



Message from PepsiCo's Chairman & Chief Executive Officer

PepsiCo is proud to stand behind the United Nations Global Compact and its 10 Guiding Principles in the areas of human rights, labor standards, the environment and anti-corruption.

As one of the world's leading food and beverage companies, our products are enjoyed by consumers more than one billion times a day around the world. This scale and reach provides a real opportunity for us to catalyze positive change. We have long worked to make our own operations socially and environmentally responsible, and we are now focused on an even higher purpose: helping to create a more sustainable food system, where the Earth's resources are regenerated and communities working in food production thrive.

After the unprecedented challenges of 2020, this purpose has taken on new urgency.

That is why we have set a new climate goal with a target of net-zero emissions across our value chain by 2040, a full decade earlier than called for in the Paris Agreement. This is critically important for future food production, because climate change threatens agricultural productivity. Agriculture is the foundation of the food system and core to our business, so we're working to source ingredients through more sustainable and resilient practices. To this end, our Sustainable Farming Program is now operating in 36 countries and engages more than 40,000 farmers.

We are also accelerating our Racial Equality Journey, a \$570+ million initiative to elevate diverse voices within our company, our supply chain partners, and communities, whilst helping break down longstanding racial barriers. We began with a \$400 million set of initiatives focused on increasing Black representation at PepsiCo, supporting Black-owned businesses, and lifting up Black communities over five years. We built on this with a further \$172 million set of initiatives over five years focused on Hispanic Americans, in addition to spending \$224 million with Hispanic suppliers in 2020.

Our plans are closely mapped to the United Nations 2030 Sustainable Development Goals, and we are working to make valuable contributions to this shared agenda. We have already achieved meaningful progress on many of our goals, setting the stage for continued success long into the future. In the year ahead, PepsiCo will work vigorously to deliver on our commitments by integrating sustainability ever deeper into our business and brands, on the firm conviction that the best interest of our company and our society go hand in hand.

This annual Communication on Progress demonstrates our ongoing commitment to the Global Compact. Thank you for the opportunity to participate once again.

A handwritten signature in black ink, which appears to read "Ramon Laguarda".

Ramon Laguarda

UNGC Principles

As a signatory of the United Nations Global Compact (UNGC), PepsiCo is committed to supporting the Compact's principles in our everyday business operations. We consider our [Sustainability Report](#), [our Human Rights Report](#), and [Environmental, Social and Governance \(ESG\) Topics A-Z Pages](#), all of which are available on PepsiCo.com, to be our primary sources for the Communication on Progress (COP) to the UN Global Compact. The following provides further relevant information on each of the 10 UNGC Guiding Principles.

Human rights

- 1. Businesses should support and respect the protection of internationally proclaimed human rights; and*
- 2. Make sure that they are not complicit in human rights abuses.*

At PepsiCo, we believe acting ethically and responsibly is not only the right thing to do, but also the right thing to do for our business. This principle underpins The PepsiCo Way, seven leadership behaviors that define our shared culture, as well as our belief that our success can only be achieved when everyone is treated with dignity and respect. Human rights abuses of any kind are unacceptable and, as one of the world's leading food and beverage companies, we have a clear responsibility to respect human rights throughout our business and broader value chain.

We are committed to respecting all of the rights described in the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work, and our aim is to ensure that all rights holders throughout our value chain can fully enjoy the rights described in these documents. In meeting our responsibility to respect human rights, we are committed to implementing the United Nations (UN) Guiding Principles on Business and Human Rights throughout our business and reporting on our progress in line with the UN Guiding Principles Reporting Framework. We also follow the OECD Guidelines for Multinational Enterprises.

PepsiCo's commitment to respecting the human rights of workers and local communities throughout our direct operations and broader value chain is articulated in our Human Rights Report, Global Human Rights Workplace Policy, Global Code of Conduct (Code), Global Supplier Code of Conduct (SCoC), and other related policies such as those on land rights, deforestation, and sustainable agriculture. Potential violations of our policies can be reported anonymously through a confidential Speak Up program, which is available worldwide on a 24/7 basis.

