



PEPSICO

2013

GRI Report





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Strategy and Analysis

G4-1 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.

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



G4-2 Description of key impacts, risks and opportunities

Performance with Purpose, set out in 2007, is our goal to deliver top-tier financial performance while creating sustainable growth in shareholder value. Performance with Purpose is our recognition that PepsiCo's success is inextricably linked to society's success. To create and sustain long-term benefits for our shareholders, we must take into account the needs and concerns of a wide range of stakeholders. If our financial success comes at the expense of the environment, our consumers or our communities, we will not be viable in the long run.

In practice, Performance with Purpose means we provide a wide range of foods and beverages from treats to healthy eats; we 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 material; we provide a safe and inclusive workplace for our employees globally; and we respect, support and invest in the local communities in which we operate. Performance with Purpose remains our true north, and it is more important than ever.

In 2013, PepsiCo continued the transformation we began back in 2007 — to deliver the strong financial results our shareholders expect year after year, while investing in and transforming the company to ensure that it is built for long-term, sustainable growth.

In short, we perform while we transform.

Despite a very challenging operating environment in 2013 that included economic instability and uncertainty in many of our key markets around the world, we delivered on, or exceeded, each and every one of the financial goals we announced to shareholders at the beginning of the year.

Since we began our transformation journey, we have undertaken a variety of initiatives to position ourselves for superior value creation over the long term, including investment in our core brands, increased innovation, focus on developing and emerging markets, the strengthening of our most important nutrition platforms and brands (Quaker, Tropicana, Gatorade and Naked Juice), reinforcement of our global go-to-market capability, and a redoubling of our efforts in developing and recruiting top talent. In 2013:

1. We invested to enhance the equity of our portfolio of 22 billion-dollar brands, which together account for more than 70 percent of our total revenue. We increased advertising and marketing, which in 2013 stood at 5.9 percent of net revenue — up from 5.2 percent in 2011. More importantly, this investment led to significant brand equity improvement. For example, in 2013, brand equity scores for our global beverage and snack brands held or gained in 90 percent of our strategic markets, and six of our global brands saw brand equity hold or gain in 100 percent of their strategic markets. Our brand-building efforts are paying off: PepsiCo has nine of the 40 largest packaged goods trademarks in the United States according to IRI.
2. We fine-tuned and ramped up our innovation to make this one of PepsiCo's best years ever for innovation. In fact, in 2013, PepsiCo had nine of the top 50 new food and beverage product introductions across all measured U.S. retail channels. We also opened a state-of-the-art food and beverage innovation center in Shanghai, China, to fuel new product, packaging and equipment innovation for our businesses throughout Asia. Innovation as a percentage of net revenue grew to 9 percent in 2013 and, as a whole, our research and development (R&D) investments have increased more than 25 percent since 2011.



3. Our developing and emerging markets, a major investment area, continued to perform well despite significant volatility in key regions. Our convenient, on-trend and affordable products, coupled with a long runway for growth in developing and emerging markets, give us confidence that these markets can sustain solid growth over the long term.
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 product categories, such as dairy, hummus and other fresh dips, and baked grain snacks. Over the last decade, our nutrition business revenue has grown substantially and, in 2013, represented approximately 20 percent of PepsiCo’s net revenue. In 2013, we also remained focused on improving the nutritional profile of many of our snacks and beverages. In snacks, we continued our efforts to reduce saturated fat levels and sodium content in certain key brands while dialing up our baked offerings and whole grains. In beverages, we added new low- and zero-calorie choices and continued to work to reduce added sugar in certain key brands. We also accelerated our research and technology investments in the development of new and innovative sweeteners.
5. Our global go-to-market capability is one of PepsiCo’s most important strategic advantages, and, in 2013, we further reinforced this key differentiator in very tangible ways. We increased our number of routes in key markets and greatly improved our in-store presence for our snack and beverage portfolio. We also empowered our sales teams around the globe with mobile technology to enhance their merchandising capabilities and drive increased sales.

The foundation for our future success is based on execution, discipline to drive results in the short term, and investments to build capabilities and advantage for the long term. We are confident that we have the right model, capabilities, people, portfolio and policies to continue delivering value to our consumers, customers, shareholders and stakeholders over the long term.

The operating environment in 2013 was volatile, and we expect further changes. In particular:

- **Growth will continue to be fueled by developing and emerging markets.** The growth rates of developing and emerging markets are expected to continue to outpace developed markets for the foreseeable future. And, by 2030, experts estimate an additional 3 billion people may join the middle class. These trends present excellent growth opportunities, but will require significant investment and development of the right people, skills and tools to compete.
- **The consumer shift to more nutritious products will accelerate.** Trends such as 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 and have taken significant actions to balance our portfolio of offerings. Additionally, we have improved the nutritional profile of many of our snacks and beverages by reducing added sugar, sodium and saturated fat in key brands.
- **Digital technology is disrupting every business at every point in the value chain, and the way we interact with retailers, shoppers and consumers is changing at a dramatic pace.** In an incredibly dynamic digital landscape, we are focusing on new digital tools, technologies and retail platforms to allow us to reach consumers differently, shift our



advertising and marketing model, to improve our analytics and to enhance the efficiency of our sales force.

- **We should anticipate geopolitical and social instability to be the norm, not the exception.** Income inequality, competition for natural resources, and geopolitical tensions and conflict will continue to pose risks to doing business in many countries around the world. Conducting business in these environments requires continued investment to keep our people safe and protect our supply chain against potential threats.
- **Extreme weather patterns are expected to persist, forcing companies to deal with commodity scarcity and volatility.** Warmer temperatures, erratic rainfall patterns, new pests, floods and wildfires all threaten the productivity and availability of agricultural inputs. Our size and scale allow us to manage our commodity supply cost and inflation risks through our centralized strategic platforms, multiple sourcing pipelines and environmental sustainability programs. But managing these fluctuations requires additional investment and contingency planning. For example, our R&D team is working on developing multiple formulations of various products to cope with changes in raw material availability and price while delivering on taste and quality.

We are confident that we have the ingredients to successfully navigate this “new normal”: geographic diversity; a complementary, related and diverse product portfolio; an efficient and effective operating model; an experienced, top-notch management team; and a culture and ethics that are second to none. These assets are helping us “future-proof” PepsiCo.

Organizational Profile

G4-3 Name of the organization

PepsiCo, Inc.

G4-4 Primary brands, products and/or services

PepsiCo products are enjoyed by consumers one 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, including 22 brands that generate more than \$1 billion each in estimated annual retail sales.

We are the #1 macrosnack player in many developed markets in the world. Our highly profitable snacks business has a strong stable of much-loved megabrands — such as Lay’s, Doritos, Cheetos and SunChips — and a structurally advantaged go-to-market system in many major markets such as the United States, Canada, the United Kingdom and Australia, among others. Lay’s is the #1 snack food brand in the world; Lay’s, Doritos and Cheetos are lovemarks in many countries in which they’re sold.

The key global beverage brands in our portfolio include Pepsi, Mountain Dew, Sierra Mist, 7UP (outside the United States), Starbucks and Lipton. In 2013, we were the #1 liquid refreshment beverage player in measured channels in North America.

PepsiCo’s portfolio competes in two focused, related categories: foods and beverages. Both categories have attractive global growth prospects of



five percent or more, and our convenient food and beverage businesses are fairly evenly balanced, with about half of our 2013 revenue coming from each. More importantly, our categories and products are highly complementary, sharing the same customers, consumers and occasions. We believe that the “related diversity” of the PepsiCo portfolio gives us an advantage over the competition.

PepsiCo’s portfolio offers delicious and convenient food and beverage options for a wide range of occasions at any time of the day. For example, our consumers might wake up to a breakfast of Quaker Real Medleys and Trop50; enjoy a Pepsi MAX and SunChips with lunch; unwind with Stacy’s pita chips, Sabra hummus and a Lipton beverage; and host a party with an array of Frito-Lay and Pepsi products. With consumer insights, R&D and innovation shared across foods and beverages, we have capabilities that give us a leg up on the competition when it comes to knowing and developing what consumers want to eat and drink throughout the day. In addition, our portfolio allows us to capture coincident eating and drinking occasions using joint marketing and selling. Our scale and relationship with our retailers allow us to create in-store destinations that influence consumer shopping patterns and decisions and increase this coincidence of purchase.

G4-5 Location of organization’s headquarters

PepsiCo’s corporate headquarters are located in Purchase, New York, USA.

G4-6 Number of countries where the organization operates

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

G4-7 Nature of ownership and legal information

PepsiCo is a publicly traded company; the New York Stock Exchange is the principal market for PepsiCo common stock, which is also listed on the Chicago Stock Exchange and the SIX Swiss Exchange. As of February 5, 2014, there were approximately 144,930 shareholders of record.

G4-8 Markets served

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

Our global business units make and distribute diverse product portfolios, drive innovation and deliver on Performance with Purpose in the regions they serve:

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



2. PepsiCo Americas Beverages, which includes all of our North American and Latin American beverage businesses;
3. PepsiCo Europe, which includes all of our beverage, food and snack businesses in Europe and South Africa; and
4. PepsiCo Asia, Middle East and Africa (AMEA), which includes all of our beverage, food and snack businesses in Asia, the Middle East and Africa, excluding South Africa.

PepsiCo Americas Foods (PAF) is the provider of many of the most popular foods and snacks throughout North and Latin America. Its portfolio of businesses includes FLNA, QFNA and LAF.

Either independently or in conjunction with third parties, FLNA makes, markets, sells and distributes some of the most popular snacks in the United States, including Lay's and Ruffles potato chips and dips, Doritos tortilla chips, Tostitos tortilla chips and dips, Cheetos cheese flavored snacks, Fritos corn chips and dips, Rold Gold pretzels, Sunchips multigrain snacks and Cracker Jack candy-coated popcorn.

Either independently or in conjunction with third parties, QFNA makes, markets, sells and distributes products spanning several categories such as hot and ready-to-eat cereals, rice, pasta and other branded products. Some of its best-known and beloved brands include Quaker oatmeal, Quaker Chewy granola bars, Life cereal, and Rice-A-Roni and Pasta Roni.

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

PepsiCo Americas Beverages (PAB), either independently or in conjunction with third parties, makes, markets, sells and distributes beverage concentrates, fountain syrups and finished goods under various beverage brands. Through strategic acquisitions, partnerships and new product development, PAB has expanded its beverage lineup over the past 20 years to offer top-selling choices for every occasion and lifestyle. As a result, Pepsi-Cola today is the flagship brand in a portfolio of liquid refreshment beverages that includes 14 billion-dollar brands and spans carbonated soft drinks, juices and juice drinks, ready-to-drink teas and coffees, sports drinks and bottled waters.

Its brands include Pepsi, Gatorade, Mountain Dew, Diet Pepsi, Aquafina, 7UP (outside the U.S.), Diet Mountain Dew, Tropicana Pure Premium, Sierra Mist and Miranda. PAB also, independently or in conjunction with third parties, makes, markets and sells ready-to-drink tea and coffee products through joint ventures with Unilever and Starbucks, with brands that include Lipton Iced Tea, Pure Leaf and Brisk, Tazo Iced Tea, Starbucks Frappuccino, Starbucks Iced Coffee, Seattle's Best Iced Lattes and Starbucks Refreshers. In 2012, PepsiCo announced that Starbucks' ready-to-drink beverages and Lipton Brisk had grown to more than \$1 billion in estimated annual retail sales, expanding PepsiCo's portfolio of billion-dollar brands.

PAB offers reduced-calorie options for virtually every drink it makes and for every occasion. Today, nearly half of PAB sales volume in the United States comes from no- or low-calorie beverages, healthy juices, and active hydration beverages.

PepsiCo Europe (Europe) includes all beverage, food and snack businesses in Europe and South Africa. Either independently or in conjunction with third parties, Europe makes, markets, sells and distributes a number of leading snack food brands, including Lay's, Walkers, Doritos, Cheetos and Ruffles; many Quaker-branded cereals and snacks; beverage concentrates; fountain syrups; and finished



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

PepsiCo Asia, Middle East and Africa (AMEA) includes all beverage, food and snack businesses in Asia, the Middle East and Africa, excluding South Africa. Either independently or in conjunction with third parties, AMEA makes, markets, sells and distributes a number of iconic PepsiCo brands, including Lay's, Kurkure, Chippy, Doritos, Cheetos and Smith's; many Quaker-branded cereals and snacks; beverage concentrates; fountain syrups; and finished goods under various beverage brands, including Pepsi, Mirinda, 7UP, Mountain Dew, Aquafina and Tropicana. These branded products are sold to authorized bottlers, independent distributors and retailers. In certain markets, AMEA operates its own bottling plants and distribution facilities. AMEA also, either independently or in conjunction with third-party partners, makes, markets and sells ready-to-drink tea products through an international joint venture with Unilever (under the Lipton brand name) and licenses the Tropicana brand for use in China on cobranded juice products to a strategic alliance with Tingyi (Cayman Islands) Holding Corp. (Tingyi).

G4-9 Scale of the reporting organization

and

G4-EC1 Direct economic value generated and distributed

Number of employees	274,000 worldwide (106,000 within U.S.)
Net revenues	\$66,415
Total assets	\$77,478
Total liabilities	\$53,089
Total equity	\$24,389
Share repurchases and dividends	\$6,435
Diluted earnings per share	\$4.23
Long-term debt	\$24,333
Annual tax rate	23.7%
Income taxes paid (net of refunds)	\$3,076

(Dollar amounts in millions, except per-share amounts)

Despite a very challenging operating environment in 2013 that included economic instability and uncertainty in many of our key markets around the world, we delivered on, or exceeded, each and every one of the financial goals we announced to shareholders at the beginning of the year.

Our performance in 2013 was strong and our continued focus on execution, discipline to drive results in the short term and investments to build capabilities and advantage for the long term has been financially rewarding for PepsiCo and our shareholders:

- Our net revenue grew to more than \$66 billion.
- Over the past decade, our net revenue compound annual growth rate was 9 percent.



