-term success. We emphasize engagement at every stage of operations with all stakeholders, including consumers, customers, communities, employees, suppliers and investors. In 2013, we invested time and resources to evaluate and improve the mechanisms through which we engage stakeholder groups, develop partnerships and evaluate customer satisfaction. See the GRI report, page 20, for more information on this process. As always, we are deeply appreciative of all of our stakeholder partners who help us advance our sustainability goals in countless ways.

Comments

We welcome all comments and inquiries about this report through email at performancewithpurpose@pepsico.com.



**Dow Jones
Sustainability Indexes**

In 2013, PepsiCo was included on the Dow Jones Sustainability North America Index for the eighth consecutive year and on the Dow Jones Sustainability World Index for the seventh consecutive year.

¹ In this and our other sustainability reports, when we use the terms “material,” “materiality” or other similar terms, we are using such terms to refer to topics that reflect PepsiCo’s significant economic, environmental and social impacts or that substantially influence the assessments and decisions of stakeholders, or what the GRI Sustainability Reporting Guidelines define as “Material Aspects.” We are not using these terms as they have been defined by or construed in accordance with the securities laws or any other laws of the U.S. or any other jurisdiction or as these terms are used in the context of financial statements and financial reporting, and nothing in this report should be construed to indicate otherwise.

CEO LETTER



When I first articulated Performance with Purpose seven years ago, sustainability was often viewed as tangential to the business, or a program owned by a dedicated team. But PepsiCo has shown how a clear, focused sustainability agenda can be ingrained into a company's daily operations, be a powerful rallying cry among employees, drive strong performance and unlock shareholder value. Performance with Purpose is not a defined set of issues, a collection of goals or metrics, or something of interest only to a select set of stakeholders. It is quite simply the way all of us at PepsiCo do business to deliver sustained growth.

Performance with Purpose means just what it says. It is delivering results in the right way, in a sustained way. It means we live our values and do so in a way that fuels our performance. We like to think of it as the way we strive to “future-proof” PepsiCo.

Let me explain. Today, we are a \$66 billion company with products found in virtually every corner of the world. But even with our size, we see vast opportunity to grow and thrive in an evolving environment. As we do so, Performance with Purpose is our guide.

The corporations that win in today's competitive, resource-scarce and hyper-transparent world are those that create real value for society. They are those who see their success as inextricably linked to the success of the world around them.

That's why we see Performance with Purpose as the catalyst for our success. It's our contract with society, and it's also the driver of our innovation and our competitive advantage.



Let me give you some examples:

For a number of years, we have seen a shift by consumers to more nutritious products, a trend we believe is here to stay. Consumers are increasingly looking for foods and beverages that offer nutrition and convenience without sacrificing taste. Thanks to the range of products we offer and our world-class scientific capabilities, PepsiCo is in position to meet this need. In recent years, we have invested in our healthy snacks in the areas of baked grains, dairy, and hummus and fresh dips, and we have built up our non-carbonated beverage portfolio, including teas, juices, sports drinks and protein smoothies. At the same time, we continue to work on reducing sodium, saturated fats and added sugars across our portfolio. While in some respects, this has proven challenging, we are focused on doing more. To that end, we believe our aggressive investments in Research & Development will prove critical to meeting consumer demand, unlocking new growth streams and keeping PepsiCo strong for the long term.

We see Performance with Purpose as the catalyst for our success.

As the global population continues to grow, and the middle class expands, demand for finite natural resources is rising. Capturing efficiencies in our operations through innovation is an absolute necessity. In recent years, we have positioned our business for the future by doing just that. Water stewardship, in particular, is an area of intense focus for PepsiCo. Having already met our 2007 goal to improve water use efficiency by 20 percent with a 2006 baseline, we are now looking to set more challenging goals to minimize our water usage. And as a company that depends heavily on agricultural raw ingredients, our Sustainable Farming Initiative — which helps growers increase yields and improve social and economic conditions while decreasing environmental impacts — is vital to our success. We are pleased with, and proud of, our progress — but we are not satisfied.

Finally, competition for top-tier talent has never been as great as it is today. For PepsiCo to remain a leader that anticipates change in order to meet it, we need to be among the world's best at attracting and developing talent. Last year, we revitalized our PepsiCo University program, launching new skills and leadership trainings at every level of the company. We also champion diversity and inclusion within our teams globally. A more complex and fragmented marketplace requires a vibrant workforce armed with diversity of thought to meet the dynamic needs of our business and our world.

We continue to work toward our ambitious goals in all of these critical areas and recognize

that collaboration is the best path to innovative solutions and progress. If you have comments on this report and our Performance with Purpose journey, we welcome them via email at performancewithpurpose@pepsico.com.

While it gives me great pleasure to publish this sustainability report detailing our progress and accomplishments, in many ways it becomes more difficult with each iteration. It is becoming harder to answer the questions: Where do the sustainability issues begin and end? What distinguishes sustainability performance from financial performance? When does sustainable business become “business as usual?” At PepsiCo, they are one and the same. And we call it Performance with Purpose.



Indra K. Nooyi

Chairman and
Chief Executive Officer

ABOUT PEPSICO



PepsiCo products are enjoyed by consumers 1 billion times a day in more than 200 countries and territories around the world.

PepsiCo generated more than \$66 billion in net revenue in 2013, driven by a complementary food and beverage portfolio that includes Frito-Lay, Gatorade, Pepsi-Cola, Quaker and Tropicana. PepsiCo's product portfolio includes a wide range of enjoyable foods and beverages, providing choices for consumers. This balanced portfolio includes 22 brands that generate more than \$1 billion each in estimated annual retail sales.

Our categories are also uniquely complementary. The breadth of PepsiCo's food and beverage portfolio and the high coincidence of purchase between these two categories uniquely position us in the marketplace and to our customers and consumers worldwide. For example, in the U.S.,

54 percent of consumers who buy salty snacks buy a beverage in the same basket.² The logic of our combined food and beverage portfolio is clear: We sell products that are a natural fit.

In 2013, PepsiCo had nine of the top 50 new food and beverage product introductions across all measured U.S. retail channels.³

Our developing and emerging markets, a major investment area, continued to perform well despite significant volatility in key regions. As a group, our developing and emerging markets posted strong organic revenue growth in 2013, with particularly strong performance in China, Pakistan, Saudi Arabia, Mexico, Brazil and Turkey.⁴

Building from our positions of strength with four of the most important nutrition platforms and brands—Quaker (grains), Tropicana (fruits and vegetables), Gatorade (sports nutrition for athletes) and Naked Juice (super-premium juices and protein smoothies)—we continued to expand our portfolio of nutritious products across

multiple markets and unlock growth opportunities in new categories, such as dairy, hummus and other fresh dips, and baked grain snacks.

We employ approximately 274,000 associates around the world. In 2013, we were named among *Fortune's* World's Most Admired Companies for the sixth consecutive year, and named among the World's Most Ethical Companies for the seventh consecutive year by The Ethisphere Institute. PepsiCo also was included on the Dow Jones Sustainability North America Index for the eighth consecutive year and on the Dow Jones Sustainability World Index for the seventh consecutive year.

Our highly complementary portfolio and our best-in-class PepsiCo team delivered on, or exceeded, each and every one of the financial goals we announced to shareholders at the beginning of 2013. This includes PepsiCo's Cumulative Total Shareholder Return outpacing the S&P 500 in 2013 on an annualized basis by 170 basis points since the end of 2000.



² Source: IRI, household panel, multi-outlet, 52 weeks ending December 2013.

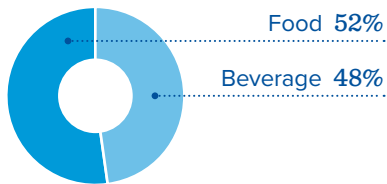
³ Source: IRI MULOC; based on estimated launch-year sales for innovations launched through June 2013.

⁴ Organic revenue is a non-GAAP financial measure that excludes the impact of acquisitions, divestitures and other structural changes and foreign exchange translation. In excluding the impact of foreign exchange translation, we assume constant foreign exchange rates used for translation based on the rates in effect for the comparable prior-year period. See page 65, "Reconciliation of GAAP and Non-GAAP Information," for a reconciliation of the most directly comparable financial measure in accordance with GAAP.

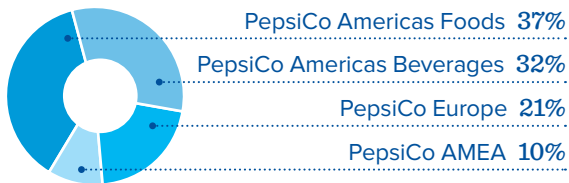
It all starts with Performance

2013 PepsiCo Financial Highlights

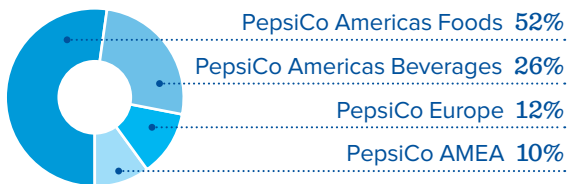
Mix of Net Revenue



Net Revenues



Division Operating Profit⁵

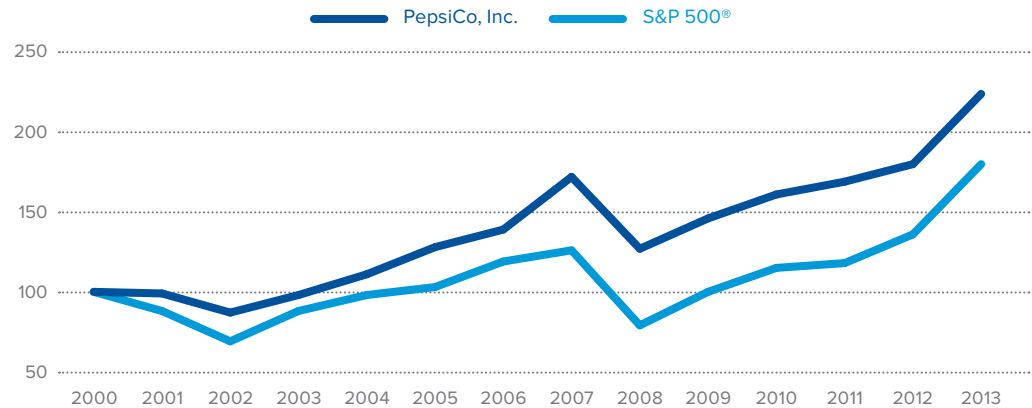


“Performance with Purpose is about how we make money, not how we spend the money we make.”

Indra K. Nooyi
Chairman and Chief Executive Officer

Cumulative Total Shareholder Return

Return on PepsiCo stock investment (including dividends) and the S&P 500[®]



	12/00	12/01	12/02	12/03	12/04	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13
PepsiCo, Inc.	\$100	\$99	\$87	\$98	\$111	\$128	\$139	\$172	\$127	\$146	\$161	\$169	\$180	\$224
S&P 500[®]	\$100	\$88	\$69	\$88	\$98	\$103	\$119	\$126	\$79	\$100	\$115	\$118	\$136	\$180

⁵ Division operating profit is a non-GAAP financial measure as it excludes the impact of corporate unallocated expenses. See page 65, “Reconciliation of GAAP and Non-GAAP Information,” for a reconciliation of the most directly comparable financial measure in accordance with GAAP.

OUR PERFORMANCE WITH PURPOSE GOALS

Our Performance with Purpose goals have guided our strategy and operations every step along our journey, and are integral to how we strive to “future-proof” PepsiCo for long-term success.

- We believe these goals help position PepsiCo for long-term, sustainable growth by aligning what is good for our business with what is good for society and the planet.
- Our goals will continue to evolve to adjust to changes in the external environment in which we operate.