We are a charter endorser of the Sullivan Principles, whose goals are to advance economic, social and political justice by companies where they do business, to support human rights and to encourage equal opportunity at all levels of employment. In 2006, PepsiCo certified to requesting entities that its policies reflect the fair employment standards embodied in the MacBride Principles of fair employment.

To learn more about key areas, please see our website:

- [Human Rights](#)
- [2019 PepsiCo Human Rights Report](#)
- [Global Human Rights Workplace Policy](#)
- [2019 Statement on Modern Slavery and Human Trafficking](#)
- [Ethics and Integrity](#)
- [Global Code of Conduct](#)
- [Global Supplier Code of Conduct](#)
- [PepsiCo Grievance Mechanism for Agricultural Supply Chain](#)
- [PepsiCo Land Policy](#)
- [PepsiCo Forestry Stewardship Policy](#)
- [Palm Oil Report](#)
- [Global Policy on Sustainable Palm Oil](#)
- [Speak Up Hotline](#)

Labor standards

3. *Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;*
4. *The elimination of all forms of forced and compulsory labor;*
5. *The effective abolition of child labor; and*
6. *The elimination of discrimination in respect of employment and occupation.*

Protecting the safety, health, and well-being of our associates and workers throughout our value chain is one of PepsiCo's top priorities. We provide competitive pay and a full range of benefits to help associates live healthier, balance work and family, and build a secure financial future.

As an employer of approximately 291,000 employees, we recognize the importance and value of having a strong dialogue with our employees. We respect our employees' right to join or form an organization such as a trade union without fear of retaliation, intimidation, or harassment. We also comply with all laws regulating collective bargaining.

PepsiCo strictly prohibits the use of forced and child labor. Our Global Code of Conduct, Global Human Rights Workplace Policy, and Global Supplier Code of Conduct serve as the roadmap for managing the impacts, such as bonded and forced labor, commonly faced by vulnerable groups along our value chain.

We do not tolerate discrimination, and we work to ensure equal opportunity for all associates. Our Racial Equality Journey, introduced in 2020, extends this commitment to our value chain and communities through a \$570+ million initiative to address issues of inequality and create opportunity.

We are committed to compliance with all applicable laws, regulations and other employment standards, wherever we operate or work. We encourage our partners, suppliers, contractors and vendors to support these policies, and we place substantial value on working with others who share our commitment to human rights.

To learn more about key areas, please see our website:

- [2019 PepsiCo Human Rights Report](#)
- [Human Rights](#)
- [Global Human Rights Workplace Policy](#)
- [2019 PepsiCo Modern Slavery and Human Trafficking Statement](#)
- [Talent](#)
- [Employee Well-Being](#)
- [PepsiCo Environmental, Health and Safety Policy](#)
- [Diversity and Engagement](#)
- [Global Code of Conduct](#)
- [Sustainable Sourcing Program for Suppliers](#)
- [Global Supplier Code of Conduct](#)
- [Speak Up Hotline](#)

Environment

7. *Businesses should support a precautionary approach to environmental challenges;*
8. *Undertake initiatives to promote greater environmental responsibility; and*
9. *Encourage the development and diffusion of environmentally friendly technologies.*

PepsiCo works to protect the earth's natural resources through innovation and the efficient use of land, water, packaging, and energy in our operations and throughout our value chain. Our business and its partners are reliant on natural resources, and we strive to use only methods and tools that are scientifically proven, socially responsible and economically sound. Our environmental sustainability efforts are primarily focused on agriculture, water, packaging and climate change - areas that are critical to our business and where we believe we can drive systemic change.

We are delivering impact through programs such as our Sustainable Farming Program, through which we champion and advance positive social, environmental, and economic outcomes among the farmers from which we directly source crops and their surrounding neighbors. The program is designed to help boost agricultural productivity and extend availability of sustainably sourced crops today, while contributing to long-term transformation across the agricultural system.