- We captured more than \$900 million of productivity, exceeding our target and keeping us on track to deliver our three-year, \$3 billion productivity target for the period from 2012 to 2014. This success gave us the confidence to extend our goal of \$1 billion in annual productivity savings for five years beyond the existing goal (i.e., 2015 to 2019).
- Our 2013 operating margin stood at 15 percent, in the top tier of our food and beverage peer group.
- Over the last 10 years to 2013, earnings per share grew at an 8 percent compound annual growth rate and we returned \$57 billion in cash to shareholders through a combination of dividends and share repurchases.
- PepsiCo increased its annual dividend for the 41st consecutive year in 2013 and returned \$6.4 billion to our shareholders through share repurchases and dividends.
- PepsiCo's Cumulative Total Shareholder Return has outpaced the S&P 500® on an annualized basis by 170 basis points since 2000.

G4-10 Report the total number of employees by employment contract and gender

EMPLOYMENT TYPE*	PERCENTAGE
Female share of total workforce	23%
Females in management positions	33%
Females in top management positions	24%

*The data presented in this chart are based on PepsiCo's global workforce.

As of December 28, 2013, we employed approximately 274,000 people worldwide, including approximately 106,000 people within the United States.

Our employment levels are subject to seasonal variations. For instance, our beverage sales are higher during the warmer months and certain food and dairy sales are higher in the cooler months. Weekly beverage and snack sales, and, as a result, employee numbers, are generally highest during certain parts of the year due to seasonal and holiday-related patterns.

PepsiCo associates are highly engaged globally, as reflected in our 2013 Organizational Health Survey, to which 89 percent of our professional and executive populations responded that they are proud to work for PepsiCo. This result is well above a respected cross-industry benchmark. We have also seen sustained improvement in both employee commitment and employee satisfaction results over the past decade.

G4-11 Report the percentage of total employees covered by collective bargaining agreements

PepsiCo fully complies with all laws regulating collective bargaining and recognizes freedom of association. This means that, consistent with the law and with company policy and procedures, associates shall have the right to assemble, communicate and join associations of their choice, or not. In 2013, unions represented 50.3 percent of union-eligible PepsiCo associates around the world for collective bargaining purposes. PepsiCo works closely with its employees and their representatives on a variety of issues affecting the success of the enterprise — such engagement is critical to our success.

Our commitment to respecting the freedom of association is embodied in our [Global Code of Conduct](#), [Supplier Code of Conduct](#) and [Human Rights Workplace Policy](#).



G4-12 Describe the organization's supply chain

From the farms where our raw materials are grown and the suppliers that help us create a superior product to the final packaging that reaches our consumers, managing our supply chain is critical to the success of our business. Our complex agriculture supply chain ranges from smallholder farmers in developing and emerging markets to large-scale agribusinesses in developed markets. In order to secure our agricultural supply along this entire spectrum of sourcing, we must carefully manage our operations. Sustainable agriculture represents a channel through which we can help engage growers at the intersection of "Performance" and "Purpose." Please refer to the supply chain section of this report for full disclosure on this indicator.

G4-13 Significant changes during the reporting period regarding size, structure or ownership

As part of the refranchising of our beverage business in Vietnam, we completed a transaction with Suntory Holdings Limited in 2013. Under the terms of the agreement, we sold a controlling interest in our Vietnam bottling operations. The new alliance serves as the franchise bottler for both companies.

G4-14 Explanation of whether and how the precautionary approach or principle is addressed by the organization

PepsiCo takes into account environmental risks — as defined in the GRI definition of Precautionary Principle — when planning its operations, procurement and environmental initiatives. We look for opportunities to mitigate our impacts on our surrounding environments in many ways, including reducing our use of fuel, water and packaging. We thoroughly

review current and potential threats, plan for a variety of scenarios and act where appropriate and feasible.

G4-15 Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or endorses

We take pride each day 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 externally developed principles or other initiatives we have endorsed are listed on our website. Among them are:

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



G4-16 Memberships in associations and/or national/international advocacy organizations

We are a member of numerous industry and trade groups and are partners with various nonprofit organizations and nongovernmental organizations (NGOs). We list many of those key memberships and partnerships on our website.

Our group memberships include:

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

- World Business Council for Sustainable Development
- World Economic Forum

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

Global Citizenship

Management Approach

We have a long and proud history of supporting the communities in which we live and work. We strongly believe in being the best corporate citizen we can be.

As a global company, PepsiCo plays an important role not only as a business, but as a corporate citizen. We understand the need to act responsibly in the interests of the worldwide community. With so many unmet social needs, global citizenship refers to all of the ways in which we can achieve positive social influence through strategic and generous uses of finances, employee time, facilities and our products to help others in the community. A strategic global citizenship program aligned with our business goals and culture helps to embed us as a valued community member, while keeping employees engaged.



What are we doing about it?

PepsiCo has established a global citizenship strategy that is aligned with our Performance with Purpose goal and includes financial contributions from both PepsiCo and the PepsiCo Foundation, along with volunteer hours and use of company assets to address social issues. The strategy focuses on four key areas:

- **Employee Engagement Programs:** Encouraging associates to support causes they believe in with monetary donations, volunteer work and/or board service. The PepsiCo Foundation's matching gifts program and annual Employee Giving Campaign are part of our employee engagement program design.
- **Community Service and Engagement:** Strengthening the connections that PepsiCo has with the local communities that surround our business operations by providing employees with opportunities to engage in on-the-ground problem-solving and solution development with local community residents.
- **Disaster Relief and Humanitarian Support:** Providing financial, food/ beverage and volunteer support to communities in need when a natural disaster or other catastrophic event occurs. Activities range from immediate relief efforts to short-term recovery support to longer-term community rebuilding programs. In 2013, the PepsiCo Foundation responded to disasters across the globe, including in China and the Philippines, and provided ongoing support in the United States.
- **Strategic Imperatives:** Collaborating with strategic partners whose specific expertise can advance progress in our Human, Environmental and Talent Sustainability priority areas under Performance with Purpose. Efforts focus on tackling important social and economic issues in game-changing ways that have enduring impact.

Human Sustainability

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

For more information, please see [Partnering to Reduce Undernutrition](#) and [Promoting Healthy Lifestyles](#).

Environmental Sustainability

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

See [Water and Access to Clean and Safe Water](#) for more information on our water and agricultural initiatives.

Talent Sustainability

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



For more information, please see [Developing the Next Generation of Workers](#).

In 2013 alone, PepsiCo contributed approximately \$100 million through more than 29 million donations of both cash and product — a modest increase over the previous year.

2013 PEPSICO CITIZENSHIP	CONTRIBUTIONS (IN MILLIONS)
Foundation	\$31.3
Corporate	\$4.9
Divisions	\$ 10.7
Estimated in-kind	\$ 53.1
Total citizenship	\$100.1*

* Does not sum due to rounding.

PepsiCo Foundation

One way we live out our corporate mission is through the PepsiCo Foundation. The PepsiCo Foundation is the philanthropic arm of PepsiCo, responsible for providing charitable contributions to eligible nonprofit organizations. The Foundation focuses on developing sustainable partnerships and programs that provide opportunities in underserved regions for improved health, environment and education and have a broad impact across all communities.

In 2013, the PepsiCo Foundation matched \$11 million in associate charitable contributions to qualified nonprofit agencies working in environmental, educational, civic, arts-related, and health and human services fields. An associate’s contribution may qualify for a double match if the associate serves on the board of a nonprofit organization or actively volunteers 40 hours of personal time with that organization in a calendar year.

The PepsiCo Foundation is supporting sustainable growth through grant-giving, employee engagement, community service programs and disaster relief, and we are investing in a healthier future for people and our planet. PepsiCo and the PepsiCo Foundation seek to help the most impoverished people and communities in the United States and around the world by working in partnership with public, private and civil organizations to resolve fundamental problems and concerns.

We focus our citizenship efforts on areas that accelerate progress in our Performance with Purpose commitments, advance our regional agendas and facilitate our employees’ passion for giving. In 2013, PepsiCo and the PepsiCo Foundation contributed to the following organizations, among others:

- American Red Cross
- City Year
- Executive Leadership Council
- Feeding America
- GENYOUth Foundation
- Healthy Weight Commitment Foundation
- Inter-American Development Bank
- LA Plaza de Cultura and Artes
- One Land and Two Waters Program
- Safe Water Network
- Save the Children



- Strive for College
- United Nations World Food Programme
- United Way
- WaterHope
- Water.org
- YMCA

Disaster Relief and Humanitarian Support

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

For example, in response to the devastating April 2013 earthquake in China's Sichuan Province, the PepsiCo Foundation pledged \$1 million for emergency relief to Give2Asia for the China Women's Development Foundation. The donation in part helped to create 20,000 "Mothers' Post Parcels" (MPPs) that included much-needed items such as bandages, medical gauze, towels, soap, toothpaste, toothbrushes, drinking cups and flashlights. In late June and early July, 19 employees from the PepsiCo Greater China Region visited the earthquake-stricken area of Ya'an, Sichuan Province, to distribute over 2,300 MPPs to families in need. The donation is also being used to repair and rebuild damaged drinking water facilities in four villages.

Associate Volunteerism

Thousands of PepsiCo associates are engaged in making a difference in their communities, whether individually or in teams. PepsiCorps, a program created by a group of associates with the sponsorship of our Chairman and CEO, Indra Nooyi, is an example of how PepsiCo supports the passion of our employees to make a positive impact. PepsiCorps is a skill-based volunteer program in which associates from around the world form teams that are deployed for a month to help local communities address societal challenges.

PepsiCorps is an international corporate volunteering experience that promotes Performance with Purpose through donations of professional skills to nonprofit organizations operating in communities in need. The program not only challenges its leaders to manage a diverse workforce in challenging macroeconomic circumstances, but also emphasizes social responsibility. Through this month-long immersion experience, leaders gain on-the-ground insights into these communities and develop business skills that help them have a positive impact on the world. PepsiCorps advances PepsiCo's Global Citizenship strategy by focusing programs on one or more strategic imperatives. In 2013-2014, PepsiCorps continued its year-over-year expansion with three new programs rolled out in Brazil, South Africa and Los Angeles, California, that focused on topics such as sustainable agriculture, empowering women and girls, affordable nutrition, and healthy lifestyles. Since PepsiCorps' inception in 2011, we have also rolled out programs in India and Ghana focused on clean water, and in Albuquerque, New Mexico, focused on sustainable agriculture.

One example of our far-reaching volunteer programs is the South America, Caribbean and Central America Foods (SACCAF) Volunteers. Through this initiative, we encourage associates to think creatively about practical solutions that may help address global challenges. A critical component of this initiative



is the “triple **T**”: **T**alent, **T**ime and **T**ask with heart, which helps our associates harness their passion for these goals. The program was launched in 2013 as the first regional volunteering initiative, featuring collaboration across all of SACCAF. One of the key focuses of the SACCAF Volunteers Program is the Building Communities Program, which improves access to water and education and empowers women and children through three main pillars: infrastructure, community organization and human capabilities. Eight countries joined this initiative across SACCAF, mobilizing the passion and enthusiasm of 314 associates. This group had been involved in trainings and rebuilding activities in several schools and communities. The program aided over 6,000 people, more than 850 families and 150 teachers. Teams from Argentina, Brazil, Colombia, the Dominican Republic, El Salvador, Guatemala, Honduras and Venezuela contributed nearly 2,200 hours of volunteer time. This initiative exemplifies the commitment and connection of our employees around the globe in unifying under a common social purpose.

PepsiCo has also continued our partnership with Feeding America as part of our commitment to affordable nutrition. In 2013, we held our fourth annual national day of service, “PepsiCo Feeds America.” On September 24, 1,724 PepsiCo volunteers worked at 42 food banks in cities across the United States to provide 705,000 meals to local communities. PepsiCo and the PepsiCo Foundation further provided a combined \$125,000 and 400,000 pounds of donated food products to 17 food banks. Since its inception in 2010, the program has grown to more than double the number of volunteers and increased the number of food banks served by nearly 40 percent.

Identified Material Aspects and Boundaries

G4-17 Scope of financial and nonfinancial reporting

PepsiCo annually discloses a list of all consolidated subsidiaries as of the fiscal year-end in Exhibit 21 to PepsiCo’s Annual Report on Form 10-K. PepsiCo’s 2013 Annual Report on Form 10-K was filed with the SEC on February 14, 2014.

G4-18 Process for defining report content

It is important to PepsiCo that our GRI Report identify and address those topics that are most important to our stakeholders. For our second GRI Report, we completed a formal assessment to identify “Material Aspects,” or what the GRI Sustainability Reporting Guidelines define as those matters that are most important socially, environmentally and economically to both our internal and our external stakeholders.¹ Several organizations, such as the Global Reporting Initiative, the Sustainable Accounting Standards Board (SASB) and the International Integrated Reporting Council (IIRC), increasingly focus on identifying “materiality” as the new best practice standard for sustainability reporting and transparency. PepsiCo has always prioritized the topics it reports on publicly and has focused on those topics most important to PepsiCo and the communities in which we operate. However,

1. In this report and in our other sustainability reports, when we use the terms “material,” “materiality” and 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 United States 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.



to demonstrate leadership in this area, PepsiCo is publicly disclosing our assessment of “Material Aspects” in accordance with the G4 Reporting Guidelines for sustainability reporting purposes.

Throughout the year, PepsiCo regularly engages with its stakeholders on a wide variety of issues. We listen carefully and gather information and opinions from our employees, shareholders, the communities in which we operate, our customers and consumers of our products, regulatory agencies, nongovernmental organizations and other interested stakeholders.