Performance

Strive to deliver superior long-term financial performance and sustained shareholder value.

Human

Continue to refine our food and beverage choices to meet changing consumer needs by reducing sodium, added sugars and saturated fats, and developing a broader portfolio of product choices.

Continue to provide clear nutrition information on our products, and sell and market them appropriately to our consumers, including children, in line with our global policies and accepted global standards.

Environmental

Help protect and conserve global water supplies, especially in water-stressed areas, and provide access to safe water.

Innovate our packaging to make it increasingly sustainable, minimizing our impact on the environment.

Work to eliminate solid waste to landfills from our production facilities.

Work to achieve an absolute reduction in greenhouse gas (GHG) emissions across our global businesses.

Continue to support sustainable agriculture by expanding best practices with our growers and suppliers.

Talent

Create a safe, healthy, diverse and inclusive workplace that reflects the global communities in which we operate.

Respect human rights in the workplace and across the supply chain.





Grocery shopping for a balanced portfolio of PepsiCo products in Murcia, Spain

HUMAN SUSTAINABILITY

Our focus on Human Sustainability is reflected in our diverse portfolio of delicious foods and beverages, from treats to healthy eats.

At PepsiCo, we have always recognized the diversity of taste and consumer needs around the globe, whether it's foods and beverages with local flavors, "grab and go" convenience offerings, or the growing desire for great-tasting and nutritious products.

In 2009, we established ambitious targets for the reduction of sodium, saturated fats and added sugars in our key global brands. We remain steadfastly committed to these goals and believe we will ultimately achieve them despite some challenges affecting our rates of progress.

In snacks, we remain focused on improving the nutritional profile of key brands while increasing the baked and whole grain products that we offer. In beverages, we added new low- and zero-calorie choices and continue to work to reduce added sugars in key brands. We

continue to expand our portfolio of nutritious products across multiple markets to unlock growth opportunities in new product categories, such as dairy, fruits and vegetables, hummus and other fresh dips, and baked grain snacks. We are also accelerating our research and technology investments in the development of low- or no-calorie sweetener alternatives.

PepsiCo believes we have a role to play in helping to address some of the world's most pressing public health challenges, including nutritional imbalances, obesity and other lifestyle-related diseases, especially among children. We remain actively engaged in the global dialogue on health and wellness and are working in close partnership with governments, nutrition and health experts, NGOs, academics and our peers to address the changing needs and desires of our consumers.

The Healthy Weight Commitment Foundation (HWCF) is a powerful example of our commitment to making a difference. The organization brings together a network of more than 255 retailers, food and beverage manufacturers, restaurants, sporting goods and insurance companies, and trade associations to help reduce obesity, especially childhood obesity. For example, the Together Counts™ program is an HWCF public education campaign that has raised awareness about the importance of achieving an active, healthy lifestyle with nearly 15 million U.S. students.

PepsiCo and the PepsiCo Foundation contributed a total of \$4 million to support HWCF programs through 2013 and will continue

to support this exceptional organization. In 2014, the Robert Wood Johnson Foundation released an independent evaluation finding that the 16 food and beverage companies that are members of HWCF had reduced 6.4 trillion calories from the marketplace in 2012 compared to 2007 in the U.S. This achievement well exceeded their commitment to collectively reduce 1.5 trillion calories from the food supply by 2015. This reduction equates to 78 calories per person per day in the U.S.

The HWCF calorie-reduction achievement is proof that business, government and NGOs working in partnership can make a significant difference in tackling obesity.

Product Choice

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Goal: Continue to refine our food and beverage choices to meet changing consumer needs by reducing sodium, added sugars and saturated fats, and developing a broader portfolio of product choices.

Trends such as a desire for convenient, functional nutrition, local and natural ingredients, and better-for-you snack and beverage options have firmly taken hold and will continue to accelerate around the world. We anticipated these trends early on with the acquisitions of Tropicana, Quaker and Gatorade, and have taken significant actions to balance our portfolio of offerings.

For the past five years, we have been working to deliver great-tasting snacks with lower levels of sodium and saturated fats and delicious beverages with fewer or no added sugars.



Physical activity event sponsored by the Healthy Weight Commitment Foundation

Like many other companies, we used our first round of goal-setting to set stretch commitments, in order to inspire activity and assure that we took action to identify challenges we face on our journey. We remain steadfastly committed to these reductions in added sugars, saturated fats and sodium, and believe we will ultimately be successful despite challenges affecting our rates of progress.

In our last report, we added a calculation of tonnage removed, using the standard methodology employed by HWCF. While a global average per-serving reduction metric provides a macro view of our progress, we believe that

sharing market-level data gives stakeholders a better understanding of where our efforts are taking hold, and so both are used in this report.

We are continuing to work toward our ambitious reduction goals in sodium, saturated fats and added sugars, even though progress, in some areas, is slower than we would like.



Human Sustainability Goals

Our Human Sustainability goals are as follows:

- Reduce the average amount of saturated fats per serving in key global food brands, in key countries, by 15 percent by 2020, against a 2006 baseline.
- Reduce the average amount of added sugars per serving in key global beverage brands, in key countries, by 25 percent by 2020, against a 2006 baseline.
- Reduce the average amount of sodium per serving in key global food brands, in key countries, by 25 percent by 2020⁶, against a 2006 baseline.

⁶ This goal was reset to 2020 after strategic review of sodium-reduction progress. See page 17 for a full discussion.



PepsiCo offers three distinct product portfolios

Good-for-You

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

Better-for-You

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

Fun-for-You

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

The U.S., U.K.,
China and Turkey
have already met
our 2020 goal of a

15%

reduction in saturated
fats in key global
brands in key markets,
as compared to the
2006 baseline.



Saturated Fat

We've made progress in the past five years since declaring our ambitious goal of reducing saturated fats in our products. PepsiCo teams in the U.S., the U.K., China and Turkey have met our goal of a 15 percent reduction in saturated fats in key global brands in key markets, as compared to the 2006 baseline. We've also been an industry leader in eliminating nearly all trans fats from our U.S. product portfolio and many of our global products.

On a global average per-serving basis, we have reduced saturated fats by approximately 3 percent compared to the 2006 baseline. In 2013, we removed more than 2,100 metric tons of saturated fats from key global brands in key markets as compared to 2006. One challenge to meeting our saturated fats reduction goal is higher volume growth in developing and emerging markets where healthier oils are less accessible and more costly, which has slowed progress against our reduction goal. We continue to monitor our progress closely and are aggressively exploring healthier oil options in our developing and emerging markets.

We are seeing tremendous potential to expedite our progress with changes in how we produce our products and the oil we use. For example, in the U.S., we have reduced the saturated fats content of Lay's and Ruffles by 45 percent and 34 percent, respectively, since 2006, by switching from cottonseed oil to a blend of sunflower and other oils.

In addition, we're exploring new technologies, such as air popping, to provide lower-fat options. In 2013 and early 2014, we successfully created three air-popped potato chip products with the launch of Walkers Pops in the U.K., Smith's Popped in Australia and Lay's Air Pops in the U.S. Air-popped chips have a crispy and crunchy texture with half the fat of regular potato chips.

These innovations in production, recipes and technology are a testament to our commitment to transformative research and development, as we look to reduce saturated fats in consumers' diets without compromising the great taste they associate with our products. We believe additional breakthrough innovations are well within our reach in the coming years as we continue to make progress toward our reduction goal for saturated fats.



In 2013, we launched three air-popped potato chip products with Walkers Pops in the U.K., Smith's Popped in Australia and Lay's Air Pops in the U.S.



Pepsi-Cola Products Philippines associate at a bottling plant in San Fernando, the Philippines

Added Sugars

PepsiCo remains committed to bringing balance to our beverage portfolio by increasing the options for low- or zero-calorie beverages in key global markets. Offering our products in small portion sizes and providing clear calorie labeling also helps our consumers manage their calories and make informed choices.

In 2013, through the introduction of new products, as well as volume shifts for key brands in our portfolio, we removed approximately 402,000 metric tons of added sugars from our total beverage portfolio in North America (U.S. and Canada) as compared to 2006. Reducing added sugars in key global brands has continued to be challenging, but we are making progress in places such as Russia, Brazil, Saudi Arabia, the U.K. and Canada. In 2013, the U.K. launched Trop50, with 50 percent less sugar than regular Tropicana, and Russia launched Lipton Ice Tea with 30 percent less sugar than regular Lipton Ice Tea. PepsiCo Mexico reduced sugar in both Mirinda and Manzanita Sol by 25 percent per serving.

Our commitment to reduce added sugars continues to be challenging because of consumer preference and a global trend away from existing diet sodas. Consumers in many major markets are demanding natural alternatives to low-calorie sweeteners and, as a result, we have accelerated our research and technology investments to address this

demand. Sweeteners naturally low in calories, such as stevia, are becoming increasingly available. For example, Pepsi Next in Australia, France, Canada and the Netherlands is made with stevia, and is a step toward achieving a meaningful reduction in added sugars.

We continue to explore ways to reduce added sugars through flavor modifiers and sweetener alternatives. We believe this research will yield new innovations in the coming years that hold tremendous promise toward meeting consumer desire for tasty beverages and foods that are better for you.

In 2013, PepsiCo Mexico reduced sugar in Mirinda by

25%
per serving



Sodium

In 2013, we reduced sodium per serving by approximately 9 percent and removed more than 1,700 metric tons of sodium from key brands in key global markets as compared to 2006. In 2013, we removed nearly 3,900 metric tons of sodium from our total foods portfolio in key global markets compared to our 2006 baseline.

We have made progress on all of our goals. However, we have more work to do to meet our sodium-reduction goal. We believe that we will be successful, but that it will take more time than originally anticipated. As a result, we have extended the deadline to 2020, which is in line with target dates for reductions in saturated fats and added sugars.

We are also committed to supporting the World Health Organization's (WHO) sodium-reduction strategies called for in the WHO Global Action Plan for the Prevention and Control of Noncommunicable Diseases 2013–2020, and we continue to work toward further sodium reduction in our products.

To that end, we have achieved noteworthy success in sodium reductions in individual markets. For example, in China and the U.K., we already met the 25 percent sodium-reduction target compared to our 2006 baseline. PepsiCo Brazil, Canada, Mexico and Russia have each achieved more than 10 percent sodium reduction in key brands compared to their respective 2006 baselines. These countries have taken the lead globally in our sodium-reduction efforts and set the example for what is possible as we look to leverage our global scale and integrate their best practices.

We continue to prioritize the reduction of sodium in our flavored products and, in 2013, Mexico reduced sodium in six different products across our Cheetos, Doritos, Tostitos and Fritos brands. Sodium reductions in these six products range from 5 to 38 percent. Since 2011, Saudi Arabia has reduced sodium in 12 products across Lay's, Cheetos and Tasali potato chips. In Russia, we achieved a 34 percent reduction in the sodium content of Cheetos since 2006. The sodium in Doritos Nacho Cheese was reduced by 31 percent per 40-gram serving as a result of a two-year European R&D project involving two preferred PepsiCo suppliers challenged with developing a new seasoning.

These accomplishments were made possible, in part, through advances in manufacturing technology and innovative recipes that have allowed us to maintain the great flavors our consumers expect while reducing sodium levels in our products. We continue to explore sodium-reduction opportunities with additional investments in R&D to uncover tools and processes that will aid in our efforts.

- 34%

reduction in the sodium content of Cheetos in Russia since 2006



Broadening Our Portfolio through R&D Innovation

We know consumers want great-tasting products, in convenient forms, at prices they can afford. Our innovation aims to address taste, price and convenience. Every product we create is the result of extensive work in the test kitchen by our chefs, product developers and nutritionists on texture, aroma, taste, form, value and nutrition.