We recognize that packaging is often disposed of improperly after a product has been consumed, and we share the concern that plastics and other wastes are accumulating in the marine environment and on land. These materials have value, and we are working on a broad set of solutions to ensure that they do not end up landfilled or littered into the marine or terrestrial environment. Since the start of our efforts on sustainable packaging, we have been working to collect and analyze global data to better understand how our packaging fits with local waste and recycling systems and where action is needed. We are investing in solutions and partnerships to improve the recyclability of our packaging, expand access to recycling, and improve infrastructure for collection and recycling across the globe. We are a signatory to the UN's Sustainable Ocean Principles, launched in September 2019.

Water stewardship has long been one of our top priorities. We understand that our ability to manage our water footprint is inextricably linked to the success of our business and of the local communities where we operate. We were one of the first companies of our size to acknowledge water as a human right. In order to do our part to honor that right, we have adopted an integrated approach to watershed management that includes improving water-use efficiency on farms and in manufacturing facilities; replenishing local water in the regions that are most at risk and where we operate; and increasing safe water access for communities that face scarcity.

We are also taking bold steps to reduce our carbon footprint. In 2020, PepsiCo achieved its goal to source 100% renewable electricity for its operations in the U.S. and by the end of 2021, 15 countries in PepsiCo's direct operations will be fully sourcing renewable electricity. We aim to transition all company owned operations to renewable energy by 2030, and our entire global operations, including franchisees, by 2040. In the face of an escalating climate crisis, the company has unveiled an ambitious new goal to cut carbon emissions by more than 40% by 2030 (against a 2015 baseline) — more than doubling the previous climate objective. This is expected to result in the reduction of over 26 million metric tons of greenhouse gas emissions — the equivalent of taking more than five million-plus cars off the road for a full year. Our goal is to achieve net-zero emissions by 2040, one full decade earlier than called for in the Paris Agreement.

To learn more about key areas, please see our website:

- [Water](#)
- [Climate Change](#)
- [Agriculture](#)
- [Sustainable Farming Program Fundamental Principles](#)
- [Packaging](#)
- [Waste](#)
- [2020 CDP Climate Change Submission](#)
- [2020 CDP Water Submission](#)
- [2020 CDP Forests Submission](#)

Anti-corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.

Reducing the risk of corruption in our business operations is a top priority at PepsiCo. Internal controls, systems and processes are in place to reduce the risk of corruption and bribery and to ensure our associates understand the criticality of conducting PepsiCo business in compliance with the laws and regulations of the countries in which we operate.

At the core of our anticorruption program is PepsiCo's Global Anti-Bribery Compliance Policy. Our Anti-Bribery Policy prohibits any payment or any offer, promise or authorization to give anything of value to any government official or other person or entity in the private sector with intent to influence a decision to obtain an improper business advantage.

PepsiCo prohibits all forms of bribery and corruption in our operations, and we expect our third parties, including suppliers, service providers, agents and contractors to do the same. Many of our third parties are required through mandatory contract provisions to comply with our Global Supplier Code of Conduct which prohibits corruption and bribery and incorporates by reference PepsiCo's Global Anti-Bribery Compliance Policy. PepsiCo's Anti-Bribery Policy also addresses required anticorruption due diligence processes to be conducted on third parties. No PepsiCo associate may engage a third party until required anticorruption due diligence processes have been completed and it has successfully gone through PepsiCo's risk-based Third Party Due Diligence (TPDD) program review.

The importance we place on maintaining an effective anticorruption program is reflected in our annual online anti-bribery training. The course, available in 23 languages, focuses on direct and third-party dealings with government officials (including pre-approval requirements for expenditures relating to government officials) and our TPDD program. It also includes a means for employees to disclose contacts with government officials. In 2020, over 74,000 employees worldwide completed an online training Anti-Bribery course and certified compliance with our Anti-Bribery Policy. In addition, as part of a two-year training cycle, over 8,600 employees in high-corruption risk countries participated in live anti-bribery training sessions led by PepsiCo lawyers and compliance professionals in 2020.

To learn more about key areas, please see our website:

- [Ethics and Integrity](#)
- [Global Code of Conduct](#)
- [Global Supplier Code of Conduct](#)
- [Speak Up Hotline](#)
- [Corporate Governance](#)