When we undertook our assessment of “Material Aspects” in accordance with the G4 Reporting Guidelines, we started by developing a list of approximately 175 possible topics for inclusion in this GRI Report. It should be noted that as these topics were reviewed, there were none that stood out as new from our prior assessments of topics ripe for discussion in our sustainability reporting. In fact, all of the topics we identified as “Material Aspects” as part of our assessment are topics we have previously reported on. We then organized the list of “Material Aspects” in alignment with our Performance with Purpose pillars: Human Sustainability, Environmental Sustainability and Talent Sustainability. We also mapped the list of topics against our financial and corporate governance performance areas. To prioritize each topic, we used the following series of questions to rank each issue from the perspective of our stakeholders:

EXTERNAL STAKEHOLDERS

- Is the topic one that is frequently raised by our stakeholders through various feedback channels?
- Do our peers report performance related to the topic?
- Is the topic included in rater and ranker questionnaires, including GRI, Dow Jones Sustainability Index (DJSI), CDP, and regional and global sustainability frameworks such as the UN Global Compact and Millennium Development Goals?
- Is there existing or pending regulation related to the topic?

INTERNAL STAKEHOLDERS

- Is the topic relevant to our existing Performance with Purpose strategy and goals?
- Does PepsiCo have influence over the topic?
- How, if at all, does the topic present a business risk or impact PepsiCo’s license to operate?
- Does the topic pose any potential risk to PepsiCo’s supply chain?

This ranking process resulted in a list of “Material Aspects” that PepsiCo intends to continue managing, measuring and reporting on. In this GRI Report, many of the “Material Aspects” identified through this process align with GRI indicators, although some topics stand alone without a clear corresponding GRI aspect or indicator. The list of “Material Aspects” may change in accordance with future materiality assessments.

G4-19 [List all material aspects](#)

In this GRI Report, the list of “Material Aspects” is organized in alignment with our Performance with Purpose pillars: Human Sustainability, Environmental Sustainability and Talent Sustainability, as well as financial and corporate governance performance areas.

Company Overview



FINANCIAL AND CORPORATE GOVERNANCE PERFORMANCE

- [Global Citizenship](#)
- [Stakeholder Engagement](#)
- [Public Policy and Political Engagement](#)
- [Governance](#)
- [Customer Satisfaction](#)

HUMAN SUSTAINABILITY

- [Healthy and Affordable Foods, Product Innovation, and Product Reformulation](#)
- [Responsible Marketing and Labeling and Promotion of Healthy Lifestyles](#)
- [Food Quality and Safety](#)
- [Bioengineered Foods](#)

ENVIRONMENTAL SUSTAINABILITY

- [Water and Access to Clean and Safe Water](#)
- [Climate Change and Energy](#)
- [Supply Chain Management](#)
- [Packaging Materials](#)
- [Waste Management](#)
- [Compliance](#)

TALENT SUSTAINABILITY

- [Human Resources](#)
- [Diversity & Inclusion](#)
- [Compliance and Ethics including Antidiscrimination and Anti-harassment Policies, Human Rights and Grievance Mechanisms](#)
- [Occupational Health & Safety](#)

This list represents the topics that are currently most relevant to PepsiCo and its stakeholders and reflects a robust assessment process. Future assessments of “Material Aspects” may add new material aspects should they rise in importance or delete current material aspects should they no longer be considered of significant importance.

G4-20 [Boundary of the report](#)

and

G4-21 [Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities](#)

The scope of this report covers PepsiCo’s global operations unless otherwise noted. It includes activities occurring at all of our facilities, owned and leased, over which we have operational control unless otherwise noted. The scope of health and safety reporting includes facilities and operations over which PepsiCo has management control, including facilities and sales. We report on joint ventures when PepsiCo owns more than 50 percent of the interest and/or has management control. We do not report on franchise operations. If PepsiCo leases a building but does not have management control and does not directly employ anyone working at the facility, we do not include that data for health and safety assessments.

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

G4-22 [Explanation of the effect of any restatements of information provided in earlier reports](#)



Environmental data presented in this report have changed from prior disclosures due to acquisitions and divestitures of business operations, including the acquisition of Mabel and Wimm-Bill-Dann. Health and safety data presented in this report have changed from prior disclosures due to acquisitions and divestitures of business operations, including the acquisition of The Pepsi Bottling Group and PepsiAmericas, Inc., Wimm-Bill-Dann, Mabel and Dilexis.

No health and safety data were restated.

G4-23 Significant changes from previous reporting periods in the scope and aspect boundaries

There were no significant changes to the scope or aspect boundaries.

Stakeholder Engagement

Management Approach

Why is this important?

Our long-term success depends on continual improvement, innovation and adaptation, often driven by feedback from our various stakeholders. PepsiCo emphasizes engagement at every stage of our operations with all stakeholders, from shareholders to customers to communities. By soliciting and integrating their feedback, we strive for sustained success and Performance with Purpose.

What are we doing about it?

Over the last year, we have invested time and resources in evaluating and improving the mechanisms through which we engage stakeholder groups, develop partnerships and evaluate customer satisfaction. We sought out conversations and feedback from the individuals, groups and advocates that represent the interests of our consumers, customers, communities, employees, suppliers and investors.

G4-24 Provide a list of stakeholder groups engaged by the organization

and

G4-25 Report the basis for identification and selection of stakeholders with whom to engage

and

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

Consumers

In our business, "consumers" represent the purchasers and end-users of our products. Consumer satisfaction is critical to PepsiCo's success and we provide a variety of methods for individuals to submit feedback and seek information. We maintain a dedicated 24-hour, toll-free phone line, as well as contact pages on our branded websites and social media sites.



PepsiCo respects consumer privacy and takes every step possible to protect the information provided to us through our feedback mechanisms. Feedback is extremely valuable because it allows us to better understand our consumers and their needs, as well as current trends. We receive personal information about our consumers through participation in programs or promotions on our corporate or brand websites, or through Facebook, YouTube or other social networks. PepsiCo strives to comply with all applicable laws, rules and regulations regarding the collection of consumer data. We clearly post our privacy policy on all PepsiCo websites in an effort to ensure that users understand what type of information is collected on the site and how that information is used. We implement technical, administrative and physical safeguards to protect the security of consumer data.

For more information, please see [Customer Satisfaction](#).

Retail and Food Service Customers

Our products are sold to consumers at supermarkets, grocery stores, club stores, drugstores, gas stations, convenience stores, food service outlets, and vending machine operations, as well as through mass merchandisers and other vendors. Our customers represent diverse vendors, from Wal-Mart to Taco Bell, the NFL and Buffalo Wild Wings. We work with our retail and food service customers to provide them with marketing support that contributes to their growth, profits and positive cash flow.

To ensure that we understand and address customer feedback, PepsiCo maintains dedicated customer teams to provide timely and high-level service to our major customers. We also solicit comments and feedback from our retail and food service customers through an annual retail customer survey. Each year, based on the survey results, we develop initiatives to address opportunities within identified focus areas.

Communities

PepsiCo takes seriously our responsibilities to our global and local communities. We focus on pursuing efforts, both internal and external to our business operations, that can create new possibilities for the communities in which we live and work. These community-based activities align with the Human, Environmental and Talent Sustainability pillars of Performance with Purpose.

Employees

Our approximately 274,000 associates worldwide make up the backbone of PepsiCo's business. PepsiCo encourages the professional growth and personal fulfillment of our associates, and we aim to foster a work environment in which our employees can thrive. Our Talent Sustainability plank outlines the factors necessary to achieve a high-caliber workforce.

Every other year, we ask our associates to respond to our "Organizational Health" survey on topics including benefits, working conditions, diversity and inclusion initiatives, and career development. In 2013, 89 percent of our professional and executive workforce responded that they are proud to work for PepsiCo, scoring well above a respected cross-industry benchmark. We have also seen sustained improvement in both employee commitment and employee satisfaction over the past decade. We share the survey results with our associates and work together to develop action plans to address any issues that arise. These plans serve as an important part of our associates' performance goals.

Suppliers

Our commitment to sustainability extends to our suppliers, who are an essential part of our business. We buy goods and services at competitive prices with the goal of allowing both our suppliers and PepsiCo to make



a reasonable profit. To accomplish this within a sustainable supply chain, we seek suppliers with whom we can develop long-term partnerships, and we focus on developing suppliers owned by minorities and women. We employ several programs to ensure that we uphold our commitment to sustainability, including our Supplier Social Capability Management Program, encompassing our Supplier Code of Conduct, Sustainable Packaging Policy and Sustainable Agriculture Practices. One of our most successful programs is PepsiCo's [Environmental Supplier Outreach Program](#), which is designed to share resources, tools and expertise with our key U.S. suppliers.

Investors

One of PepsiCo's primary business objectives is to provide investors with a reasonable return on their investment. We strive to reward the trust our investors place in the company by achieving healthy year-over-year growth and transparently reporting financial results. This transparency is essential to maintaining strong relationships with our investors, and to that end we conduct quarterly conference calls to provide updates to our analysts and investors.

Throughout 2013, members of our management team met in person with a substantial number of our top shareholders to discuss our strategy, capital allocation, corporate governance practices, executive compensation programs and sustainability initiatives, as well as solicit their feedback on a variety of other topics. We also engaged with other key stakeholders through our active participation in prestigious corporate governance organizations such as the International Corporate Governance Network, the Council of Institutional Investors and the Weinberg Center for Corporate Governance.

Many of our investor groups share our commitment to sustainability. In an effort to provide our socially conscious investors with valuable ranking information, we apply for admission to the Dow Jones Sustainability Index

(DJSI) each year. We were first listed on the DJSI North America Index in 2007, and the following year we were listed on the DJSI World Index for the first time. Since then, we have been listed on both indexes each year.

Partnerships and External Engagement

In 2013, PepsiCo sought to identify and evaluate existing partnerships and explore new relationships based on our Performance with Purpose priority areas. We look to engage with organizations whose missions align with the topics of greatest importance to our business and our stakeholders. We are currently in the process of implementing a new strategy to increase the reach of our partnerships. In 2013, we created a new Office of Stakeholder Engagement within the Public Policy and Government Affairs department to better coordinate our outreach efforts. Our external engagement efforts now include dedicated staff responsible for managing each relationship, individual engagement plans for each partnership to maximize our participation and outreach, and quarterly reports to track progress on each key initiative.

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

We value the views of our shareholders and other stakeholders; we solicit input throughout the year on important topics. We seek the opinions of our stakeholders through the mechanisms described earlier in this report, on issues such as portfolio strategy, capital allocation, corporate governance, transparent public disclosure, executive compensation, sustainability and corporate social responsibility. PepsiCo also partners with Ceres, a nonprofit organization specializing in stakeholder engagement, to host



regular meetings with stakeholders. Ceres convenes a prominent network of institutional investors and public interest groups that works with companies to address sustainability challenges. During these meetings, our shareholders and other stakeholders engage on such topics as environmental priorities, human rights and sustainability initiatives. Our engagement activities have resulted in our receiving valuable feedback and provide important external viewpoints that inform our decisions and our strategy. For example:

- Based in part on feedback received from our shareholders, our Board determined in November 2013 to amend the charters of each of our Board Committees to clarify the relevant Committee’s oversight of certain critical corporate governance matters, including:
 - the Compensation Committee’s oversight of engagement efforts with shareholders on executive compensation matters;
 - the Audit Committee’s role in selecting, reviewing the performance of and overseeing the required rotation of the lead audit partner; and
 - the Nominating and Corporate Governance Committee’s oversight of sustainability initiatives.
- Based in part on feedback we received from our shareholders, our Audit Committee committed to providing additional disclosure in its Audit Committee Report included in our Proxy Statement regarding certain topics covered by the Committee in 2013.
- Over the years, PepsiCo has significantly enhanced our website disclosure of public policy priorities, political spending and lobbying activities.
- PepsiCo has had an ongoing dialogue with various stakeholders on the important topics of nutrition; capital allocation; the use and labeling of

genetically modified crops, which are widely used in the United States; the impact of PepsiCo’s supply chain on human rights and environmental matters; and various other issues.

- To build on the policies and programs PepsiCo has already established in a number of areas, such as supplier conduct, sustainable agriculture and environmental health and safety, we developed — in consultation with Business Social Responsibility (BSR), World Resource Institute (WRI) and other third-party experts — a land policy with zero tolerance for illegal activities in our supply chain and for land displacements of any legitimate land-tenure holders.

Public Policy and Political Engagement

Management Approach

PepsiCo believes that it is important to be engaged in public policy and the political arena.

Why is this important?

Through public policy and political engagement, PepsiCo works with government officials and critical stakeholders, such as NGOs, to promote a favorable environment in which businesses and communities can grow and thrive. It is important that PepsiCo is a part of the global conversation on critical issues shaping the future. PepsiCo shares its expertise on a variety of issues and works closely with legislators and regulators on topics of mutual interest.



What are we doing about it?

PepsiCo strictly adheres to all laws and regulations regarding political engagement, policy promotion and political giving. Our PepsiCo website contains a page on Political Engagement that clearly states PepsiCo's standards and checks to ensure that our political activity reflects our Values and priorities. The company maintains outside counsel to review political contributions and provide ethics training for those engaged with policymakers. Also, as stated in our engagement policies, we work closely with our trade associations and partners to better reflect a consistent position on critical issues.

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

G4-SO6 Total value of political contributions by country and recipient/beneficiary

In 2013, PepsiCo's total political contributions, including all U.S. political action committee and corporate political contributions were \$454,400. Information on our Political Contribution Policy and Processes and more details on our contributions are available online. In April 2013, PepsiCo further enhanced our transparency by disclosing all of our direct lobbying and contributions made to trade associations, grassroots lobbyists and tax-exempt organizations that write and endorse model legislation. All contributions and support of U.S. or state political parties, committees or candidates from corporate funds or the Concerned Citizen Fund (CCF) are subject to our Political Contributions Policy, formal approval by the CCF Executive Committee and review by the law department for compliance

with applicable campaign finance and disclosure laws. Information on contributions from 2012 and 2013 is available on PepsiCo's website. Employees are prohibited from using company funds or resources for political activities outside of this process. The Nominating and Corporate Governance Committee of the PepsiCo Board of Directors periodically reviews political contributions and expenditures by PepsiCo and the CCF. PepsiCo associates who lobby at the U.S. federal and state levels undergo annual ethics training by outside counsel. PepsiCo does not generally, as a rule, provide political contributions outside the United States. If contributions are made, PepsiCo reports them on our website. <http://www.pepsico.com/Company/Policies>

Report Profile

G4-28 Reporting period

This report addresses PepsiCo's activities and performance for calendar year 2013 and includes additional information from other years. Our financial year ended December 28, 2013.