For example, to increase whole grains in the Malaysian diet, Quaker Malaysia introduced Quaker Oats for Rice, which contains seven times more fiber than white rice and three times more than brown rice. Quaker Oats for Rice is specially made to be cooked with rice, a staple of the Malaysian diet, and is easy to prepare. It is also high in protein, iron, magnesium and vitamin B12.

We are positioning our business to take advantage of the growing health and wellness trend, especially the consumer desire for more protein-enhanced or -fortified products. As we continue to develop more offerings that include protein, we are building on our existing expertise and knowledge in yogurt, hummus, oats and nuts. In other areas, such as sports nutrition, Gatorade and the Gatorade Sports Science Institute continue to study new and innovative ways to help athletes improve

performance through proper hydration and nutrition. In 2013, Gatorade Recover Whey Protein Bars were introduced in the U.S. to aid muscle recovery after exercise.

In the past year, Quaker has launched a major protein platform across breakfast and snacks, including Instant Quaker Oatmeal, Soft Baked Bars and Breakfast Shakes. These products offer tasty, wholesome and convenient breakfast and snack options.

In addition, Quaker continues to build on its whole grain platform with new products that satisfy the growing consumer demand for convenient and nutritious grains. In 2012, PepsiCo introduced Quaker Real Medleys Oatmeal in the U.S., pairing Quaker Oats with

chunks of real fruit and nuts in a portable and portion-controlled cup. Inspired by the success of Real Medleys Oatmeal, we introduced Quaker Real Medleys Bars and Quaker Real Medleys Cereal in the U.S. in 2013.

Another example of how we are expanding our portfolio to meet consumers' desire for nutrition and protein is our 2012 joint venture with Theo Müller Group. In 2013, Muller Quaker Dairy introduced 16 new protein-rich yogurts to the U.S. Muller Quaker Dairy is now the fifth-largest yogurt manufacturer in the U.S. and was named as one of the most successful consumer packaged goods brands in 2013.



Our joint venture with the Strauss Group has expanded our portfolio of nutritious products with Sabra protein-rich hummus, as well as Sabra spreads, dips and salsa. Sabra all-natural Greek Yogurt Veggie Dips have 67 percent fewer calories and 88 percent less fat than the leading sour cream dips.

In the U.S., Tropicana launched three new flavors of Farmstand 100 percent juice that include one serving of fruit and one serving of vegetables per 8 ounces. Similarly, Naked Juice introduced the Chia Sweet Peach and Chia Cherry Lime flavors, which include chia seeds, often described as a “superfood” rich in omega-3 oils, antioxidants, protein and fiber, as well as the Kale Blazer with green vegetables.



Naked Juice’s “Drink Good. Do Good” campaign donated more than

150,000

pounds of fresh fruits and vegetables to local U.S. communities in 2013.



For this campaign, Naked Juice teamed up with Wholesome Wave, a nonprofit organization dedicated to improving access to and affordability of produce in underserved urban and rural communities across the U.S.



PepsiCo procurement manager at a blueberry farm in Prosser, Washington



Quaker oats manufactured at a plant in Porto Alegre, Brazil

Responsible Marketing

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Goal: 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.

Nutritional Labeling

As a global company with iconic brands that millions of consumers enjoy every day, we understand that it is important to communicate responsibly and transparently about our products. It is our goal to provide clear nutrition information on our products, and in many geographic markets our nutrition labeling practices go beyond local requirements, with additional information to support consumer choice.

Advertising

We sell and market products appropriately to our consumers, including children, and adhere to our global policies and accepted global standards.

Our global responsible marketing policies require us to:

- Provide key nutrition information on our packaging to support consumers' informed dietary decisions;
- Ensure that only products that meet our strict science-based nutrition criteria are advertised to any audience made up of more than 35 percent children under the age of 12; and
- Direct sales to schools that focus on water, juice, milk and low-calorie beverages to support healthy nutrition habits among students.

Children are a special audience and, at PepsiCo, we take care to support parents and caregivers in making appropriate decisions for their children. As a result, PepsiCo has taken several important steps to ensure that we are employing responsible practices. In 2012, we strengthened our Responsible Advertising to Children Policy to state that we will not buy advertising in programs with an audience profile of greater than 35 percent children under the age of 12. This policy change was fully implemented at the end of 2013.

As verified by Accenture, in globally representative markets such as Russia, China, Colombia, Malaysia, Saudi Arabia, South Africa, Thailand and six countries in the E.U., we achieved 99 percent compliance with our Responsible Advertising to Children Policy. Additionally, we achieved 100 percent compliance with our Advertising to Children Pledges in the U.S. and Canada, as verified by the Children's Food & Beverage Advertising Initiative in the U.S. and by Advertising Standards Canada, respectively.

We continue to strengthen our labeling policy, which goes beyond legal requirements. As of March 2014, PepsiCo achieved over 96 percent compliance with this goal in representative markets, up from 91 percent in 2012.



Encouraging Physical Activity

We know that good nutrition is only part of maintaining optimal health. Along with maintaining a balanced diet, physical activity is one of the best ways to stay healthy and fit. PepsiCo supports greater physical activity, especially with our youth. Through numerous grants and partnerships outlined in the following sections, PepsiCo and the PepsiCo Foundation have enabled many people, especially children, to engage in physical activities. Through our partnership with the Healthy Weight Commitment Foundation, we have supported a number of initiatives aimed at promoting physical activity. These include a public education campaign, Together Counts™, and a Healthy Schools Partnership program aimed at providing healthier nutrition options and raising awareness of the energy-balance approach in schools. Finally, some of PepsiCo's major brands, including Gatorade, sponsor countless sporting events, races and other athletic competitions of all sizes and scopes, from sponsoring teams at the New York City Marathon to sponsorship of the TransRockies Run.



Quaker is a strategic partner of Fuel Up to Play 60, the largest in-school wellness program in the U.S.

Since 2011, Quaker has been a strong supporter of the GENYOUth Foundation, which was founded through an unprecedented public-private partnership with the National Dairy Council and the National Football League and aims to nurture children's health and wellness in schools. GENYOUth collaborates with students, schools, communities, business partners and thought leaders to identify ways to improve children's nutrition and physical activity.

Quaker supports GENYOUth through their flagship program, Fuel Up to Play 60, the largest in-school wellness program in the U.S. The program encourages physical activity in schools through a variety of integrated marketing campaigns, including the program's first-ever national retail presence using co-branded displays. In addition to consumer-facing programs, Quaker also sponsors and participates in GENYOUth's annual Nutrition and Physical Activity Learning Connection Summit, which convenes leaders from the private and public sectors along with Fuel Up to Play 60 ambassadors to discuss innovative solutions to reverse the child health crisis. At the 2014 summit, the PepsiCo Foundation announced a grant of \$550,000 to further support this partnership.

In 2013, PepsiCo and the Asian Football Development Project continued their strategic partnership designed to encourage women and young people across Asia to play a greater role in society through football-focused activities. The strategic partnership, under the theme "Kick for Hope," highlights the opportunity to use football activities to encourage health and well-being, as well as social development. The partnership will provide activities in more than 40 Asian countries, with a special focus on the Middle East and India.

In September 2013, Aquafina joined U.S. First Lady Michelle Obama and the Partnership for a Healthier America to support the "Drink Up" water initiative, designed to encourage Americans to stay hydrated by drinking more water. As the official water of the National Football League and Major League Baseball, Aquafina plans to leverage its strong relationships with premier sports properties to further encourage hydration. The brand is also exploring on-pack promotion and social media support to drive further awareness of this campaign.





PepsiCo Chile safety coordinator inspecting photovoltaic solar panels at a snacks plant in Cerrillos, Chile

ENVIRONMENTAL SUSTAINABILITY

Environmental Sustainability is our goal to find 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 materials.

• We believe that multinational corporations, especially food and beverage companies, will continue to be challenged by increasing water scarcity, uncertainty in global resources, and impacts on the agricultural system due to climate change, such as extreme weather. These, along with input cost increases, price volatility in energy and key food commodities, saturation of landfills, and cost increases in packaging materials, will intensify the need for environmental sustainability to be incorporated into business and functional plans.

• This has long been a priority at PepsiCo, and in 2013 we strengthened our performance with continued reductions in energy use, water use, waste, and greenhouse gas (GHG) emissions. We also advanced innovations in packaging

and sustainable agriculture, and improved performance in overall productivity and plant efficiency.

One of the keys to our success remains our numerous partnerships with business, academia and NGOs, which allow us to address global and local challenges around the world. We are actively involved in the United Nations Global Compact, the World Business Council for Sustainable Development, the 2030 Water Resources Group, The Sustainability Consortium, the World Resources Institute, the Beverage Industry Environmental Roundtable and many other multi-stakeholder groups on these issues.

Resource Conservation



A cogeneration facility where we convert local landfill gas to energy at the Tropicana plant in Ft. Pierce, Florida

PepsiCo's Resource Conservation (ReCon) program empowers employees to identify and deliver efficiencies in energy, water and waste. ReCon includes customized online site audit and metrics tools that allow us to track where and how a resource, such as energy or water, is being used in our operations. We utilize the program to apply global best practices; identify water, GHG and solid waste reduction opportunities; and implement techniques on a global scale. ReCon continues to drive energy efficiency and cost savings for the business. In 2013, there were more than 80 ReCon initiatives at sites around the world that identified approximately \$15 million in savings.

In 2009, we commissioned a major 2030 Future Scenarios project with the U.K.-based sustainable development organization Forum for the Future to help develop scenarios of environmental and health risks and opportunities over the next two decades. In 2013, we refreshed that work with Forum for the Future, in addition to conducting the materiality assessment mentioned earlier in this report. We are active contributors to and advocates of the World Business Council for Sustainable Development's Vision 2050 and Action 2020 program, a program by business for business that aims to move from "business as usual" to a world where 9 billion people will be able to live well within the constraints of the planet.

We are proud of our achievements to date and of our leadership in environmental sustainability, but we have much more to do in the coming years. We will continue to incorporate the best ideas and practices from our stakeholders and partners from around the world as we position our company to deliver strong, long-term financial performance while protecting resources for tomorrow.



ENVIRONMENTAL SUSTAINABILITY

Our Alvalle brand of gazpachos and other cold soups made with fresh, locally grown vegetables was recognized by France's leading supermarket, Leclerc, to be part of its prestigious "responsible consumption" initiative. Leclerc evaluates its products on 60 criteria, covering ingredients, manufacturing, transportation and packaging. Alvalle was recognized for the fact that 90 percent of its vegetables are grown within 200 kilometers of its Murcia, Spain production facility.

Using PepsiCo's ReCon program, Alvalle achieved significant reductions in overall energy and water use in 2013.



Production line for Alvalle in Murcia, Spain

Water



Goal: Help protect and conserve global water supplies, especially in water-stressed areas, and partner to provide access to safe water.

For the last three years, the World Economic Forum's Global Risk Report has identified water supply crises as among the world's top five risks. With agriculture accounting for approximately 70 percent of global water use, water is one of the most important resources for the food and beverage industry. It is often the industry's most-used resource, with significant up-front costs to buy and downstream costs to treat after use. Our food business relies heavily on water to help grow and process the agricultural goods that are the basis for the majority of our products. At an operational level, we rely on water for energy transfer and sanitation, as do our suppliers.

Our progress in this area continues to be recognized. For example, in 2012 we were honored to receive the Stockholm Industry Water Award and the U.S. Water Prize. In 2013, we were awarded the Corporate Climate Adaptation Award from the Notre Dame Global Adaptation Index (ND-GAIN) for our water-reduction approaches with precision agriculture (like i-crop and the application of drip irrigation).