G4-29 Date of previous report

Our most recent report was our 2011-2012 GRI Report.

G4-30 Reporting cycle

This is PepsiCo's second formal GRI Report. Although our first report covered two years, we now report on an annual basis.



G4-31 Sustainability contact point

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

G4-32 GRI Index

This report has been prepared in accordance with the GRI G4 core option. Please refer to the [GRI Index](#).

G4-33 Policy and current practice with regard to seeking external assurance for the report

PepsiCo seeks external assurance of its direct greenhouse gas emissions (Scope 1), indirect greenhouse gas emissions (Scope 2), energy consumption and production, waste generation, water consumption and health and safety data from our company-owned plants. For more information, please refer to the complete verification statement from Bureau Veritas.

Governance

Management Approach

We believe strong corporate governance is the foundation for financial integrity, investor confidence and superior performance. Strong corporate governance is and has been a long-standing priority at PepsiCo.

Why is this important?

At PepsiCo, we believe that the success of our business depends on strong leadership and the superior management of all aspects of our company. Our robust governance structure ensures that we create long-term value for our shareholders while operating in an ethical manner. Open channels of communication between PepsiCo and our stakeholders enable us to respond to the issues that matter most, and a strong governance structure is essential for implementing these responses. Finally, we believe that it is our responsibility to incorporate our corporate Values into every aspect of our business and every decision that we make. This emphasis on ethics and values sets us apart from our competitors and safeguards our integrity as a sound corporate citizen.

What are we doing about it?

G4-34 Governance structure of organization, including committees of highest governance body

PepsiCo works hard to maintain sound corporate governance at all levels of the business. In 2013, our efforts in this area received praise from a number



of external organizations. We are proud to report that PepsiCo was named in 2014 as one of the World's Most Ethical Companies by *Ethisphere* magazine for the eighth year in a row. We also received the Best Overall Governance, Compliance and Ethics Program Award (large cap) from *Corporate Secretary* magazine and were named as a finalist for Corporate Governance Team of the Year (large cap) and Best Proxy Statement (large cap). At the NYSE Governance Services' inaugural Leadership Awards, in 2014, we were honored as having the Best Governance, Risk and Compliance Program (large cap) and were selected as a finalist for Exemplary Shareholder Engagement.

PepsiCo's Board of Directors is responsible for overseeing the business strategy and affairs of the company. The Board is currently composed of 12 directors, including our Chairman and Chief Executive Officer and 11 independent members. One of the independent directors serves as the Presiding Director, providing effective independent oversight of PepsiCo's business and Board activities. The Board has three standing committees: the Nominating and Corporate Governance Committee, the Audit Committee and the Compensation Committee. Each committee is composed solely of independent directors.

Our director nomination process is designed to ensure that the Board includes members with diverse backgrounds, skills and experiences. The Nominating and Corporate Governance Committee, during the review and selection process, must adhere to our philosophy of maintaining an environment free from discrimination based upon race, color, religion, national origin, sex, age, disability, sexual orientation, marital status or any unlawful factor.

The Audit Committee reviews and assesses the guidelines and policies governing PepsiCo's risk management processes and assists the Board in its oversight of financial, compliance and employee safety risks. Our Audit Committee comprises independent directors with the financial literacy,

knowledge and experience to provide appropriate oversight. The Audit Committee's responsibilities include retaining and overseeing the work of the company's independent registered public accountants in auditing our consolidated financial statements.

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

The Nominating and Corporate Governance Committee is responsible for identifying qualified candidates for membership on the Board and for developing and recommending to the Board corporate governance principles and policies. The Nominating and Corporate Governance Committee is also responsible for annually reviewing our key public policy issues, including sustainability initiatives and our engagement in the public policy process.

More details, including the names of the members of each committee, can be found on our website and in our 2014 Proxy Statement.

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](#)

PepsiCo's Public Policy Coordinating Group ensures that our economic, environmental and social topics, public policies and relationships with external shareholders are coordinated across the company. The Public Policy Coordinating Group provides a semiannual update to the Board on sustainability and policy issues. Additionally, the Sustainability Task Force,



led by PepsiCo's President, reports Performance with Purpose information to the PepsiCo Executive Committee.

For more information, please see [Sustainability Task Force](#).

G4-49 Report the process for communicating critical concerns to the highest governance body

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

Call the PepsiCo Board: (866) 626-0633

Write to the PepsiCo Board:

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

Contact the PepsiCo Board via the Internet:

Interested parties can submit a question or comment through our corporate [website](#).

G4-38 Report the composition of the highest governance body and its committees

The Board of Directors is currently composed of one executive director and 11 independent directors. During the review and selection process, the Nominating and Corporate Governance Committee seeks diversity within the Board of Directors and considers recommendations made by shareholders to determine whether a candidate meets the Board's minimum membership criteria, and whether the candidate's expertise, skills and background meet current needs.

G4-39 Report whether the Chair of the highest governance body is also an executive officer

Indra K. Nooyi serves as both the Chairman of the Board of Directors and the Chief Executive Officer (CEO) of PepsiCo. Each year, our Board of Directors elects one of its members as Chairman by considering the best interests of PepsiCo and our shareholders. Our Corporate Governance Guidelines provide that, if the Chairman of the Board is not an independent director, the independent members of the Board will, based on the recommendation of the Nominating and Corporate Governance Committee, designate an independent director to serve as the Presiding Director. The Board continues to believe that the most effective leadership structure for PepsiCo at the present time is a balance between independent oversight of PepsiCo's business and Board activities with a strong, independent Presiding Director and consistent corporate leadership in the form of our combined Chairman and CEO.

The Presiding Director is expected to serve in that role for a three-year term and the Board evaluates the Presiding Director's performance annually under the guidance of the Nominating and Corporate Governance Committee.



The duties of our Presiding Director are as follows:

- Presides at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors
- Serves as a liaison between the Chairman and the independent directors
- Has authority to approve information sent to the Board
- Approves meeting agendas for the Board
- Approves meeting schedules to assure that there is sufficient time for discussion of all agenda items
- Has authority to call meetings of the independent directors
- If requested by major shareholders, ensures that he or she is available for consultation and direct communication

Our current Presiding Director is an engaged and active director who, as a current CEO of a multi-national consumer products company, is uniquely positioned to work collaboratively with our Chairman and CEO, while providing strong independent oversight.

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

The Board regularly reviews potential vacancies on the Board and maintains an “evergreen” compilation of potential candidates that it reviews at every Board meeting. The Nominating and Corporate Governance Committee

assists this process by considering prospective candidates at each of its Committee meetings and identifying appropriate individuals for the Board’s further consideration.

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

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

The Nominating and Corporate Governance Committee seeks to achieve diversity within the Board and adheres to the company’s philosophy of maintaining an environment free from discrimination based upon race, color, religion, national origin, sex, age, disability, sexual orientation, marital status or any unlawful factor. This process is designed to provide that the Board includes members with diverse backgrounds, skills and experience, including appropriate financial and other expertise relevant to the business of the company.

Company Overview



Under the Corporate Governance Guidelines, the Board must be comprised of a majority of independent directors and an independent director is a director who meets the New York Stock Exchange definition of independence, as determined by the Board.

The table below includes the skills and qualifications of each director:

	Shona L. Brown	George W. Buckley	Ian M. Cook	Dina Dublon	Rona A. Fairhead	Ray L. Hunt	Alberto Ibargüen	Indra K. Nooyi	Sharon Percy Rockefeller	Lloyd G. Trotter	Daniel Vasella, M.D.	Alberto Weisser
Independent Public Company CEO/COO (Within Past 2 Years)			•									•
Financial Expertise		•	•	•	•			•				•
Multi-Industry/Company Experience	•	•	•	•	•	•	•	•	•	•	•	•
Consumer Goods		•	•					•		•	•	
Information Technology & New Media	•	•			•		•		•	•		
Science Based Capability	•	•						•				•
Academia/Government/Law/Regulatory Affairs				•		•	•		•		•	
Significant Global Experience	•	•	•	•	•	•	•	•	•	•	•	•

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

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

The Board of Directors has also adopted Related Person Transaction Policies and Procedures, which apply to certain transactions in which PepsiCo is a participant and a related person (i.e., a director, director nominee, executive officer, greater than five percent beneficial owner or any immediate family member of any such person) has a direct or indirect interest. Transactions with related persons are reviewed in advance by the Audit Committee whenever possible, or as soon as possible thereafter. The Audit Committee will review all relevant facts and circumstances and approve or disapprove of entry into a transaction.

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



G4-44 Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics

The PepsiCo Board of Directors and each committee conduct a self-evaluation at least annually in accordance with the New York Stock Exchange requirements, and as established in our Corporate Governance Guidelines. In addition, the Board reviews the Nominating and Corporate Governance Committee's periodic recommendations concerning the performance and effectiveness of the Board, each of its committees and the Presiding Director.

PepsiCo's Nominating and Corporate Governance Committee annually reviews the corporation's key public policy issues, including sustainability initiatives, and its engagement in the public policy process.

G4-45 Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities

Throughout the year, we solicit input on important topics. We seek the opinions of our stakeholders on critical issues such as portfolio strategy, capital allocation, corporate governance, transparent public disclosure, executive compensation, sustainability and corporate social responsibility. The Board has delegated responsibility for sustainability issues to senior management of the company, including the President. Our sustainability governance structure reaches across the organization and focuses on three key areas:

- **Governance and Decision-making:** Accountabilities are assigned to individuals or teams to set strategy, prioritize activities, identify gaps and facilitate decision-making needed to advance the sustainability agenda.

- **Metrics, Tracking and Reporting:** Specific, measurable, time-based targets — defined and standardized for tracking progress — are implemented according to our sustainability planks: Human, Environmental and Talent Sustainability. Reporting obligations are defined and protocols are in place to ensure compliance and data verification.
- **Facilitating Integration within Our Business:** We have identified owners for each plank (see above) of our sustainability agenda; aligned them around clear roles and responsibilities; and developed scorecards, checklists and timelines specifically focused on measuring our progress against current targets. Each plank is also tasked with developing long-term strategic plans and raising issues of potential future concern.

More specifically, an overall governance structure has been defined and implemented. This includes the creation of the Sustainability Task Force, chaired by the President of PepsiCo and made up of senior members of the organization. Three Sustainability Leadership Teams — the Human Sustainability Leadership Team (HSLT), Environmental Sustainability Leadership Team (ESLT) and Talent Sustainability Leadership Team (TSLT) — are responsible for creating our overall strategy, driving implementation, and identifying and addressing issues and risks that are then communicated to the Sustainability Task Force.

The company's risk management process is intended to ensure that risks are taken knowingly and purposefully. As such, the company's senior management, including the CEO and Board of Directors, is involved in PepsiCo's integrated risk management framework, designed to identify, assess, prioritize, address, manage, monitor and communicate risks across our operations. The Board of Directors has ultimate responsibility for risk oversight within this framework. Consistent with this approach, one of the Board's primary responsibilities is overseeing and interacting with



senior management with respect to key aspects of our business, including risk assessment and risk mitigation. The Board has delegated oversight of certain categories of risk to designated Board committees. The Audit Committee reviews and assesses the guidelines and policies governing our risk management and oversight processes and assists the Board's oversight of financial, compliance and employee safety risks. The Compensation Committee periodically reviews the company's compensation policies and practices for employees to assess whether such policies and practices could lead to unnecessary risk-taking behavior. The committees report to the Board regularly on matters relating to the specific areas of risk they oversee. Throughout the year, the Board and relevant committees receive updates from management with respect to various risk management issues and dedicate a portion of their meetings to reviewing and discussing specific risk topics in greater detail. In addition, PepsiCo's Risk Committee (PRC), chaired by the CEO and comprising a cross-functional and geographically diverse group of our most senior leaders, meets quarterly to identify, prioritize and address our top business risks. PepsiCo's President serves as the Chief Risk Officer (CRO). Under the CRO's leadership, the Risk Committee is charged with developing mitigation plans and communicating to the Board. Each top risk is owned by a PRC member responsible for developing mitigation plans, allocating resources and ensuring capability, as well as reporting progress to the PRC and Board.

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

PepsiCo's Board of Directors and the relevant committees on a regular basis to address high-priority risks.

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

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



In 2012, we expanded our global risk management framework to include key country-level risk identification and assessment processes. We launched a global assessment tool that covers various risk categories, including supply chain disruption; supplier assurance; environment, health and safety; compliance; nutrition; product integrity; and human rights. This annual survey provides year-over-year progress on our risk management initiatives, identifies emerging issues and helps managers identify opportunities to drive targeted action-planning and resource allocation. It also acts as a tool for our country risk reporting process, which helps build a risk-aware culture. In 2013, we enhanced our decision-making process by improving our investment risk assessment process, embedding risk-based considerations in our existing capital approval process. These initiatives enhance our ability to assess risk on several nonfinancial and reputational fronts — including business continuity planning, sustainability, supplier assurance, fire safety guidelines and human rights — in all major investment decisions, ensuring that risks are assessed and do not escalate with our investments. We also increased the linkage between our corporate strategy and risk management by formally embedding risk considerations and risk discussion in our strategic planning process. These initiatives are examples of how we continue to enable better risk-based decision-making across all levels of the organization.

In 2013, we also enhanced our collaborative efforts among the corporate assurance groups, ensuring a well-integrated risk management approach. We launched a risk-based integrated assurance audit program at the key country level designed to help build capability at the local level around our risk management process and governance framework. By teaming our RMO, Compliance and Ethics department and Corporate Audit department for select internal audits, we aim to better identify risks and gaps and to build capability at the local level around our risk management program.