In 2013, PepsiCo renewed our commitment to water stewardship with the public commitment to "help protect and conserve global water supplies, especially in water-stressed areas, and provide access to safe water." This is operationalized through five water stewardship imperatives, underpinned by our public recognition of water as a fundamental human right, and includes: (1) water efficiency improvement in our direct operations; (2) extending conservation to our supply chain, particularly agriculture; (3) pursuing integrated watershed management;

(4) partnering to provide community access to safe water; and (5) public water advocacy and engagement.

PepsiCo and the PepsiCo Foundation are proud of having helped, through its partnerships, 3 million people gain access to safe water, and having since doubled the goal to 6 million by the end of 2015. Advocating for sustainable solutions to water insecurity is critical, and PepsiCo works with many stakeholders toward common objectives.



Drip irrigation at a PepsiCo partner farm in China

Wastewater Treatment

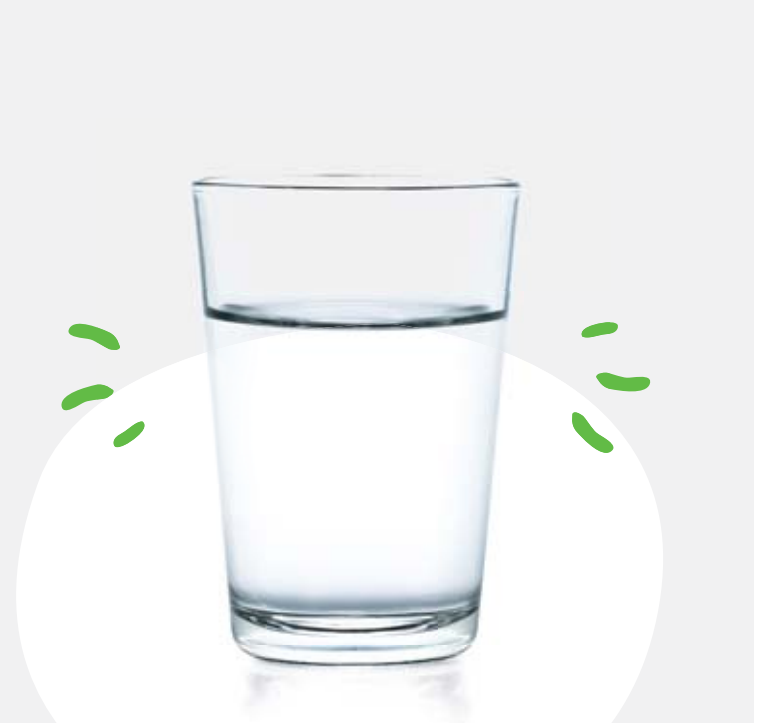
Reducing our water use upstream of and within our operations is only one part of our approach to water stewardship. An equally important aspect is how we treat water once we have finished using it in our operations. Our aim is to reuse as much of our treated process water as possible through recovery and reuse systems that enable the return of safe and clean water to the communities where we operate.

Our ReCon platform and our Treated Water Efficiency Tool enable beverage plants to optimize their water treatment systems, and together have saved an estimated \$640,000 and reduced water consumption by more than 200,000 cubic meters per year in our U.S. beverage operations.

Wastewater treatment at our snack plants in Colombia, Chile, Mexico, Australia and the U.S. all employ a “total systems” approach to treating and conserving water. These systems apply a combination of technologies including membrane bioreactors, reverse osmosis, systems to reduce water hardness and chlorine levels, UV disinfection, and sand and carbon to purify the water and remove residual color. These technologies enable us to produce potable water for reuse in the snacks production lines, and serve as an example for the entire industrial sector.



Rainwater recycling reservoir at the Tropicana plant in Ft. Pierce, Florida





PepsiCo Turkey environmental, health & safety manager testing treated wastewater in Suadiye, Turkey

Water Stewardship and Efficiency

We continually strive to improve our operational efficiency, with a particular focus on water-stressed locations. We also work with suppliers, especially farmers, to help them reduce their water use and increase resilience against water shortages, flooding and other environmental challenges.

It is essential that we treat water as a limited resource by optimizing our water use through greater efficiency, innovative processes and new technologies. As water is inherently local, we are working on specific solutions for watersheds where we operate, in order to ensure that water is available to local communities and to PepsiCo for the long term.

14B

In 2013, our operational water efficiency programs achieved estimated water flow savings of more than 14 billion liters ...

... which translated to cost savings of nearly

\$15MM.



For the past several years, PepsiCo India has established community water projects in support of the Positive Water Balance initiative. These programs have resulted in the creation of water harvesting and recharge potential of more than 5 billion liters of water across five states. 2009 was a landmark year for us when PepsiCo India achieved “Positive Water Balance” status, a fact verified by Deloitte Touche Tohmatsu India Pvt. Ltd. PepsiCo India has been water positive each year since 2009, including 2013. Positive water balance is achieved by returning more water than is used to manufacture our product through in-plant conservation, agricultural initiatives such as direct seeding of paddy rice and drip irrigation of potatoes and recharging water in communities around our manufacturing facilities.

PepsiCo Jordan began its own positive water journey in 2012, with projects including construction of dams for rainwater harvesting, leveraging brands to launch a community water-awareness campaign, and installing a treatment unit to render a non-potable water source compliant with Jordanian drinking water regulations.

At PepsiCo Asia-Pacific, our Thailand Foods and Beverages businesses are facilitating the installation of 500 check dams on the Mae-Teeb stream, which is part of the Kuang River. Check dam construction is one solution that helps preserve natural water, especially in the rainy

season, by slowing down runoff speed and reducing soil erosion. By encouraging better solutions for managing the watersheds in areas where we operate, we help to ensure sustainable supply and the availability of better quality water to local communities. During 2013, a total of 300 check dams were constructed. This included 20 integrated check dams that were successfully installed by 88 PepsiCo Thailand volunteers, including management and associates, who collaborated with officials from the Makhuae Subdistrict, local government agencies and villagers.



Members of the PepsiCo Thailand senior leadership team volunteering at a check dam project, Lamphun Province, Thailand

Access to Safe Water

PepsiCo was among the first companies of its size to recognize water as a basic human right. 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. As part of our holistic approach to water stewardship, we support access to safe and clean water programs across the globe.

In 2007, we set a goal to form partnerships to provide 3 million people around the world with access to safe water by 2015. Through careful research and consultation with stakeholders, PepsiCo and the PepsiCo Foundation established six partnerships that cover a diverse spectrum of complementary solutions to the global water crisis. These partners are the Columbia Water Center at the Earth Institute of Columbia University; the Safe Water Network, for which the PepsiCo Foundation was an inaugural partner; the Inter-American Development Bank; the China Women's Development Foundation; Water.org; and the 2030 Water Resources Group.

We announced in 2013 that we had exceeded our goal and have subsequently doubled this goal to partner to provide access to safe water to an additional 3 million people (6 million in total) globally by the end of 2015.



PepsiCo and the PepsiCo Foundation have been partners with Columbia Water Center (CWC) at the Earth Institute of Columbia University since 2008. During this time, CWC has developed, tested and delivered solutions to water scarcity around the world.



These projects have included development of low-cost tensiometers that help small-holder farmers in India apply the correct amount of water to their crops and innovative water allocation plans that helped provide access to safe water to more than

4MM 

people in Brazil.



Providing the residents of Pedra Fina, Brazil with access to safe water through our partnership with Columbia Water Center at the Earth Institute of Columbia University

Water Advocacy

There are many ways in which businesses can contribute to shared societal objectives. Direct financing, volunteerism and provision of skills-based services are just a few. Another important method is by leveraging the strength and reach of a multinational corporation in advocacy for sustainable solutions to water insecurity. PepsiCo does this through many channels, including our active participation as a founding member of the Water Leadership Group of the World Business Council for Sustainable Development; Board participation in the U.S. Water Alliance; early and continued leadership in the Beverage Industry Environmental Roundtable; and participation by PepsiCo's Chairman and CEO, Indra Nooyi, in the Governing Council of the International Finance Corporation's 2030 Water Resources Group and on the board of the Latin America Conservation Council of The Nature Conservancy, which actively pursues solutions to water insecurity in key cities across Latin America.

For World Water Day in 2013, the PepsiCo Foundation sponsored the State of the Planet Conference with CWC, with a focus on water security. PepsiCo executives participated in that conference and in the America's Water in a Global Context conference with Columbia University the same day. Also, PepsiCo participated in and sponsored the documentary film *Water Pressures*, which follows a group of Northwestern University students from the U.S. as they come to know the water crisis firsthand in Rajasthan, India.

WaterHope



Manila, the Philippines

WaterHope, funded by our business in Asia-Pacific, is a social enterprise that empowers disadvantaged communities by building water stations to provide safe, clean and affordable water to thousands of people each day. WaterHope was established through a partnership between PepsiCo and the Wholistic Transformation Resource Centre (WTRC), a Filipino humanitarian and development organization. In 2013, we opened the eighth WaterHope station in the Philippines and the first in Vietnam. WaterHope stations provide local residents with the opportunity to improve their livelihoods by becoming water dealers and setting up micro-enterprise water dealerships to buy and sell water to people in their neighborhoods. Attached to each WaterHope station is a community center that provides social development programs such as dental, medical and legal clinics, as well as daycare centers for young children who might otherwise be left home alone while their parents work. From 2007 to 2013, WaterHope Philippines provided clean drinking water to more than 1.5 million individuals.

Packaging, Recycling and Waste Reduction

Goal: Innovate our packaging to make it increasingly sustainable, minimizing our impact on the environment.

We are researching new ways to package and deliver our products to minimize our impact on the environment. We have made advances in sustainable packaging across each major phase of the life cycle of a package, from raw material production to package fabrication, distribution transport, post-consumer disposal and recycling.

Our Global Sustainable Packaging Policy outlines our goal to strive for the smallest possible environmental footprint while still meeting the value, cost and performance criteria expected from consumers and customers. Our Sustainable Packaging Council, a multidisciplinary team that includes leaders from our R&D, Innovation, Procurement, Operations, Sales and Marketing, and Public Policy groups, shares best practices across PepsiCo and drives our packaging policy and efforts.



PepsiCo associate with 100-percent recyclable 89-ounce ePET bottles at the Tropicana plant in Ft. Pierce, Florida

In 2010, PepsiCo began to study and develop a detailed Life Cycle Analysis (LCA) of PepsiCo's U.S. beverage packaging. Our analysis resulted in a ground breaking level of detail for how we source, process and manage packaging material. Our ongoing LCA efforts have found that lightweighting and using food grade recycled polyethylene terephthalate (rPET) in packaging, sustained by increased recycling of PET containers, are effective techniques for reducing environmental impacts. We also have pinpointed areas, such as material components or processes, where changes would be most beneficial for reducing our energy use, water consumption or emissions. In the coming years, we believe these efforts will lead to identifying more and more pathways for PepsiCo to minimize our environmental impact.

As we work toward incorporating LCA into more of our products and packaging, we are seeking a technological breakthrough to reduce the amount of our packaging that is sent to landfills at the end of its life cycle. For example, we have ongoing work streams examining how to make our pressure-sensitive labels and shrinkwrap labels more recycle-friendly and, ultimately, fully recyclable.

Tropicana's 89-ounce extruded PET (ePET) bottle is the first clear-handle design in the chilled juice category that is

100%

recyclable.



Recycled content

PepsiCo was the first and only major consumer packaged goods (CPG) company to incorporate post-consumer recycled content into its PET, beginning in 2004. Since 2004, we have been incorporating, on average, up to 10 percent post-consumer rPET in our primary soft-drink containers in the U.S.



For their efforts in the bottle's design, PepsiCo's Advanced Research team won a 2013 PepsiCo Academy of Sciences Award in the science and technology category.

Naked Juice is the only nationally distributed beverage brand that uses

100%

post-consumer recycled PET in its bottles.