G4-51 Report the remuneration policies for the highest governance body and senior executives

At PepsiCo, our executive compensation programs are designed to align the interests of our executive officers with those of our shareholders. Throughout the year, PepsiCo solicits the opinions of our shareholders and other stakeholders on executive compensation to inform our executive compensation philosophy and programs. Our compensation philosophy is to provide market-competitive programs to enable us to attract and retain world-class talent, with pay directly linked to the achievement of short- and long-term performance goals. Our programs are designed to incentivize responsible achievement of multiple operating goals over one- and three-year periods, with targets and metrics directly linked to our strategic goals.

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

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

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



G4-56 Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics

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

Performance with Purpose underpins all aspects of our operations and is our vision to succeed in the long term by creating sustained value.

Our Values and our Global Code of Conduct (Code) are the essential building blocks of Performance with Purpose. Our Values and our Code provide a common set of behavioral standards and business goals, uniting all PepsiCo employees across the globe and defining how we do business the "right way." Simply put, we believe that we do business the right way when we act ethically and consistent with our Values, our Code, our policies and the law.

PepsiCo Values: Our commitment is to deliver sustained growth through empowered people, acting with responsibility and building trust.

PepsiCo Guiding Principles: We must always strive to:

- Care for our customers, our consumers and the world we live in
- Sell only products we can be proud of
- Speak with truth and candor
- Win with diversity and inclusion

- Balance the short term and long term
- Respect others and succeed together

Global Code of Conduct: Our Code is our road map for doing business the right way, providing our employees with specific guidance on how to act ethically and legally while performing work for PepsiCo. Our Code is organized around four pillars that reinforce our Values and govern our day-to-day decisions and actions. Each of us is expected to embrace the principles of our Code and:

- Show respect in the workplace
- Act with integrity in the marketplace
- Ensure ethics in our business activities
- Perform work responsibly for our shareholders

Our Code was updated in 2012 to address changes in law and evolving risk areas. It applies to all PepsiCo employees (including employees of our subsidiaries), members of the PepsiCo Board of Directors when they act in their capacity as directors, our joint ventures over which PepsiCo has management control and every employee, officer and director of such joint ventures. Our Code is available in 30 languages on our internal and external websites and is promoted annually through our global Training Program and Awareness Campaign, described in Compliance and Ethics under Talent Sustainability. The full text of our Code can be accessed at <http://www.pepsico.com/Company/Global-Code-of-Conduct.html>.

For more information, please refer to our [Global Code of Conduct](#), and to the [Compliance and Ethics](#) section in the Talent Sustainability portion of this report.



PepsiCo's Chief Compliance and Ethics Officer has overall responsibility for overseeing the promotion, monitoring and enforcement of the Code and leads our Global Compliance and Ethics department. Field-based Global Compliance and Ethics officers are responsible for implementing our Compliance and Ethics programs within their respective businesses and geographies using standardized tools and training. Our Global Compliance and Ethics department works closely with cross-functional teams from each sector or region comprising representatives from Legal, Human Resources, Internal Audit, Control, Finance, Operations, Risk & Security and Sector/Region senior leadership councils/committees, including the Chief Finance Officer, General Counsel, Controller and Chief Personnel Officer, to improve efficiencies in reporting, investigating and addressing ethics issues.

Our Code embodies our respect for the fundamental human rights of our employees, our suppliers and our communities, which is at the core of Performance with Purpose and the way we do business. For more information, please refer to the Talent Sustainability section of this report.

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

For more information, please refer to [Compliance and Ethics](#).

G4-SO4 Communication and training on anti-corruption policies and procedures

We are dedicated to operating in compliance with all applicable laws and regulations wherever we do business. Our anti-bribery program and our related policies reflect our strong commitment to anticorruption in all aspects of our operations and supply chain.

Our Code prohibits unethical business practices such as corruption, bribery, extortion, kickbacks and money laundering. Furthermore, our Global Anti-Bribery Compliance 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 obtain or retain business, influence decisions or obtain an unfair advantage. These prohibitions apply to all employees, as well as to our business operations and anyone acting on our behalf, including agents, consultants, suppliers and contractors. Such third parties acting on our behalf or performing work for PepsiCo are subject to our Supplier Code of Conduct, which lists similar prohibitions against corruption and bribery.

Our anti-bribery program at PepsiCo includes annual training on our Global Anti-Bribery Compliance Policy. In 2013, over 65,200 salaried, email-enabled, Internet-accessible employees completed an online training course on anti-bribery and certified compliance with our updated Global Anti-Bribery Compliance Policy. We require 100 percent completion among all employees who meet our eligibility criteria for online training. The course, custom-written to address issues specific to PepsiCo, is available in 26 languages. In addition, over 6,700 employees participated in in-person anti-bribery training sessions in countries around the world. Members of our Law department or



our Global Compliance and Ethics department conduct the in-person anti-bribery training, which includes variances in country-specific laws, real case studies and face-to-face question-and-answer sessions.

Our commitment to anti-bribery and anticorruption is also reflected in our Worldwide Gifts Policy and Travel & Entertainment Policy. These policies prohibit employees from giving or accepting a gift to or from a customer or supplier unless it is nominal in value and frequency, has a legitimate business purpose, is in good taste, is consistent with accepted business practices, is not offered to gain unfair advantage, will not create an appearance of impropriety and is permitted by our policies and applicable law. Similar rules govern the exchange of meals and entertainment. Our commitment to acceptable gift-giving is also reinforced in our annual Global Code of Conduct training, which reaches over 65,200 salaried employees worldwide.

For more information, please refer to [Compliance and Ethics](#).

Customer Satisfaction

Management Approach

Why is this important?

We have two important customer categories: (1) “Customers” are retail and food service organizations that carry our products and (2) “Consumers” are the ultimate purchasers of our products. Customer and consumer satisfaction furthers our relationship and drives loyalty, advocacy and sales. Customer and consumer relations can significantly impact our success, as well as the success

of our business partners. Customer and consumer insights help to drive and refine innovation, as well as support quality management protecting our trademarks and our reputation. Our Global Center of Excellence is a best-in-class global operation with aligning processes to ensure ongoing customer and consumer satisfaction.

What are we doing about it?

We strive to maintain the highest level of customer and consumer satisfaction possible. We have procedures in place and conduct regular research to continually assess customer and consumer needs. Consumer satisfaction is monitored with a dedicated 24-hour toll-free number for consumer inquiries and feedback through the contact pages on the PepsiCo-branded websites and through social network sites. In 2013, more than one million consumers reached out to Consumer Relations in North America about PepsiCo brands.

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



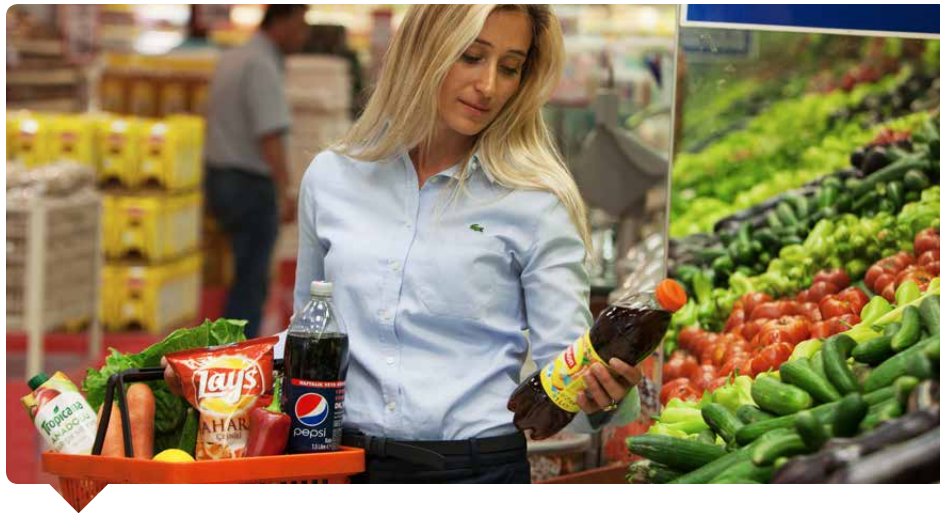
around topics including in-store conditions, cost removal and sustainability. For most of our large accounts, we have joint scorecards, developed with the customer, that are focused on retailer revenue targets and profitability.

G4-PR5 Results of surveys measuring customer satisfaction

A Consumer Relationship Management (CRM) model is in place to create an enterprisewide consumer-centric culture that drives advocacy, loyalty and sales. Since 2012, Consumer Relations has partnered with the Corporate Executive Board–Customer Care Center (CEB-CCC) to conduct a statistically significant email survey to assess performance, identify trends and ensure satisfaction. In essence, the survey measures consumers’ willingness to recommend PepsiCo.

PepsiCo’s effectiveness in resolving consumer issues ranks us among the best-performing companies as measured through CEB-CCC’s Customer Effort Assessment survey. From 2012 to 2013, PepsiCo moved up from the top 25 percent to the top 10 percent of companies for overall Net Promoter Score. PepsiCo also scored within the 90th percentile and above on several measures of overall consumer service quality, including consumers’ willingness to recommend the company, as well as the overall effort required by consumers to report service issues and the likelihood that the consumer achieves resolution in one contact. The results indicate that PepsiCo ranks among the top-performing companies in the world on consumer relationship health. PepsiCo will be featured in an upcoming CEB publication citing “top-performing customer service centers.”

PepsiCo uses benchmarking tools and industry analysts’ rankings such as Gartner’s “Supply Chain Top 25,” the Advantage Group International Survey and Kantar’s PowerRanking. In Kantar’s 2013 PowerRanking surveys, PepsiCo ranked among the top five suppliers in the United States. Internationally, we had strong results in the Advantage Group International’s *Advantage Report*. In the United Kingdom, Walkers ranked number four for overall performance among 20 confectionery and snack food companies. Our other businesses in the United Kingdom all ranked in the top five in their respective categories. In Russia, Wimm-Bill-Dann Dairy ranked number two of 14 and our savory snack business ranked number one of six.



Human Sustainability means providing a wide range of foods and beverages.

Overview

As a leading global food and beverage company, PepsiCo provides a wide variety of safe, high-quality products, including healthy and affordable foods that are accessible by all ranges of consumers.

Human Sustainability means providing a wide range of foods and beverages. It also encompasses our approach to health and wellness. We focus on providing products that meet consumer needs for both nutrition and convenience. We are expanding our portfolio of nutritious products by increasing the amount of whole grains, fruits, vegetables, and dairy in our global product portfolio, as well as by improving the nutritional profile of many of our snacks and beverages. We have taken several important steps to encourage informed and healthier choices by providing consumers with fact-based nutritional information, responsibly advertising and selling our products, and promoting healthy lifestyles. We also remain actively engaged in the international dialogue on health and wellness. We work with governments, nutrition and health experts, NGOs, academics and our peers to address challenges such as obesity and noncommunicable diseases.

PepsiCo is dedicated to producing the safest, highest-quality and best-tasting beverages and foods around the globe. By developing and maintaining robust food safety programs, we focus on safety for every package, every day in every market. PepsiCo has detailed internal programs and procedures for food safety.



PepsiCo “Material Aspects” related to Human Sustainability are:

- Healthy and affordable food, product innovation and product reformulation
- Responsible marketing and labeling and promotion of healthy lifestyles
- Food quality and safety
- Bioengineered foods

Healthy and Affordable Foods, Product Innovation and Product Reformulation

Management Approach

At PepsiCo, we provide healthy and affordable food to our consumers. We continue to develop a wide variety of products for all ranges of consumers in all of our market areas.

Why is this important?

PepsiCo believes we have a role to play in addressing some of the world’s most pressing public health challenges, including nutritional imbalances, obesity and other lifestyle-related diseases. These issues are changing the food and beverage industry and shifting consumers toward more nutritious products. We are also facing increasing regulatory pressure from governments and do our best to participate in regulatory processes that affect our business.

What are we doing about it?

PepsiCo anticipated the increasing focus on health and wellness more than 15 years ago, beginning with the acquisition of Tropicana, followed by the acquisitions of Quaker Oats and Gatorade. In 2009, we established ambitious targets for the reduction of sodium, saturated fat and added sugars in our key global brands in key countries:

- Increase the amount of whole grains, fruits, vegetables, nuts, seeds and low-fat dairy in our global product portfolio
- Reduce the average amount of sodium per serving in key global food brands, in key countries, by 25 percent by 2015, 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 saturated fats per serving in key global food brands, in key countries, by 15 percent by 2020, against a 2006 baseline

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

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.



The HSLT was formed to facilitate PepsiCo's success in achieving our Human Sustainability goals. The HSLT is composed of members from our Research and Development (R&D), Nutrition, Sales, Legal, Communications, Finance, and Public Policy and Government Affairs groups. The HSLT assigns specific responsibilities within the company for implementing, tracking and reporting progress against our goals. Additionally, PepsiCo's President, Chief Scientific Officer, Corporate-R&D Senior Vice President, R&D Nutrition Vice President and Corporate R&D Senior Director regularly review our implementation strategy and progress against our goals to reduce sodium, added sugars and saturated fats, and report results to the PepsiCo Executive Committee.

PepsiCo has increased investment in R&D and built new capabilities to help us develop breakthrough innovation that supports global product innovation and renovation and drives progress on our Human Sustainability goals. Our R&D team has three strategic research platforms focused specifically on Human Sustainability:

1. Developing tools that enable the reduction of sodium, added sugars and saturated fat.
2. Building capability in sports and other specialized nutrition fields supporting development of products that deliver key benefits to athletes and other consumers.
3. Developing a deeper understanding of nutritional benefits delivered through whole grains, fruits and vegetables, and dairy products.

Our Global Nutrition Group (GNG) drives innovation and brand development in fruits and vegetables, grains, and dairy. GNG develops nutrition-focused innovations that are crafted into product concepts and, after extensive consumer testing, successful concepts become the basis for new product development and launches.