Lightweighting

One key element of our packaging strategy involves ongoing research to develop packaging that is lighter in weight without compromising quality and safety. Initiatives to reduce packaging include lightweighting, film downgauging, bag optimization, reducing carton size and much more. For example, around the world, we are working to adjust the equipment used to seal our food bags so that we can reduce the size of the seal flap. By reducing seal size and right-sizing a number of primary packaging items, Frito-Lay North America was able to eliminate more than 11 million pounds of flexible film packaging, equivalent to 6.5 billion 1-ounce single-serve bags in 2013.

In 2013, we completed a system conversion to transition some of our Gatorade multi-packs to lighter-weight secondary packaging. This change resulted in a reduction of nearly 39 million packaging pounds on an annualized basis.

Next-Generation Materials

PepsiCo has enjoyed a competitive advantage globally in the area of packaging, and particularly in plastics.

Our advanced R&D teams are assessing several promising options to incorporate next-generation materials into our bottles and food packaging, including bio-based bottles made from agricultural waste and next-generation compostable films.

In 2013, PepsiCo Russia partnered with the Forest Stewardship Council (FSC) and the packaging specialist Tetra Pak to introduce the first FSC-certified packaging in Russia.

Recycling

In 2010, PepsiCo set a goal of partnering to increase the U.S. beverage-container recycling rate to 50 percent by 2018, a shift that would capture billions of containers and significantly reduce carbon emissions. Since launching our recycling program, beverage-container (aluminum, PET, glass) recycling rates for the major container materials used by American Beverage Association (ABA) members, including PepsiCo, have increased by 8 percentage points, from 34 to 42 percent, as measured by the ABA. In 2013, we invested in the operation and delivery of our recycling programs, increasing the total amount of material recycled to more than 18 million pounds and 324 million containers since 2010. In Canada, 7UP bottles are made with 100 percent post-consumer recycled plastics, making them the first-ever 100-percent post-consumer-content bottle for a carbonated soft drink.

We see recycling as not only the right thing to do for our planet but also as a competitive advantage. In partnership with our customer Kum & Go, we launched a recycling program to address the lack of on-the-go recycling options. In 2013, we piloted a recycling-at-the-pump program with 47 Kum & Go locations in the greater Tulsa, Oklahoma area. The program placed recycling bins next to fuel pumps to allow easy and accessible recycling opportunities for consumers. This test program resulted in diverting 6,000 pounds of waste from landfill in 2013.

In April 2014, PepsiCo and the PepsiCo Foundation were proud to join Walmart and the Walmart Foundation, along with 15 other leading companies, in announcing plans to launch a recycling initiative called the Closed Loop Fund, which intends to make recycling available throughout the U.S. The Fund plans to invest \$100 million in recycling infrastructure projects and increase private and public funding for transforming the U.S. recycling system.

PepsiCo has received a perfect score of

100%

on the packaging section of the Dow Jones Sustainability Index for the past four years.



PepsiCo's recycling-at-the-pump containers at a Kum & Go in greater Tulsa, Oklahoma



PepsiCo Turkey agro manager with all-natural fertilizer made from waste potato products in Adapazari, Turkey

Waste Reduction

GOAL: Work to eliminate solid waste to landfills from our production facilities.

We continue to make investments to conserve energy and raw materials, reduce waste in our facilities, recycle containers, use renewable resources and optimize package design to use fewer materials.

As part of our commitment to reducing waste, we've been reusing our Frito-Lay North America shipping cartons multiple times for decades. In doing so, we avoid purchasing nearly

300,000

new cartons annually ...



In 2013, nearly 93 percent of total waste generated by more than 280 company-owned manufacturing facilities was put to beneficial use, such as recycling or reuse; only 7.2 percent was disposed of through more traditional methods, such as landfills. In 2013, PepsiCo's landfill elimination efforts enabled us to avoid \$3 million in landfill costs, while increasing revenue from recyclable and reusable materials diverted from landfills. Globally, 22 manufacturing facilities achieved the goal of zero waste sent to landfill and 48 have achieved near-zero waste sent to landfill.

In 2012, a new ReCon landfill elimination initiative was launched in our South American, Mexican and Asian businesses to drive further reduction of waste sent to landfill. Through the first two years of implementation, this initiative has identified more than \$3 million in additional cost savings.

... and reduce CO₂ emissions in our Frito-Lay North America fleet equivalent by almost

45,000

gallons of gasoline every year.



Greenhouse Gas Emissions

GOAL: Work to achieve an absolute reduction in greenhouse gas (GHG) emissions across our global businesses.

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

As a result of our focus on using less energy and employing alternatives to carbon-based fuels for power and for our fleet, total direct (Scope 1) and indirect (Scope 2) GHG emissions for legacy operations in 2013 were 4,139,000 metric tons of CO₂ equivalents. This is essentially flat as compared to 2008 and represents a decrease of 2 percent versus 2012. This performance against the 2008 baseline year was achieved despite production volume growth of approximately 9 percent for foods and approximately 17 percent for beverages.⁷



42 facilities across PepsiCo have achieved LEED certification.

Increasing our energy efficiency is a critical element of our GHG emissions reduction strategy. Together, PepsiCo's energy efficiency programs and initiatives have helped PepsiCo's overall U.S. operations to achieve an improvement in energy efficiency of 4 percent for 2013 as compared to 2012. This was led by a very strong 9.6 percent improvement in energy efficiency from our beverage business and a steady 1.4 percent improvement from our food business unit.

Another element of our strategy has been to increase efficiency in our fleet and distribution and logistics functions. With more than 280 electric vehicles, Frito-Lay North America continues to own one of the largest commercial fleets of all-electric delivery trucks in the U.S. It also has 208 compressed natural gas trucks on the road, which represent approximately 20 percent of our Over-the-Road fleet.

⁷ This goal and these results apply to legacy operations as they existed in 2008, excluding major mergers and acquisitions and adjusting for divestitures.

In addition, PepsiCo relies on rail as a greener alternative to road vehicles. For example, Tropicana has been shipping its premium orange juice in refrigerated rail cars for more than 40 years. This reliable rail network now handles approximately 15,000 boxcar loads per year, which translates to an approximately 3:1 truck-to-rail conversion, thus drastically reducing GHG emissions by taking trucks off the road. We use three rail networks that originate in Bradenton, Florida, and travel to California, Ohio and New Jersey, respectively, delivering a high level of service and predictability to our distribution centers. In addition to Tropicana, the trains carry Naked Juice, Gatorade, Aquafina and Starbucks Frappuccino. In an effort to ensure that these trains return to Florida full of products as opposed to transporting empty space, we have been collaborating with other companies since 2005 to fill boxcars. We offer discounted rates to other companies in need of transportation for their raw materials and products.

The logistics fleet in the U.K. has reduced travel by more than three million miles since 2008. The U.K. team has achieved this through transport collaboration with retail partners and the introduction of innovative trucks, which have proved both cost-effective and environmentally friendly. In 2014, we plan to add 25 longer trailers to our fleet, allowing for an estimated additional 400,000 miles saved by the end of the year.

Frito-Lay North America has more than
280
electric vehicles, one of the largest all-electric delivery truck fleets in the U.S.



In 2013, PepsiCo received the U.S. Environmental Protection Agency ENERGY STAR Partner of the Year — Sustained Excellence Award for the sixth consecutive year



Alternative Energy

The year 2013 was a stellar one for PepsiCo in the advancement of innovative alternative energy solutions. Whether through landfill gas, solar power, or rice and oat hull biomass boilers, we are proud of the strides made in utilizing alternative energy sources that are helping to reduce our reliance on traditional energy sources. With this, we are lowering our environmental impact, saving money and creating best practices to share across PepsiCo.

There are a number of PepsiCo plants turning operational waste into energy for our facilities. Our snacks plant in Kolkata, India has dramatically increased the percentage of renewable energy it uses from 10 to 70 percent. This increase was achieved by using rice hulls (from a supplier) as a renewable energy source to cook potato chips and utilizing the snack plant's waste heat as the energy source for on-site chillers, making it the first time these specific innovative solutions have been used within PepsiCo.

Since 2011, PepsiCo Brazil has been using oat hulls produced in the manufacturing process as a fuel source for the boilers at its Quaker plant in Porto Alegre. This program has resulted in a 41 percent reduction in total energy use at the plant since 2010. It also has redirected 1,440 tons per year of oat hull waste that otherwise would have been disposed of and reduced fossil fuel and natural gas usage by 456,000 cubic meters at the Porto Alegre facility.

In early 2014, PepsiCo's Tolleson facility in Arizona launched a new solar photovoltaic system that converts the sun's rays into as much as 1.7 megawatts of clean electricity capacity. The electricity is channeled into the facility's substation to help power the manufacture and distribution of PepsiCo products such as Gatorade, SoBe, Propel and Lipton Iced Tea. At the 900,000-square-foot distribution center (a separate facility), more than 5,600 flat solar photovoltaic panels adorn the roof, which can generate more than 3 million kilowatt hours annually—enough electricity to power

approximately 200 average Arizona homes for an entire year—or 10 percent of the electricity used by the entire Tolleson facility each year. The photovoltaic project has produced approximately 900,000 kilowatt hours per year since its installation in 2008. Our commitment to solar projects extends to other large installations in Modesto, California; Casa Grande, Arizona and elsewhere.

We are proud of these achievements and hope to replicate these innovative best practices across the globe in the coming years.



Using oat hulls to fuel a boiler at the Quaker plant in Porto Alegre, Brazil

Sustainable Agriculture

GOAL: Continue to support sustainable agriculture by expanding best practices with our growers and suppliers.

Whether oats for Quaker, potatoes or corn for Frito-Lay, or oranges for Tropicana, we're a company that depends on agriculture across our food and beverage businesses. The majority of our raw materials, in terms of dollar spend, come directly from agriculture.

Agriculture represents more than 70 percent of the world's water use, 20 to 30 percent of global greenhouse gas emissions, and 40 percent of global employment. Implementing sustainable farming practices thus represents a huge opportunity.

These statistics are an important reminder of the critical need to advance sustainable farming practices throughout the world. Sustainable agriculture is a major focus for PepsiCo to help secure our supply chain, reap productivity advantages and enable future growth.

Sustainable Farming Initiative

The PepsiCo Sustainable Farming Initiative (SFI) is designed to encourage both PepsiCo and our growers to operate in ways that reduce environmental and social impacts while maintaining economic viability at the farm level.

The SFI was developed as a standard to guide our suppliers in sustainable practices and provide them with resources, training and support to meet our standard across the three pillars of sustainability: social, economic and environmental. The SFI is unique in covering all three pillars, as many standards focus solely on environmental issues. We have worked with industry partners Validus, LLC and Business for Social Responsibility to collaborate on a standard that works for any farm, any crop, anywhere. We also have made the guidelines easy to use, and importantly, are working with other companies to cross-honor each other's standards, recognizing that time needed to fill out paperwork is time away from farming.



The SFI was piloted in 2011 and 2012 across 14 countries and officially rolled out in 2013 across the U.S., the U.K., Brazil, Chile, Argentina and Mexico. The SFI has been successfully implemented on a wide variety of farms — from smallholder to large agribusinesses, which reflects the diversity of our supply chain.

The SFI has currently been deployed across 300,000 acres in North America, encompassing our potato and corn suppliers, and our pledge with Walmart, our largest customer, is to extend this to reach 500,000 acres by the end of 2016.

The SFI will continue to expand into PepsiCo's ever-growing agricultural-based supply chain. For example, a Dairy Sustainable Farming Initiative is under development for use on farms within our dairy supply chain. We intend to launch this program in 2015.

Responsible Sourcing

In early 2014, PepsiCo rolled out a new Land Policy with zero tolerance for illegal activities in our supply chain and zero tolerance for land displacements of any legitimate land tenure holders. This policy built on the previously established policies and programs that existed in the areas of supplier conduct, sustainable agriculture and environmental health and safety.

This Land Policy complements the PepsiCo Supplier Code of Conduct, which is part of the contracting process with suppliers and addresses the areas of labor practices, associate health and safety, environmental management and business integrity.

Sustainable certification for ingredients

PepsiCo continues to leverage third-party expertise to help meet our environmental sustainability goals.

For instance, PepsiCo is a member of Bonsucro, a global nonprofit dedicated to reducing the environmental and social impacts of sugar cane production while recognizing the need for economic viability. PepsiCo is working with Bonsucro and other relevant stakeholders to evaluate certification standards that can help the company meet a goal of 100 percent sustainable cane sugar by 2020.



PepsiCo global procurement technician using a soil moisture probe at a potato farm in Bancroft, Wisconsin

In 2013, we increased our sourcing of certified sustainable agricultural raw materials from both Rainforest Alliance- and Fairtrade-certified sources. In Chile, 100 percent of our potato growers and 100 percent of our seed growers are certified to the Rainforest Alliance standard. Our partnership with Unilever on Lipton includes sourcing 100 percent Rainforest Alliance-certified tea. In addition, the bananas and pineapples used in our Naked juices also carry the Rainforest Alliance seal.

A number of our products are also certified to the Fairtrade USA standard. We have a Fairtrade-certified supply chain for our Near East Quinoa Blends, and in 2013 Naked Coconut Water became one of the first Fairtrade-certified coconut waters to be sold in the U.S.

Sustainable palm oil

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

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

- Sourced exclusively through suppliers who are members of RSPO;
- Confirmed to have originated from responsible and sustainable sources;
- In compliance with our Forestry Stewardship Policy, which includes adherence to the following principles:
 - Compliance with applicable legal requirements of each country in which we operate and from which we source;
 - No further development on High Carbon Stock (HCS) Forests or High Conservation Value (HCV) Forests;
 - No new conversion of Peatlands; and
 - Adherence to the Free, Prior, and Informed Consent (FPIC) Principles as defined and outlined in the PepsiCo Land Policy.



In 2013, we increased our sourcing of certified sustainable agricultural raw materials from both

RAINFOREST ALLIANCE

and

FAIRTRADE CERTIFIED

sources.



Sustainable Coconut Production



São Mateus, Brazil

In São Mateus, Brazil, we have entered into a partnership with one of our coconut suppliers, Regon Group, to send processed effluent from the wastewater treatment plant at our facility to a neighboring farm to be used for irrigation and as fertilizer. The treated wastewater contains large amounts of nutrients, especially potassium, beneficial in coconut farming. To ensure the quality of the treated effluent, PepsiCo and our supplier monitor both the effluent as well as the soil of the farm, through a specialized laboratory. The farm also uses crushed coconut, a waste by-product of the extraction of coconut water, as ground cover on the farms. In addition to providing nutrients, this cover protects soil against weeds and prevents excessive water evaporation.



Women who might not otherwise have gainful employment have found meaningful jobs at our plantain supplier in Belen de Umbria, Colombia through our partnership with Aspabel, a local farm cooperative.

TALENT SUSTAINABILITY

Talent Sustainability is our goal to provide a safe and inclusive workplace globally and to respect, support and invest in the local communities where we operate.

Every product we sell originates from the talents of our people. We are privileged to employ some of the world's best and brightest across our full spectrum of capabilities and roles, from the front line to the boardroom. We also are rated consistently as one of the world's best companies to work for. Recognition like this does not occur on its own. Rather, it requires constant nurturing and investment. Our Talent Sustainability mission has always been focused on building human capital to effectively compete and succeed for the future.

PepsiCo's strength is our diversity. We believe a workplace that values different perspectives helps build a culture of inclusion and employee engagement, fosters creativity and fuels innovation. We strive to place the very best people in the right positions at the right moment to maximize their potential and to grow the company from within. Over the past decade, we have seen sustained improvement in both employee commitment

and satisfaction results, as measured by our Organizational Health Survey—a testament to our continued focus on making PepsiCo a great place to work.

PepsiCo is proud to take an active role in our associates' professional and personal development. In 2013, we redoubled our efforts in talent development and improved the quality of the training that we offer employees. In addition to offering professional training in disciplines such as Finance, R&D, HR and Procurement through function-specific colleges, we revamped PepsiCo University with a focus on developing the leadership skills and mindsets necessary to address the challenges our business will face in the years to come. Our courses develop leaders at multiple levels of the organization, from first-time managers to senior executives. More than 6,200 associates completed a training course in our Leadership College in 2013.

Building an Inclusive Culture

GOAL: Create a safe, healthy, diverse and inclusive workplace that reflects the global communities in which we operate.

Today, diversity has never been more vital to our success. As we face new challenges in an increasingly complex world, we rely on a diverse team of individuals to drive our business forward. Their unique perspectives are what allow us to understand local consumers in more than 200 countries and territories, and create foods and beverages that appeal to local tastes. Diversity of thought and experience is precisely what gives us valuable strategic insights, fuels our product innovation and helps us to attract the best talent.

Our core values and guiding principles set the framework for our sectors and markets to pursue diversity and inclusion with passion and energy, tailoring our efforts to make them locally relevant. We believe that embedding diversity efforts in our businesses and demanding local ownership of the results have been integral to building a workplace that is inclusive of all and respectful of differences.

We passionately believe in equality for all, that every person matters, and that each and every one of our associates around the world brings something unique and special to the PepsiCo family. As a global company, PepsiCo takes care to respect the diversity, talents and abilities of all, everywhere we operate.

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

In our 2013 Organizational Health Survey,

89%

of our professional and executive respondents said they are proud to work for PepsiCo, which is well above a respected cross-industry benchmark.



Growing the Number of Women Leaders

We strive to increase the number of women leaders within PepsiCo through recruiting and development initiatives around the world. Our teams are stronger whenever and wherever women are present.

To guide us on this journey, PepsiCo is an endorser of the United Nations Women's Empowerment Principles—Equality Means Business. The Principles offer insight to companies with regard to empowering women in the workplace, marketplace and community.

The *Pinnacle Group*, launched in 2011 in the U.S., is a strong example of our efforts to grow the number of female leaders. The *Pinnacle Group* was created as a way to increase retention of PepsiCo female sales talent, and strengthen and diversify our future leadership pipeline. The program selects female sales associates with strong performance records and provides them with career development, leadership training and mentoring opportunities with senior sales leaders. In three years, the *Pinnacle Group* has led to an increase in the number of women and retention of the best talent in sales.

Developing a Diverse Supplier Base

Our commitment to diversity extends to economic development of new suppliers to our company. Through our Supplier Diversity program, started more than 30 years ago, we create opportunities for minority- and women-owned businesses through an annual spend of approximately \$1.3 billion. In 2011, we created the Supplier Diversity Governance Council, an internal body to identify and develop new business opportunities for diverse suppliers.

Our Supplier Diversity Program includes direct purchases from minority- and women-owned businesses, engagement of non-diverse primary suppliers, and active involvement and leadership of PepsiCo executives in various organizations like the National Minority Supplier Development Council (NMSDC), Women Business National Enterprise Council (WBENC),

U.S. Hispanic Chamber of Commerce (USHCC), and the U.S. Pan-Asian American Chamber of Commerce (USPAACC).

In 2014, PepsiCo was named Outstanding Corporation of the Year by the Women Presidents' Educational Organization (WPEO) for our commitment to supplier diversity.



Women in Finance: PepsiCo is known to have an award-winning, best-in-class finance function, one that has fostered talented women in a field where men traditionally dominate. Pictured here are Hugh Johnston, Chief Financial Officer (fourth from right), and his leadership team.



Health & Safety

One of our top priorities is the safety, health and well-being of our associates around the world. We aim to support and sustain a culture of safety within PepsiCo, striving for an incident-free workplace. The total lost-time injury rate (LTIR) across PepsiCo from 2011 to 2013 decreased by 47 percent.

In 2013, all company-owned plants were assessed against PepsiCo's global Health and Safety program, and, following completion of the audit, each plant developed an improvement action plan. In addition, 65 plants are OHSAS 18001-certified by independent consultants, and 31 facilities in the U.S. are part of the Occupational Safety and Health Administration Voluntary Protection Program, the industry standard for health and safety.

As an example, PepsiCo Australia and New Zealand (ANZ) has made tremendous improvements in lowering their key health and safety risks thanks to the use of Safety Leadership Journals. The journals include monthly safety topics, safety tips, posters and other tools to make it easier to identify key risks, positive behaviors and hazards. These resources better enable managers to talk about safety and to incorporate it into daily operations. These efforts helped to deliver a 62 percent reduction in PepsiCo ANZ's LTIR between 2012 and 2013 and an overall reduction in injuries of 28 percent. In addition, PepsiCo ANZ conducted more than 13,500 Safety Walk inspections and delivered approximately 19,000 hours of safety training.

PepsiCo associate at a distribution center in Perth, Western Australia

The lost-time injury rate (LTIR) across PepsiCo has been reduced by

 47%


from 2011 to 2013.



PepsiCo-sponsored 5K run/walk at the Out & Equal Workplace Summit in Minneapolis, Minnesota

Health & Wellness

Our global wellness strategy is designed to engage employees and their families in developing and sustaining healthy behaviors to improve their overall quality of life. To support employee wellness, PepsiCo provides on-site health and wellness activities and services in more than 90 percent of markets (with 50 or more employees) worldwide, with the goal of reaching 100 percent of markets (with 50 or more employees) worldwide by 2016. 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. Our wellness efforts are branded “Healthy Living” and are focused on eating healthy, getting moving and living well. We remain committed to wellness at PepsiCo and continually examine ways to enhance the program to keep it innovative and effective.

 90%

PepsiCo provides on-site health and wellness activities and services in more than 90 percent of markets.





Worker at a potato farm in Mae Sot, Thailand

Respecting Human Rights

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GOAL: Respect human rights in the workplace and across the supply chain.

Respect for human rights underpins Performance with Purpose and is critical to our future success. In 2008, PepsiCo joined the United Nations Global Compact, committing to implement its fundamental principles on human rights, labor, environment and anticorruption. In 2012, we also endorsed the UN Guiding Principles on Business and Human Rights.

In 2009, PepsiCo published its Human Rights Workplace Policy to establish the rights of all PepsiCo associates to personal security; a safe, clean and healthy workplace; and freedom from harassment or abuse of any kind. PepsiCo does not tolerate discrimination and works to ensure equal opportunity for all associates.

In 2012, PepsiCo heightened its attention to issues related to human rights, both within our own operations and our supply chain, when we formed a Human Rights Operating Council. The Council is a global, multifunctional group with the goal of ensuring that our company's policies, practices, training and disclosures meet the expectations outlined in the UN Guiding Principles on Business and Human Rights.

The Council includes representatives from Human Resources, Procurement, Operations, Legal, Risk Management, Sales, Public Policy, Corporate Compliance and Ethics, and Communications—all of the areas within PepsiCo that have a role in ensuring we respect the rights of those who participate in the production of PepsiCo products, including our employees and those who work in our supply chain. While we have made significant progress to ensure human rights are respected across PepsiCo, we recognize that we do not have all of the answers to these complex challenges, and we will continue to engage with stakeholders on this critical issue.

Governance & Ethics

In everything we do, we strive for honesty, fairness and integrity. We expect that governance, risk, and compliance and ethics matters are always top of mind for everyone at PepsiCo. This expectation applies without exception to all members of our Board of Directors, each of our senior leaders and every one of our employees. Our relentless pursuit of excellence in how we conduct our business starts with a commitment at the top, is supported by an integrated and collaborative governance framework, and is cascaded throughout our organization through continual communication and training on best practices in governance, risk management, and compliance and ethics.