It is also important that our products are affordable for consumers. We have teams in each region and, in some cases, individual countries dedicated to maintaining low prices. We try to keep our products affordable by using varied brands and package sizes and by maintaining low prices through optimization of discounts and trade terms.

Healthy and Affordable Foods

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

In 2013, we continued to expand our portfolio of nutritious products by building from our positions of strength with our most important nutrition platforms and brands—Quaker (grains), Tropicana (fruits and vegetables), Naked Juice (super-premium juices and protein smoothies), Wimm-Bill-Dann (dairy) and Gatorade (sports nutrition for athletes).

We focus on increasing our offerings of whole grains, fruits and vegetables, and dairy because most people across our key global markets do not meet the recommended intake of whole grains, fruits and vegetables, and dairy/milk. We are developing foods and beverages containing significant quantities of these three food groups, providing consumers with more options to help them meet dietary recommendations.

Whole Grain Product Innovation

Quaker, one of the most trusted food brands for more than 135 years, has been a leader in nourishing families through great-tasting, oat-based products.



Quaker continues to build on its whole grain platform with new products that satisfy the growing consumer demand for convenient and nutritious grains. For example, in 2012, PepsiCo introduced Quaker Real Medleys Oatmeal in the U.S., pairing beloved Quaker Oats with chunks of real fruit or crunchy 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.

Quaker has also introduced whole grain products in various markets around the world. For example, to increase the amount of whole grains in the diet of Malaysians, Quaker Malaysia introduced Quaker Oats for Rice, which uses specially milled oats that cook in the same time as rice. By cooking the oats with their rice, consumers can incorporate 1/3 whole grain oats into a portion of their staple grain.

Fruit and Vegetable Product Innovation

Now in its second year, Tropicana Farmstand joined Naked Juice as a popular beverage containing vitamins and minerals in each serving. In the U.S., Tropicana launched three new flavors of Farmstand. These product innovations include one serving of fruit and one serving of vegetables per 8 ounces of 100 percent juice.

Naked Juice introduced new drinkable fruit and vegetable blends in 2013. Chia Sweet Peach and Chia Cherry Lime are a new line from Naked Juice that combines chia seeds, which contain the omega-3 fatty acid ALA, antioxidants, protein, fiber, and fruit in a smoothie. Naked Juice also launched Greens & Protein and Kale Blazer, which contain green vegetables.

Through our joint venture with the Strauss Group, we expanded our portfolio of nutritious products with Sabra's refrigerated dips and spreads. Sabra hummus is made with fresh herbs, spices and chickpeas grown in the U.S. Sabra Salsa has fresh cut vegetables, spices, and Roma tomatoes grown in California, while the new Sabra line of guacamole is made with Mexican-grown Hass avocados. Sabra Greek Yogurt Veggie Dips have 67 percent fewer calories and 88 percent less fat than the leading sour cream dips.

Alvalle recognized as part of a responsible consumption initiative

Advancing PepsiCo's track record of sustainable products, the Alvalle brand of gazpachos and cold soups was recognized by France's leading supermarket, Leclerc, to be part of its "responsible consumption" initiative. Leclerc evaluates products on 60 criteria, covering ingredients, manufacturing, transportation and packaging. Alvalle was particularly praised for the fact that 90 percent of the vegetables used to create its products are grown within 200 kilometers of its Murcia production facility in Spain.

In addition, the brand was recognized for the eco-friendly transportation of its products, the nutritional profile of its soups and its links to local agriculture. PepsiCo has been working side by side with Murcia farmers for more than 10 years in order to grow and buy the best tomatoes, one of the main fresh ingredients used to make Alvalle products.



Dairy Product Innovation

Following our successful dairy acquisition of Wimm-Bill-Dann, PepsiCo entered the U.S. dairy market in 2012 through a joint venture with Theo Müller Group. The yogurt category is growing quickly and, in 2013, we saw significant expansion in our product offerings. In 2013, Muller Quaker Dairy introduced 16 new yogurts to the U.S. market. Muller FrütUp yogurt has been included in *Dairy Foods* magazine's "10 Best New Dairy Products" of 2013.

Sports Nutrition

Athletes have specialized nutrition needs related to the specifics of their sport. Gatorade and the Gatorade Sports Science Institute continue to search for and study new and innovative ways to help athletes improve performance by facilitating proper hydration and nutrition. In 2013, Gatorade Whey Protein Bars were introduced in the United States to aid muscle recovery after exercise. Gatorade also partnered closely with the Brazilian National Football team to create and provide customized hydration and sports nutrition products for its roster of athletes.

Product Reformulation

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

PepsiCo's goal is to continue to refine our food and beverage offerings by reducing sodium, added sugars and saturated fat and to develop a broader portfolio of product choices.

Sodium Reduction

Advances in technology, new recipes and changes in ingredients have allowed us to maintain the great flavors that our consumers expect while reducing sodium levels. In 2013, we reduced sodium by approximately 9 percent per serving 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, as compared to our 2006 baseline.

Individual markets have made noteworthy progress against this goal. In China and the U.K., we have already met the 25 percent sodium reduction target, as compared to our 2006 baseline. PepsiCo Brazil, Canada, Mexico and Russia have all achieved more than 10 percent sodium reduction in key brands, as compared to our 2006 baseline.

We continue to prioritize the reduction of sodium in our flavored products and, in 2013, PepsiCo Mexico reduced sodium in six different flavors across our Cheetos, Doritos, Tostitos and Fritos brands. Sodium reductions in these six products ranged from 5 to 38 percent. Since 2011, Saudi Arabia has reduced sodium in 12 products across Lay's, Cheetos and Tasali.

Added Sugars Reduction

PepsiCo remains committed to reducing added sugars in many of our key global brands, while retaining the great taste our customers enjoy. We are bringing balance to our beverage portfolio with our low- and zero-calorie beverage options available in all our key global markets. In 2013, we've removed approximately 402,000 metric tons of added sugars from our total beverage portfolio in North America, as compared to our 2006 baseline. We now have 595 beverages in the U.S. meeting our internal nutritional



guidelines. And, in 2013, collectively these beverages comprised 40 percent of our U.S. beverage portfolio's sales volume.

In our beverage portfolio, the application of new low-calorie sweeteners enables global production of low- and reduced-calorie beverages. In 2012, PepsiCo Australia launched Pepsi Next, with 30 percent less sugar than regular Pepsi, and supported its expansion in 2013. In 2013, PepsiCo United Kingdom launched Trop50, with 50 percent less sugar than regular Tropicana, and PepsiCo Russia launched Lipton Ice Tea, with 30 percent less sugar than regular Lipton Iced Tea. PepsiCo Mexico reduced sugar in Mirinda and Manzanita Sol by 25 percent per serving.

Our goal to reduce added sugars continues to be challenging because of consumer preferences for sweetness and a global trend away from existing diet sodas. Consumers in many major markets are demanding natural alternatives to low-calorie sweeteners. We are accelerating our research and technology investments to address this demand. Sweeteners naturally low in calories, such as stevia, are increasingly available and provide a solid alternative for achieving a meaningful reduction in added sugars. PepsiCo is pleased that the flavor modifier Sweetmyx has been determined "generally recognized as safe" (GRAS). Sweetmyx provides another option for our innovation teams to develop flavors that meet consumer desire for tasty beverages with less sugar and lower calories.

Saturated Fat Reduction

We are continuing our efforts to reduce saturated fat levels in certain key brands while increasing our offerings that are baked and contain whole grains. We've made some progress since declaring our saturated fat reduction goal. China, Turkey, the U.S. and the U.K. have all met our goal of a 15 percent reduction in saturated fat in key global brands, as compared to the 2006 baseline. On a global average per-serving basis, we have reduced saturated fats by approximately 3 percent, as compared to the 2006 baseline. In 2013, we removed more than 2,100 metric tons of saturated fat from key global brands in key markets, as compared to 2006.

Progress against our saturated fats reduction goal has been slowed by various factors, including relatively higher volume growth in developing and emerging markets, where healthier oils are less accessible and more costly. We anticipate that this trend may continue and could potentially slow our rate of reduction. We continue to monitor this trend closely and are aggressively exploring healthier oil options in our developing and emerging markets.

Additionally, in 2013, PepsiCo introduced new air-popped potato chip products with the launch of U.K. Walker's Pops, Australia Smith's Popped and U.S. Lay's Air Pops. Because they are cooked by air popping instead of frying, the chips offer a crispy and crunchy texture with half the fat of regular potato chips. Smart Food Popped Multigrain Chips were introduced in the United States, containing 50 percent less fat than potato chips cooked in oil and providing 12 grams of whole grain per serving.



Partnering to Reduce Undernutrition

PepsiCo has taken a number of steps to address hunger and undernutrition. We have developed social business models such as Food for Good and we partner with NGOs and development agencies like the United Nations World Food Programme to increase the availability of affordable nutrition while combating malnutrition and undernutrition among those most in need.

Food for Good

Food for Good (FFG) was created in 2009 by PepsiCo employees who were inspired by Performance with Purpose. FFG leverages our food logistics capabilities to create scalable, break-even solutions that address nutrition and poverty in inner-city communities.

Our current model includes summer and after-school meal programs, community-run farm stands and other pilot programs that make healthy food accessible for low-income families year-round. FFG currently has a presence in five U.S. cities.

Through our meal programs, along with other partners, we provided 1 million meals and 4.1 million servings of grains, dairy, fruit and vegetables in 2013. Since 2009, the FFG program has delivered over 2.5 million meals and approximately 11 million servings of grains, dairy, fruit and vegetables. Our FFG summer meals program directly creates more than 100 jobs each year to manage our warehouses and deliveries, and we hire from the same communities we serve to help break the cycle of poverty. In addition, our local nonprofit partners create another 100+ summer jobs each year to provide physical activities and nutrition education for children in the community. Many of FFG's summer employees have received full-time positions within PepsiCo.

The farm stand model, designed by FFG in partnership with community organizations, is a “pop-up dollar store” for fresh fruits and vegetables. Community groups such as YMCAs and recreation centers sell fresh produce in urban food “deserts” using the farm stand model.

In Dallas, Texas, FFG partnered with Paul Quinn College, a historically black college, to convert its football field into an organically maintained urban farm. The farm has produced thousands of pounds of fresh fruits and vegetables and has become an essential part of the college's curriculum across several disciplines, including a social entrepreneurship course led by the FFG team and executives from PepsiCo and Frito-Lay.

World Food Programme Africa

PepsiCo, the World Food Programme (WFP), and the United States Agency for International Development (USAID) in 2011 committed to developing an innovative market-based solution to economic, food, and nutritional insecurity in Ethiopia. In support of the alliance, the PepsiCo Foundation, the philanthropic arm of PepsiCo, committed \$3.3 million to WFP in December of 2011 to develop an alternative ready-to-use supplementary food (RUSF). As of today, the PepsiCo Foundation and WFP are in the process of developing a locally sourced, chickpea-based product that targets malnourished children 6–23 months in age. With a backdrop of acute famine affecting 13 million people across the Horn of Africa, this partnership addresses the need for food-aid products that are more nutritious, tailored to local diets, and more cost-effective, while also bolstering an underperforming chickpea value chain.

The goal is to improve the nutrition of more than 40,000 Ethiopian children and to encourage manufacturers to purchase necessary high-quality



commodities from smallholder farmer organizations. It will support farmers' cooperatives and food processors in developing the product and maintaining high-quality production standards. Significant progress has been achieved in the development of the formula for an RUSF made from chickpeas. In 2013, the RUSF acceptability trial was completed and WFP Ethiopia initiated contacts with Ethiopian food processors. As of March 2014, the effectiveness trial is underway; the Ethiopian Health and Nutrition Research Institute is supervising these efforts. The product's pilot distribution is scheduled for end-of-year 2014.

PepsiCo Netherlands has continued its partnership with 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. PepsiCo Netherlands extended this initiative from Quaker Cruesli packages in 2011 and 2012 to all Quaker packages in 2013. An internal campaign to increase the awareness of WFP and its Benin school meals program in October 2012 led a PepsiCo team of four to visit Benin in March 2013.

Programs like these, made possible through valuable partnerships, allow us to improve access to nutritious food while supporting local communities and bolstering economies in underserved areas.

Project PeanOat in Mexico

Project PeanOat is a partnership between PepsiCo Mexico and Un Kilo de Ayuda, a well-known NGO with expertise in executing programs to fight undernutrition in rural communities. The partnership is developing a ready-to-use fortified food to prevent and/or treat chronic protein-energy and micronutrient malnutrition through commonly consumed foods containing oats and peanuts. The products will be designed to deliver adequate calories, high-quality lipids and proteins, and critically needed, bioavailable micronutrients. The project aims to reach children (24–59 months) and pregnant and lactating women living in less-developed rural communities.

The formulation was reviewed and approved by a recognized health institution, the Salvador Zubiran National Institute of Medical Science and Nutrition. In 2014, a clinical study will be conducted demonstrating product efficacy and bioavailability. In parallel, an education campaign and social business model for product distribution will be developed to ensure that we reach the target consumers. Our hope is that this product will be available to consumers in early 2015.

Responsible Marketing and Labeling and Promotion of Healthy Lifestyles

Management Approach

PepsiCo's goal is to 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.



Why is this important?

Tackling obesity and helping consumers, particularly children, to improve their diets is a complicated and challenging task that requires the effort of all segments of society. Fact- and science-based labeling systems, which provide meaningful and understandable nutrition information, allow consumers to make dietary decisions to meet their individual nutritional needs. Providing consumers with fact-based nutrition information, responsibly advertising to children and restricting direct sales to schools to only our most nutritious products are all critical parts of our effort to address this challenge and to promote healthy lifestyles.

What are we doing about it?

As a global company with brands that millions of consumers enjoy every day, we understand that it is important to communicate responsibly about our products and healthy eating.