We have been recognized by a number of external bodies for translating our policies on governance and ethics into action. In 2014, we were named among Ethisphere's World's Most Ethical Companies for the eighth consecutive year, and we were honored as having the "Best Governance, Risk and Compliance Program at a Large-Cap Company" at the New York Stock Exchange Governance Services' inaugural Governance, Risk & Compliance Leadership Awards. In 2013, we were recognized by *Corporate Secretary* magazine as having the "Best Overall Governance, Compliance and Ethics Program (Large Cap)."

Global Code of Conduct Training

Our Global Code of Conduct applies to every employee, officer and director of PepsiCo; to our subsidiaries; and to those joint ventures over which we have management control. Each year we conduct an annual worldwide Global Code of Conduct Training and Awareness program that reaches all levels of associates throughout all our businesses across the globe. The Code has been translated into more than 30 languages to make it more accessible to our global employee base. In 2013, more than 65,200 salaried employees completed an online training course and more than 100,000 frontline employees in our plants and warehouses received in-person Code of Conduct training.

In 2014, for the eighth consecutive year, we were named among the World's

MOST ETHICAL


 The logo features the words "MOST ETHICAL" in a blue, hand-drawn, sans-serif font. To the right of the word "MOST" are three blue curved lines, resembling a smile or a stylized graphic element.

Companies by Ethisphere.

Supplier Code of Conduct

As a part of its ethics and governance strategy, PepsiCo established a Supplier Code of Conduct, which is available in 25 languages and appears in our procurement contracts globally. Throughout 2013, PepsiCo conducted enhanced Supplier Code of Conduct training with more than 100 key agricultural suppliers and other third parties, including our North American corn and potato growers, our North American co-packers and a major Brazilian citrus grower. In January 2014, we rolled out Supplier Code of Conduct training online in six languages on www.pepsico.com. Strategic suppliers critical to our business are required to complete the online training in 2014, and we will track their progress to ensure the requirement is met. In January 2014, 400 Global Procurement associates were trained in our Supplier Code of Conduct strategy and in how to communicate training requirements to our suppliers.



WaterHope employee distributing clean water in Taguig City, metro Manila, the Philippines

GLOBAL CITIZENSHIP

Our Global Citizenship efforts seek to engage our employees in community projects and initiatives that make a positive difference in the places where we live and work.

Our activities are focused on advancing our Performance with Purpose goals in Human, Environmental and Talent Sustainability, and on serving as a good neighbor by providing humanitarian assistance, volunteer help and disaster relief to communities in need.

The diverse initiatives we support strengthen our relationships with the communities we serve while presenting unique opportunities to develop our employees' skills and experience. By leveraging the power and scale of PepsiCo and the PepsiCo Foundation, we can do our part on issues of global concern such as combating hunger, improving educational opportunities and increasing access to clean, safe water. This work helps build stronger societies and also helps to build stronger businesses.

PepsiCo and the PepsiCo Foundation engage with the global community through grant making, volunteer projects and in-kind donations to encourage healthy lifestyles and improve availability of affordable nutrition; provide ongoing humanitarian assistance and immediate disaster response; provide access to clean, safe water and water conservation; enhance sustainable agriculture; enable job readiness; and empower women and girls.

Combating Hunger

Our approach to combating hunger is to work within disadvantaged communities to provide healthy meals for at-risk families. When families start their day with a healthy meal, they are much more likely to succeed in school or at their place of employment.

PepsiCo's *Food for Good* initiative is a social enterprise within the company that utilizes PepsiCo's logistics, delivery vehicles, warehouse facilities and management skills to make nutrition accessible for low-income families in the U.S. The program was started 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. In partnership with government agencies and local nonprofit organizations, PepsiCo delivers free, nutritious meals to, and sponsors fun physical activities for, underserved children when they are out of school and therefore do not have access to government-subsidized meals. In 2013 alone, *Food for Good* provided 1 million meals and 4.1 million servings of grains, dairy, fruit and vegetables to children across Dallas/Fort Worth, Houston, Austin, Little Rock and Detroit.

PepsiCo is engaged in a long-term strategic partnership with Feeding America. In September 2013, more than 1,700 PepsiCo associates at 52 locations across the U.S. took part in the company's fourth annual National Day of Service to help fight hunger with Feeding America and its partner food banks. In just one day, PepsiCo volunteers packaged an estimated 705,000 meals worth of food for those in need in local communities. Through this important work and the donation of cash and products, PepsiCo helps Feeding America reach nearly 40 million people annually. PepsiCo and the PepsiCo Foundation further provided a combined \$125,000 and 400,000 pounds of donated food products to 17 food banks.

We also support The Global FoodBanking Network in many locations, including Australia, Russia and Hong Kong. PepsiCo Russia is one of the leading supporters of FoodBank Russia. In 2013, PepsiCo Russia partnered with the Russian FoodBanking Network, enabling it to deliver more than 2,000 tons of donations, through approximately 50 local NGOs, to 180,000 beneficiaries in underserved communities.



Since 2009, *Food for Good* has served more than

2.5MM

meals across Dallas/Ft. Worth, Houston and Austin, Texas; Little Rock, Ark.; and Detroit, Mich.

In just one day, PepsiCo volunteers with Feeding America packaged an estimated

705,000

meals worth of food for those in need.

Our U.K. team partners with Magic Breakfast to help children in school by alleviating hunger. Thanks to this partnership, which is supported by our Quaker and Tropicana businesses, about 8,500 children in the U.K. begin their school day with a nutritious breakfast.

PepsiCo Netherlands has continued its partnership with the World Food Programme (WFP) to combat hunger in Benin through the school meals program. The school meals program was set up by WFP to provide school children with at least one wholesome meal per day, thereby preventing malnutrition, increasing the number of school-age children attending class and improving the ability of children to concentrate on their lessons. In 2013, PepsiCo Netherlands donated the cash equivalent of 1 million school meals to further the success of the school meals program in Benin.



Young beneficiary of PepsiCo's *Food for Good* program

Students participating in a vocational training initiative at the Centre of Excellence for Business Skills Development within the Yangon Institute of Economics in Yangon, Myanmar

Promoting Education

In communities where we operate around the world, we are spearheading education initiatives that are investing in the lives of the next generation. We are incredibly proud of our global efforts in this area. Here are just a few highlights of our global education efforts.

In 2012, PepsiCo in the Asia-Pacific region entered into an agreement with UNESCO on a series of vocational training initiatives in Myanmar, for which we are receiving strong support from the Myanmar Ministry of Education. The program, which is the first public-private partnership of its kind in Myanmar, unites PepsiCo, UNESCO and the Myanmar Ministry of Education in their aim to help university graduates and unemployed youth enter the commercial workforce. In 2013, through this partnership, PepsiCo and UNESCO established the Centre of Excellence for Business Skills Development within the Yangon Institute of Economics, which is designed to provide vocational and business workplace training to two groups of 30 students at a time, enrolling a minimum of 240 students over a 12-month period. In addition, UNESCO, working with the RMIT University, developed the business skills curricula and training materials for this program, designing them especially to meet the needs of the Myanmar labor market. The



Supporting Volunteerism

Centre, scheduled to open in 2014, will support Myanmar's development, empower its people and strengthen the workforce as PepsiCo looks to expand its business there in the future.

Diplomas Now, a groundbreaking approach to supporting high-need schools, serves some 31,000 mainly African-American and Latino-American students in 14 U.S. cities, partnering with many of the most challenged school districts to increase high school graduation and college matriculation rates. The PepsiCo Foundation, the founding corporate investor and driving force behind the growth and impact of *Diplomas Now*, has provided \$12.1 million over six years to this program, and announced in May 2014 an additional \$5 million commitment.

Now in its ninth year of full PepsiCo funding, the *Tomooah Saad Abdul-Latif Education Program* has helped approximately 25,000 students with access to education across Lebanon, Jordan and Egypt. In Jordan and Lebanon, nearly 3,000 students were able to either start or continue their education. In Egypt, since 2007 more than 22,000 students have gained access to primary education and 110,000 of their family members have received food supplies from the United Nations World Food Programme through PepsiCo funding and support.

Whether individually or in teams, helping out in simple ways or working to solve complex problems, PepsiCo associates are making a meaningful difference in the diverse communities in which they live and work. PepsiCorps, a program created by a group of associates with the sponsorship of PepsiCo Chairman and CEO Indra Nooyi, is an example of how the company supports the passion of our employees to make a positive difference. PepsiCorps is a one-month, international immersion experience that gives associates a chance to apply business skills to help address global societal challenges.

In 2013, the PepsiCorps Brazil team put its professional skills to work to help address the real-world challenge of sustainable agriculture in Afogados da Ingazeira, Pernambuco. Following this successful deployment, a PepsiCorps team traveled to South Africa in 2014 to focus on projects involving sustainable agriculture and empowering women and girls.



Members of the PepsiCorps Brazil team supporting sustainable agriculture in Afogados da Ingazeira, Pernambuco, Brazil



Enjoying the gift of light made possible by PepsiCo's Liter of Light program in Malabon City, metro Manila, the Philippines

Disaster Relief & Humanitarian Support

PepsiCo and the PepsiCo Foundation provide funds for disaster relief to communities in need, working with best-in-class partners, including the American Red Cross, Save the Children, Give2Asia and, when possible, with our existing local partners.

In November 2013, Tacloban, a city in the southern Philippines, was plunged into darkness in the aftermath of Typhoon Haiyan, one of the world's strongest tropical typhoons. The PepsiCo Foundation quickly donated \$1 million to disaster relief agencies, including the Red Cross. In addition, since 2011, PepsiCo Philippines, in partnership with the MyShelter Foundation, has given the gift of light via the PepsiCo Liter of Light program, which reuses plastic bottles to light homes without electricity. By attaching a solar panel to LED lights in bottles, the bottle lights can be used as streetlamps or portable torches that can provide up to 10 hours of light. To date, Pepsi Liter of Light has installed 190,000 bottle lights in 95,000 homes and donated 800 solar-powered night lamps and 33 streetlamps.

With the success of the Liter of Light program in the Philippines, PepsiCo is helping spread the program to other countries. In Colombia, Pepsi sponsors Liter of Light in alliance with A Liter of Light Foundation Colombia, the government and PepsiCo's local bottler. To date, approximately 1,500 volunteers have installed bottled lights in more than 1,000 houses benefiting more than 5,200 people.

Partnering in the Community

PepsiCo and the PepsiCo Foundation have supported the Congressional Hispanic Caucus Institute (CHCI) since its inception through more than \$4.4 million invested to develop the next generation of Latino-American leaders. PepsiCo also is engaged in a longstanding partnership with the League of United Latin American Citizens (LULAC), the oldest and most widely respected Hispanic civil rights organization in the U.S.

PepsiCo is a founding member of the Executive Leadership Council (ELC), a national organization for current and former African-American CEOs and senior executives at Fortune 500 and equivalent companies. Since 1986, ELC has worked to build an inclusive business leadership pipeline and to empower African-American corporate leaders to make significant contributions in the global marketplace and in their communities.

Additionally, PepsiCo has been a longstanding partner of the Congressional Black Caucus Foundation, a public policy research and educational institute founded to improve the socioeconomic status of African Americans and other underserved populations by developing leaders, informing policy and educating the public.

PepsiCo is committed to supporting veterans of the U.S. armed services as they transition into civilian life. In January 2014, the PepsiCo Foundation announced a \$1 million grant to the Bob Woodruff Foundation, a national nonprofit organization dedicated to supporting post-9/11 injured service members, veterans and their families, and the caregivers and communities that support them. The Bob Woodruff Foundation will use the PepsiCo Foundation grant to launch a nationwide *Veterans Helping Veterans* initiative, which helps service men and women transition to civilian life and reconnect with their communities.

In 2013, PepsiCo
Citizenship contributions
totaled more than
\$100MM.*

*This figure includes contributions from the PepsiCo Foundation, corporate and division contributions and division estimated in-kind donations.



Participants at the Executive Leadership Council's Annual Recognition Dinner and Mid-Level Managers' Symposium in Washington, D.C.

CELEBRATING PROGRESS

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As we move forward in our Performance with Purpose journey, we are proud that numerous organizations have recognized our progress and achievements. This is a partial list of the awards and honors we received in 2013.

Included on the Dow Jones Sustainability North America Index for the eighth consecutive year and on the Dow Jones Sustainability World Index for the seventh consecutive year

Ranked #1 on CoreBrand's list of the Most Respected Companies

Recognized on *Forbes'* America's Most Reputable Companies list and *Forbes'* World's Most Reputable Companies list

Included on Ethisphere's 2013 World's Most Ethical Companies, marking PepsiCo's seventh year on this list

Ranked among GIJobs.com's Top 25 Military-Friendly Employers for the second consecutive year, for our record of hiring U.S. military veterans

Ranked #11 on *Hispanic Business'* 2013 Best Companies for Diversity, up from #18 in 2012

Recognized as a Top Employer in Europe for the third year running by the CRF Institute

Recognized as one of *Working Mother's* Best Companies for Multicultural Women

Acknowledged by *LATINA Style* as one of its Top 50 companies for Latinas

Received a perfect score on The Human Rights Campaign's Corporate Equality Index for policies and practices related to lesbian, gay, bisexual and transgender (LGBT) workplace equality

Awarded the Top Corporation Award by the Women's Business Enterprise National Council (WBENC)

Included on *Corporate Responsibility Magazine's* 100 Best Corporate Citizens list

Recognized by CDP (formerly known as the Carbon Disclosure Project) for the third consecutive year

Ranked as the 26th Best Global Green Brand by Interbrand

Ranked the 22nd Best Global Brand on the Interbrand World's Best Global Brands (The Pepsi brand has been among the top 25 ranked brands since 2003.)

Received the Corporate Adaptation Award from the Notre Dame-Global Adaptation Index (ND-GAIN) for water reduction strategies through precision agriculture

Awarded Best Overall Governance, Compliance and Ethics Program (Large Cap) by *Corporate Secretary* magazine

Awarded Best Governance, Risk & Compliance Program at a Large-Cap Company by the New York Stock Exchange Governance Services at the inaugural Governance, Risk & Compliance Leadership Awards



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

Among them are:

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

We also are a member of numerous industry and trade groups, and partners with various nonprofit organizations and NGOs.

Our group memberships include:

- 2030 Water Resources Group
- American Beverage Association
- Beverage Industry Environmental Roundtable
- Consumer Goods Forum
- FoodDrinkEurope
- Food Industry Asia
- International Council of Beverage Associations
- International Food & Beverage Alliance
- International Life Sciences Institute
- Latin America Conservation Council
- Mexican Council of Consumer Goods Products (ConMexico)
- Snack Food Association
- The Grocery Manufacturers Association
- U.S. Council for International Business
- World Business Council for Sustainable Development
- World Economic Forum



GRI Index

We are reporting against the Global Reporting Initiative's (GRI) G4 Guidelines for this report, "in accordance" at the Core level. Indicators with "FP" correspond to the G4 Food Processing Sector Disclosures. For more information on the Global Reporting Initiative, please visit globalreporting.org.

Aspect	DMA and GRI Indicators	Disclosure	External Verification	
FINANCIAL AND CORPORATE GOVERNANCE PERFORMANCE				
Strategy and Analysis	G4-1	CEO Letter		
	G4-2	Description of key impacts, risks and opportunities		
Organizational Profile	G4-3	Name of the organization		
	G4-4	Primary brands, products and/or services		
	G4-5	Location of organization's headquarters		
	G4-6	Number of countries where the organization operates		
	G4-7	Nature of ownership and legal information		
	G4-8	Markets served		
	G4-9	Scale of the reporting organization		
	G4-EC1	Direct economic value generated and distributed		
	G4-10	Report the total number of employees by employment contract and gender		
	G4-11	Report the percentage of total employees covered by collective bargaining agreements		
G4-12	Describe the organization's supply chain			
G4-13	Significant changes during the reporting period regarding size, structure or ownership			
G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organization			
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or endorses			
G4-16	Memberships in associations and/or national/international advocacy organizations			
Global Citizenship	G4-DMA	Management approach		
Identified Material Aspects and Boundaries**	G4-17	Scope of financial and nonfinancial reporting		
	G4-18	Process for defining report content		
	G4-19	List all material aspects		
	G4-20	Boundary of the report		
	G4-21	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities		
	G4-22	Explanation of the effect of any restatements of information provided in earlier reports		
	G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries		
	Stakeholder Engagement	G4-DMA	Management approach	
		G4-24	Provide a list of stakeholder groups engaged by the organization	
		G4-25	Report the basis for identification and selection of stakeholders with whom to engage	
G4-26		Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process		
G4-27		Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns		
Public Policy and Political Engagement	G4-DMA	Management approach		
	G4-SOG	Total value of political contributions by country and recipient/beneficiary		

Aspect	DMA and GRI Indicators	Disclosure	External Verification	
Report Profile**	G4-28	Reporting period		
	G4-29	Date of previous report		
	G4-30	Reporting cycle		
	G4-31	Sustainability contact point		
	G4-32	GRI Index		
	G4-33	Policy and current practice with regard to seeking external assurance for the report		
	Governance	G4-DMA	Management approach	
G4-34		Governance structure of organization, including committees of highest governance body		
G4-37		Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body		
G4-49		Report the process for communicating critical concerns to the highest governance body		
G4-38		Report the composition of the highest governance body and its committees		
G4-39		Report whether the Chair of the highest governance body is also an executive officer		
G4-40		Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members		
G4-41		Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders		
G4-44		Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics		
G4-45		Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities		
G4-51		Report the remuneration policies for the highest governance body and senior executives		
G4-56		Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics		
G4-SO4		Communications and training on anti-corruption policies and procedures		
Customer Satisfaction		G4-DMA	Management approach	
		G4-PR5	Results of surveys measuring customer satisfaction	
HUMAN SUSTAINABILITY				
Healthy and Affordable Foods, Product Innovation, and Product Reformulation		G4-DMA	Management approach (Former GRI 3.1 FP4: Nature, scope and effectiveness of any programs and practices that promote access to healthy lifestyles; the prevention of chronic disease; access to healthy, nutritious and affordable food; and improved welfare for communities in need)	
	FP7	Percentage of total sales volume of consumer products, by product category, that contain increased nutritious ingredients like fiber, vitamins, minerals, phytochemicals or functional food additives		
	FP6	Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and added sugars		
Responsible Marketing and Labeling and Promotion of Healthy Lifestyles	G4-DMA	Management approach (Former GRI 3.1 FP8: Policies and practices on communication to consumers about ingredients and nutritional information beyond legal requirements)		
	G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements		
	G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes		

Aspect	DMA and GRI Indicators	Disclosure	External Verification	
Food Quality and Safety	G4-DMA	Management approach		
	FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards		
Bioengineered Foods	G4-DMA	Management approach (Former GRI 3.1 FP8: Policies and practices on communication to consumers about ingredients and nutritional information beyond legal requirements)		
ENVIRONMENTAL SUSTAINABILITY				
Water and Access to Clean and Safe Water	G4-DMA	Management approach		
	G4-EN3	Total water withdrawal by source	Yes	
	G4-EC7	Development and impact of infrastructure investments and services supported (for water infrastructure only)		
Climate Change and Energy	G4-DMA	Management approach		
	G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations and transporting members of the workforce		
	G4-EN3	Energy consumption within the organization	Yes	
	G4-EN15	Direct greenhouse gas emissions (Scope 1)	Yes	
	G4-EN16	Energy indirect greenhouse gas emissions (Scope 2)	Yes	
	G4-EN6	Reduction of energy consumption		
	G4-EN19	Reduction of greenhouse gas emissions		
	G4-EN17	Other indirect greenhouse gas emissions (Scope 3)	Yes	
	Supply Chain Management*	G4-DMA	Management approach	
		G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	
		Omission Statement PepsiCo suppliers to which this indicator applies (farmers) exercise due care and attention in their farming activities and practices. However many do not commonly conduct formal impact assessments. Therefore the information requested by GRI is currently unavailable.		
FP1		Percentage of purchased volume from suppliers compliant with the company's sourcing policy		
		Omission Statement While PepsiCo maintains policies on supplier standards, we do not currently track the volume of purchases from compliant suppliers and therefore the information requested by GRI is unavailable.		
Packaging Materials	G4-DMA	Management approach		
	G4-EN1	Materials used by weight or volume		
	G4-EN2	Percentage of materials used that are recycled		
	G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category		
Waste Management	G4-DMA	Management approach		
	G4-EN23	Total weight of waste by type and disposal method	Yes	
Compliance	G4-DMA	Management approach		
	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations		

Aspect	DMA and GRI Indicators	Disclosure	External Verification
TALENT SUSTAINABILITY			
Human Resources	G4-DMA	Management approach	
	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	
Diversity & Inclusion	G4-DMA	Management approach	
	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	
Compliance and Ethics, including Antidiscrimination and Antiharassment, Human Rights and Grievance Mechanisms	G4-DMA	Management approach	
	G4-HR3	Total number of incidents of discrimination and corrective actions taken	
	G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	
	G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	
	G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	
Occupational Health & Safety*	G4-DMA	Management approach	
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities, by region and by gender	Yes (partial)
		Omission Statement With more than 274,000 employees in over 200 countries, and different safety requirements across facilities, we cannot tabulate safety incidence by gender for our operations.	

*Omission statement required.

**GRI G4 General Standard Disclosure not associated with a PepsiCo material topic.

Indicators in italics represent partially reported disclosures.

PepsiCo, Inc. and Subsidiaries

Reconciliation of GAAP and Non-GAAP Information

Division Operating Profit
Reconciliation (in millions)

Net Revenue Year-over-Year Growth Reconciliation

Year Ended	12/28/13	Year Ended 12/28/2013			
		GAAP Measure Reported Net Revenue Growth	Percent Impact of Acquisitions and Divestitures	Foreign Exchange Translation	Non-GAAP Measure Organic Revenue Growth
Frito-Lay North America	\$ 3,877				
Quaker Foods North America	617				
Latin America Foods	1,242				
PepsiCo Americas Foods	5,736				
PepsiCo Americas Beverages	2,955				
PepsiCo Europe	1,293				
PepsiCo Asia, Middle East and Africa	1,174				
Division Operating Profit	11,158				
Corporate Unallocated	(1,453)				
Reported Operating Profit	\$ 9,705				
China	(DD)%	DD%	(LSD)%	DD%	
Pakistan	DD%	- %	MSD%	DD%	
Saudi Arabia	HSD%	- %	- %	HSD%	
Mexico	DD%	- %	(LSD)%	HSD%	
Brazil	(LSD)%	- %	DD%	HSD%	
Turkey	LSD%	- %	MSD%	HSD%	

To see our GRI Report visit:

pepsico.com/Purpose/Performance-with-Purpose/Sustainability-Reporting

For more information on the Global Reporting Initiative, please visit:

globalreporting.org



PepsiCo Values

Our Commitment:

To deliver SUSTAINED GROWTH through EMPOWERED PEOPLE acting with RESPONSIBILITY 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.

Corporate Headquarters

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For additional information about PepsiCo, please see our 2013 Annual Report at www.pepsico.com/Investors.