It is our goal to continue providing clear nutrition information on our products, and to sell and market them appropriately to our consumers, including children, in line with our global policies and accepted global standards. Our global policies require that we:

- Provide key nutrition information on our packaging to support consumers in making informed dietary decisions
- Ensure that only products that meet our strict science-based nutrition criteria are advertised to audiences comprising 35 percent or more children under 12

- Limit direct beverage sales to schools to water, juice, milk and low-calorie beverages that support healthy nutrition habits among students

Labeling: Ingredients and Nutritional Information

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

Providing consumers with the nutrition information that they want and need remains an ongoing effort at PepsiCo. We believe clear nutrition labeling is an important tool in supporting consumers in making informed choices to meet their individual nutritional needs. The product label and nutrition facts panel or table is a principal source of information for consumers. We are providing fact-based, simple and easy-to-understand nutrition information on our packaging. We follow nutrition labeling requirements in the countries where our products are sold, and in many places we exceed those requirements. We comply with all legally required nutrition labeling and maintain policies that cover food safety, sanitation, recalls and allergens, and require that our products are coded, labeled, identifiable and traceable.

In 2010, PepsiCo voluntarily committed to display calorie count and key nutrients on our packaging (where feasible to print and where permissible by local regulations) for all of our products in key markets (Brazil, Canada, China, Mexico, India, Russia, Saudi Arabia, Turkey, the United Kingdom, the United States). As of March 2014, PepsiCo achieved over 96 percent compliance with this commitment.



Last year, we strengthened our labeling policy to ensure we continue to communicate responsibly about our products. We extended the application of this commitment to all markets around the world and made the added global commitment to label calorie/energy front-of-pack in all markets by the end of 2016. Implementation of this policy is well underway.

In addition to our global commitment, PepsiCo has implemented Food Drink Europe's (FDE, formerly CIAA) Nutrition Labeling Scheme in all 27 countries in the European Union covered by the FDE's Nutrition Labeling Scheme. We also implemented similar front-of-pack labeling on many products in Australia and New Zealand and are expanding implementation to other regions, including the United States, Latin America, the Greater China Region and Asia Pacific.

We are focusing on new digital tools, technologies and retail platforms to allow us to reach consumers through different channels. Electronic media is increasingly used to communicate our products' nutrition information and promote healthy lifestyles. For example, on both the Quaker Oats website and Quaker Oats Facebook page, consumers can find heart health information and nutrition content, including shareable videos and fitness tips. Many of our United States-based businesses have nutrition and health information on their websites, including GSSI, Tropicana, Frito-Lay and others.

Responsible Advertising to Children and School Sales

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

Children are a special audience and, at PepsiCo, we take special care to support parents and caregivers in making appropriate decisions for their children. We have adopted global policies regarding responsible advertising to children and direct beverage sales to schools that ensure that we communicate responsibly with children and their caregivers. These policies are underpinned by science-based nutrition criteria that are appropriate for children's diets.

PepsiCo has taken several important steps to ensure that we are employing responsible practices. In 2008, we adopted a global voluntary commitment to advertise to children under the age of 12 only products that meet specific nutrition criteria. Our strict science-based criteria ensure that only our most nutritious products meet the standard for advertising to children under the age of 12. In 2012, we strengthened our Responsible Advertising to Children Policy by defining advertising to children to mean that we will not buy advertising in programs with an audience profile greater than 35 percent children under the age of 12. Previously, our policy applied to audiences consisting of greater than 50 percent children under 12 years of age. This policy change was fully implemented by the end of 2013.



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

PepsiCo maintains a Global Policy on the Sale of Beverages to Schools. Our global policy provides that our direct sales to schools focus on water, juice, milk and low-calorie beverages that support healthy nutrition habits among students. As a result of this policy, PepsiCo-owned bottling operations offer healthy hydration options for students and align with schools to provide nutritious beverage options in primary and secondary schools. We work with our independent franchise bottlers, third-party vending companies and other PepsiCo beverage distributors, as well as schools and local authorities, to further align this policy beyond PepsiCo’s direct operations. Because our policies alone cannot determine the actions of businesses outside of our operational control, it should be noted that our products may be sold in schools by independent third parties. However, we view our policy as an opportunity to engage our industry peers and local authorities in adopting similar policies. It is only through a collaborative, industrywide effort that a full-scale implementation of such a policy can be achieved.

Recognizing the challenge parents and caretakers face in choosing appropriate snacks for their children, Frito-Lay and PepsiCo Europe have developed a line of snacks appropriate for children’s diets. In 2013, Frito-Lay developed 14 products to meet the U.S. Department of Agriculture’s Healthy, Hunger-Free Kids Act of 2010 and its Smart Snacks in Schools guidelines to assist the government in its goal of feeding kids nutritious foods in school and combating childhood hunger. In addition, PepsiCo Europe extended its “Good Parent” range of snacks. These snacks were developed within nutrition guardrails ensuring that sodium, calorie and saturated fat delivery per package is consistent with recommendations for what a snack should provide in a child’s diet.

Promoting Healthy Lifestyles

We know that good nutrition is only one part of maintaining optimal health. Physical activity is also an important part of leading a healthy lifestyle and we proudly support programs that encourage people to be more active. For example, grants made by PepsiCo and the PepsiCo Foundation have enabled children to engage each summer in physical activities. We also collaborate with governments, civil society and various industry sectors to make a positive difference.



Healthy Weight Commitment Foundation

Beyond our core business efforts, associates at all levels dedicate their time and expertise to helping positively impact the health of their communities. At the highest level of our organization, PepsiCo's Chairman and CEO, Indra K. Nooyi, sets an example through her position as co-chairman of the Healthy Weight Commitment Foundation (HWCF). HWCF brings together a network of over 255 retailers, food and beverage manufacturers, restaurants, sporting goods, insurance companies and trade associations to reduce obesity, especially childhood obesity. In 2014, the Robert Wood Johnson Foundation released an independent evaluation finding that the 16 food and beverage manufacturers removed 6.4 trillion calories from the marketplace in 2012, as compared to 2007, in the U.S., well exceeding their commitment to collectively remove 1.5 trillion calories from the food supply by 2015. This reduction equates to 78 calories per person per day in the U.S.

Other HWCF initiatives include a public education campaign, Together Counts, and the Healthy Schools Partnership program, aimed at providing healthier nutrition options and raising awareness of the energy balance approach in schools. PepsiCo continues to support this exceptional organization, and in partnership with the PepsiCo Foundation has contributed \$4 million to support HWCF programs in 2013.

GENYOUth Foundation

The Quaker Oats Company has a trusted 135-year heritage, and has been committed to fueling healthy families through three key pillars: nourishment, physical activity and education. While Quaker provides nourishment through whole grain, oat-based products, the brand also seeks powerful partners to help support these pillars in the community. As a result, Quaker created a

strategic partnership with Fuel Up to Play 60, the nation's largest in-school wellness program, created by the National Football League and National Dairy Council, in collaboration with the U.S. Department of Agriculture. This is the flagship program of the GENYOUth Foundation, whose mission is to nurture children's health and wellness in schools.

Jose Luis Prado, president of Quaker Oats, has been a GENYOUth board member since the foundation's inception. As part of his commitment, Jose Luis and other key members of Quaker's leadership continue to join GENYOUth and other industry and corporate stakeholders for various leadership roundtables to formulate actionable steps the foundation can take to make an impact on childhood wellness. In 2013, Quaker hosted a local GENYOUth Learning Connection Chicago Town Hall, which was the first in a nationwide series of events to drive collaboration between key business and school leaders to make positive changes in local communities to benefit Chicago's youth.

Beyond Quaker's thought-leadership role with GENYOUth, Quaker also elevated its partnership with Fuel Up to Play 60 in 2013 to launch the nationwide consumer-facing Make Your Move Video Contest, which asked parents and teachers to submit short videos of their students getting active for the chance to win school grants. A well-known professional athlete, Indianapolis Colts quarterback Andrew Luck, served as a spokesperson for the program and as a judge of the contest. Quaker is in the process of awarding schools with a total of \$125,000 in grants. Past grants have been used to help schools start walking clubs and offer healthy grab-and-go breakfast options to students. An integrated marketing campaign supported the program, with Quaker providing Fuel Up to Play 60 with their first-ever national retail presence through co-branded displays, driving even more national attention for the cause.



Asian Football Development Project (AFDP)

In 2013, PepsiCo and the Asian Football Development Project (AFDP) 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 for football to provide health and well-being, as well as to be a driver for social development. The partnership will provide activities in more than 40 Asian countries, with a special focus on the Middle East and India.

A Ganar – Mexico Youth Development Program

Since 2011, the PepsiCo Mexico Foundation has collaborated with A Ganar, a youth development program, to help teens and young adults throughout Latin America learn entrepreneurial skills. Through playing soccer, at-risk youth ages 16–24 develop six core sport-based skills: teamwork, communication, discipline, respect, a focus on results, and continual self-improvement. By applying these sports skills and principles in internships with local businesses, they acquire marketable job experience. In 2013, 500 students graduated from the program.

Food Quality and Safety

Management Approach

Food safety and security are now, more than ever, front and center in the minds of governments and consumers, increasing the need for companies to implement robust systems that provide for ingredient and product safety, quality and traceability.

Why is it important?

PepsiCo is committed to the development, manufacture and distribution of safe and high-quality products that consistently meet or exceed customer and consumer requirements. The safety and integrity of our products are our single highest priority, and our duty as a responsible company. Through them, we earn the trust of consumers, upon which our business success is built. We back this commitment by hiring talented and effective people and implementing well-designed processes across our operations. The loss of consumer trust can be detrimental to our business and our brands. We therefore follow very rigorous standards of quality and safety and, as a result, people buy our brands because they know they can count on quality and safety every time.

What are we doing about it?

Our Executive Product Integrity Council (EPIC) helps ensure that PepsiCo maintains the highest global food safety and quality standards by setting policy, prioritizing issues and allocating resources. EPIC is chaired by our senior vice president, global R&D operations, and is supported by a cross-functional, cross-divisional leadership team comprising executive representatives from our Food Safety, Operations, Security, Supply Chain Management, Communications, Public Policy and Government Affairs, R&D and Legal departments. In addition, the team receives input and support from Risk Management and Human Resources, and other experts as needed.

PepsiCo’s global Food Safety, Scientific & Regulatory Affairs and Quality (FSRAQ) group collaborates with sector and cross-functional leadership in the development of our safe and high-quality products, which meet or exceed



our customer and consumer requirements and all applicable regulations. The global Food Safety team ensures that our associates understand and have the tools to execute the requirements of the PepsiCo Food Safety Policy, which minimizes food safety risk, embeds food safety in the design of new products and processes, assesses risks in mergers and acquisitions, builds the expertise necessary for innovation and operationalizes food safety-related regulations. Our Product Quality Team ensures that our products across all brands are of the highest quality. They are involved in every step of production, from the purchase of our raw ingredients through the manufacturing process and continuing until the finished product reaches the consumer. We are also dedicated to developing new products in a responsible manner and to following applicable ethical standards and research guidelines.

Food Quality and Safety

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

Many risks can arise from failure to maintain high standards for product quality, safety and integrity. At PepsiCo, we focus our efforts on building a sustainable food safety program that supports both existing brands and new innovations. In 2013, 95 percent of PepsiCo's manufacturing sites received an independent third-party food safety audit. The annual audits assess each manufacturing site's food safety management system and provide a detailed inspection to assess food safety hazards based on standard requirements. They also include a thorough physical review of the site.

Bioengineered Foods

Management Approach

It is our top priority to provide consumers with safe products, and we understand that some consumers have questions about bioengineered food ingredients. Many of the most influential regulatory agencies and organizations that study the safety of the food supply, including the U.S. Food & Drug Administration, the American Medical Association, the World Health Organization, Health Canada, the U.S. Department of Agriculture and the National Academy of Sciences, have found that bioengineered food ingredients are safe to consume.

Why is this important?

Bioengineered foods remain a topic of debate around the world. Many of our consumers are interested in better understanding this issue and we are working to improve transparency around the use of bioengineered foods. Furthermore, as regulations develop in markets such as Europe, it is our responsibility to stay on top of trends and meet any regulation we are subject to regarding bioengineered foods.



We acknowledge that bioengineered crops provide benefits such as resistance to weeds, pests and diseases and resistance to climatic stress, reducing the need for agronomic chemicals, as well as other potential economic and productivity benefits in certain growing regions. Bioengineered crops that have been assessed and approved by governmental food authorities may become an increasingly valuable tool in sustainable food production that meets the needs of the growing global population.

What are we doing about it?

PepsiCo uses only bioengineered ingredients that have been reviewed and approved by appropriate food authorities and governments for food safety and compatibility with the environment. Government regulation of bioengineered foods differs from country to country regarding both use and labeling. For this reason, PepsiCo adheres to all relevant regulatory requirements regarding the use of bioengineered food crops and food ingredients in the countries in which we operate. Our Bioengineered Food and Ingredient Policy, comprising both our bioengineered policy and our statement on plant-made pharmaceuticals (PMPs) and plant-made industrial compounds (PMICs), ensures that we are strictly following the appropriate regulations on bioengineered foods.

Like other global food and beverage companies, PepsiCo recognizes that different regional markets can have different expectations and consumer preferences, as well as raw material availability. Depending on these local factors, individual business units may or may not choose to use bioengineered ingredients, even if approved by the government. In some markets where certain bioengineered ingredients have been approved by the responsible official authorities, we may offer both products that utilize bioengineered ingredients and products that do not. If bioengineered

materials are used, we ensure that the products containing these materials comply with local regulations for their use, including any labeling requirements. Similarly, some individual business units may choose to label products as not containing bioengineered ingredients when fully substantiated and in accordance with local regulations.

All PepsiCo ingredients comply fully with local standards governing food safety and compatibility with the environment.

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

Also see [Labeling: Ingredients and Nutritional Information](#).



PepsiCo's commitment to sustainable growth is based on investing in a healthier future for people and our planet, which also means a more successful future for PepsiCo.

Overview

PepsiCo's commitment to sustainable growth is based on investing in a healthier future for people and our planet, which also means a more successful future for PepsiCo. We continue to make substantial progress toward meeting our environmental goals related to water, energy, waste and recycling, and compliance with environmental regulation and our policies.

PepsiCo's approach to environmental sustainability is led by our commitment to respect and uphold environmental standards according to local laws, our own policies and our strategic Performance with Purpose goals:

- 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



These goals reflect our “Material Aspects”:

- Water and access to clean and safe water
- Climate change and energy
- Supply chain management
- Packaging materials
- Waste management
- Environmental compliance

Day-to-day governance takes place through our Environmental Compliance Council (ECC), Environmental Sustainability Council (ESC), Sustainable Packaging Council (SPC) and Sustainable Agriculture Council (SAGC). These councils are composed of environmental representatives and subject matter experts from across PepsiCo’s business sectors around the globe, including our Operations, Procurement, R&D, Sustainable Development, Public Policy/ Government Affairs, Communications and Legal functions. The councils share best practices and address common environmental challenges and emerging issues, work to assure regulatory compliance, continue the development of PepsiCo’s strategic environmental sustainability vision, develop new policies and ensure that accurate information is presented to internal and external stakeholders. These councils report to the PepsiCo Environmental Sustainability Leadership Team (ESLT), which is led by a senior executive in the business with global responsibility. The ESLT in turn reports to the Sustainability Task Force, led by PepsiCo President Zein Abdalla.

PepsiCo has a long history of developing and deploying best practice initiatives to improve our environmental performance. Our Resource Conservation program, ReCon, is a highly successful multistage tool that we use across our food and beverage operations around the world. ReCon assists PepsiCo with water and energy conservation and the reduction of greenhouse gas emissions (GHGs) and waste. The approach is based on a combination of technologies, practical problem-solving and sharing of best practices. For each of these areas, ReCon tools include:

- A Profiler, which is a Web-based accounting tool that allows detailed quantification of resource streams within a manufacturing plant
- A Diagnostic, which is a set of focused questions tailored to identify specific conservation opportunities in a particular plant
- A Scorecard, which tracks conservation progress
- A HotList, which is a prioritized set of resource conservation initiatives

We use ReCon to apply global best practices; identify water, GHG and solid waste reduction opportunities; and implement techniques on a global scale. As a result, ReCon drives efficiencies 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.

Water and Access to Clean and Safe Water

Management Approach

PepsiCo takes a comprehensive approach to water stewardship. We continually strive to improve our operational efficiency, with a particular focus

Environmental Sustainability



on areas of water stress. We work with our supply chain, especially farmers, to help them manage and reduce their water use and improve their resilience against water shortages and other environmental challenges. PepsiCo was one of the first global beverage companies to recognize the Human Right to Water as defined by the World Health Organization and the United Nations.

Why is this important?

Water is the key ingredient in nearly all of our beverages. Water also helps grow the agricultural raw materials that are the basis for the majority of our products; agriculture accounts for 70 percent of global water use. We rely on water for energy transfer and sanitation in our operations, as do our suppliers. The water-related risks to our business include: lack of available water of acceptable quality, resulting in operational and/or supply chain interruption; increasing pressure on businesses to conserve water in areas of water scarcity and stress; and reputational damage if we are not able to demonstrate awareness and progress on the issues that water poses to our business and the wider world. The continuing availability of fresh water is therefore a necessity for the survival of our business. With this in mind, it is essential that we treat water as a limited resource by optimizing our water use through greater efficiency, innovative processes and utilization of new technologies to aid in reducing usage. Ensuring that our employees, our consumers and the communities in which we operate have safe, affordable water supplies is also critical for our business, our reputation and our license to operate, particularly where water is scarce. As water is inherently a local resource, we strive to work on specific solutions for watersheds where we operate, in order to ensure that water is available for the long term.

What are we doing about it?

PepsiCo is committed to investing in our operations, working with our suppliers and partnering with external organizations to tackle the challenges and

opportunities that water availability and quality create for our business. We use internationally respected tools to monitor and assess risks, including the World Business Council for Sustainable Development (WBCSD) Global Water Tool's mean annual relative water stress and annual per capita renewable water supply data, the World Resource Institute's (WRI's) Aqueduct baseline water-stress indicator, and a method developed at ETH-Zurich that incorporates the timing of water supply and demand in assessing stress. We have also constructed a water stress assessment survey that provides more comprehensive insight into local water conditions by addressing water quantity, water quality and external factors such as competition, economics and community concerns. The insight gained through these processes allows us to identify the locations most at risk of water stress or other water challenges and to prioritize allocation of mitigation resources. We are helping local communities in water-scarce areas. PepsiCo has achieved its previously stated goal of partnering to provide access to safe water to 3 million people in developing countries by the end of 2015. Given the company's strong progress to date, PepsiCo also has announced a new commitment to provide access to safe water to an additional 3 million people by the end of 2015 through continued partnerships with water organizations, doubling the company's original goal.

Our collaboration with business, academic experts and NGOs allows us to address global and local challenges in virtually every country where we do business:

- **Business:** Our active involvement in the United Nations CEO Water Mandate, the World Business Council for Sustainable Development's (WBCSD) water leadership group, the International Finance Corporation's 2030 Water Resources Group and the Beverage Industry Environmental Roundtable provides us with an opportunity to learn from other companies and share our own experiences across a spectrum of industries, including food and beverage manufacturing, power generation and construction. This also allows us to discuss water-related issues and advance solutions on a pre-competitive basis.

Environmental Sustainability



- Academia:** PepsiCo has been partners with Columbia University’s Water Center (CWC) for seven years. During that time, CWC has developed, tested and delivered solutions to water scarcity around the world, benefiting millions of people. These projects have included the development of low-cost tensiometers that help smallholder farmers in India apply the correct amount of water to their crops and the creation of water allocation plans that helped provide fresh water to more than 4 million people in Brazil.
- NGOs:** In addition to the company’s partnerships with The Nature Conservancy and other groups, the PepsiCo Foundation works with Safe Water Network, Water.org, the InterAmerican Development Bank and the Chinese Women’s Development Foundation to provide access to water and sanitation for communities where such access is lacking.

WATER (in millions of cubic meters)	2006	2007	2008	2009	2010	2011	2012	2013
Legacy PepsiCo	56.6	56.2	55.6	52.3	52.8	52.9	52.6	53.5
Total PepsiCo	56.6	56.2	55.6	55.9	101.9	101.7	100.0	97.7

The water conservation goal applies to global “legacy” operations as they existed in 2006 and excludes major acquisitions and mergers. Divestitures, such as franchise bottling operations, have also been taken into account after the 2006 baseline year.

Conservation in Operations

By embedding water conservation practices in day-to-day operations at our manufacturing facilities, we have been able to meet and exceed our conservation goals.

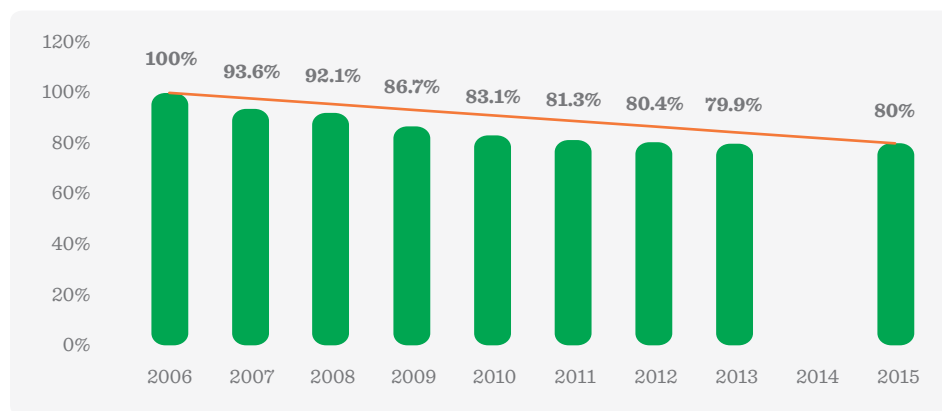
Through the application of ReCon Water and the dedicated commitment of our associates, we were able to achieve our goal of improving water-use efficiency by 20 percent per unit of production ahead of the 2015 target, from a 2006 baseline. This improvement, in 2013 alone, corresponded to an estimated water-flow savings of over 14 million cubic meters and cost savings of nearly \$15 million. Projects that drove significant savings ranged from monitoring and fixing leaks in order to optimize the water purification systems in our beverage plants to recycling and reusing water. As an example, our Treated Water Efficiency tool, which allows beverage plants to optimize their water treatment systems, has saved an estimated \$640,000 in costs and reduced water consumption by over 200,000 cubic meters per year in our U.S. beverage operations.

* In 2013, total withdrawal from municipal water supplies (or from other water utilities) was 37.6 million cubic meters and total withdrawal from all other sources was 15.9 million cubic meters. We do not withdraw from salt or brackish water sources.

Water

G4-EN8 Total water withdrawal by source*

TOTAL WATER PERFORMANCE





Water Availability and Quality

Across PepsiCo, we implement a variety of standardized processes and procedures to ensure the safety of our water for consumers and for the integrity of our products.

PepsiCo facilities utilize raw water from combinations of on-site wells (groundwater) and municipal or similar water utilities. Although the water supplies from these various sources have different characteristics, our combination of water source qualification, in-process testing and monitoring, twice-yearly water quality sweeps, and water treatment technologies allows us to achieve the necessary water quality for use in our products.

Based on results from the WBCSD Global Water Tool and the WRI Aqueduct indicator, 42 percent of our manufacturing facilities were located in water-stressed or water-scarce areas. Since these tools, as well as others, apply different parameters and definitions, we consider the frequency of stress identification to be the best basis for anticipating risk. Because the maps are best viewed as screening tools, we have also constructed a water stress assessment survey that provides more comprehensive insight into local water conditions by addressing water quality and quantity, as well as other issues.

Positive Water Impact

Since water use activities occur within the boundaries of a watershed, and multiple users share the same water sources, integrated watershed management is important to mitigate risks and seize new opportunities. PepsiCo India has funded community water projects in support of the Positive Water Balance initiative. These projects have resulted in the creation of water harvesting and recharge potential of more than 5 million cubic meters 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 and recharging water in communities around our manufacturing facilities.

PepsiCo’s Jordan operation began its own positive water journey in 2012, with projects including constructing dams for rainwater harvesting, leveraging brands to launch a community water awareness campaign and installing a treatment unit to render a nonpotable water source compliant with Jordanian drinking water regulations.

Agricultural Efficiency

Seventy percent of the world’s water use is for agriculture. As a significant buyer of agricultural crops, we are working with the farmers that supply us to help them manage the usage, availability and quality of water. For example, our PepsiCo agriculture research facilities in the United States, Peru and other locations utilize varietal breeding and screening for core crops, such as potatoes. Included in the assessments of new varieties for commercialization is crop screening for several traits, including suitability for rain-fed and/or irrigated growing conditions.

PepsiCo launched the Sustainable Farming Initiative (SFI), a comprehensive on-farm continuous improvement program, in 2012. The SFI framework includes environmental, social and economic sustainability pillars with indicators, detailed criteria and global standards for each. The framework also provides a foundation pillar that consists of activities common to the other three pillars. The SFI supports our suppliers in a wide range of programs to reduce water usage, replace synthetic fertilizer usage and improve farm



yields. The SFI was implemented by over 500 farmers in 2013, covering 360,000 acres. Rollout will continue at an increased pace in 2014.

PepsiCo has formed strategic partnerships with organizations including the UN CEO Water Mandate, WBCSD Water Leadership Group, IFC 2030 Water Resources Group, US Water Alliance, University of Cambridge and Columbia Earth Institute. These partnerships inform our strategy; enable us to deliver specific programs, such as our aim to help U.K. farmers who supply us reduce water usage by 50 percent over five years; and help us to engage other like-minded organizations in sharing challenges and solutions.

For further details about PepsiCo's efforts to reduce water consumption throughout the supply chain, and in agriculture particularly, see the section on [Supply Chain Management](#).

Access to Clean and Safe Water

PepsiCo was among the first companies of its size to publicly 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*. In 2009, we established and published guidelines in support of water as a fundamental human right, in the context of the World Health Organization and the United Nations Joint Declaration on the Human Right to Water. Please refer to http://www.pepsico.com/Download/PepsiCo_Water_Report_FNL.pdf.

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

- **Safety:** We will work to have our operations preserve the quality of the water resources in the communities in which we do business.

- **Sufficiency:** We will develop operating objectives to manage our use of water with a view to the availability of community water resources for the individuals and the communities in the areas in which we operate.
- **Acceptability:** We will work to involve communities in our plans to develop water resources and will work to be more transparent regarding any risks or challenges to the local governments and community.
- **Physical Accessibility:** We will work to ensure that our operations will not adversely impact the physical accessibility of community water resources for community members and will seek opportunities to address community concerns in a cooperative manner.
- **Affordability:** We will engage, as appropriate, government bodies to ensure that our position is known concerning the human right to water and that supplies should be available in a fair and equitable manner to members of the community. Such water should be safe and of consistent and adequate supply and affordable within local practices.

We continue to work on the processes to demonstrate respect for water as a human right, and to embed it in our business systems. For example, we are developing, with an academic institution and a faith-based organization, a Human Right to Water Impact Assessment, and hope to pilot the assessment this year.

Raising awareness of the issues is also important. In 2013, the PepsiCo Foundation sponsored and participated in the State of the Planet Conference on the topic of water insecurity. PepsiCo also participated with Columbia University in a conference about America's water infrastructure. Internally, colleagues around the world recognized World Water Day. In AMEA and the



South America, Caribbean and Central America regions, our teams developed internal awareness campaigns to educate associates and their families about the value of water and PepsiCo's global efforts. Several offices screened a documentary called *Water Pressures* that features several PepsiCo executives and shows college students in the U.S. learning about water issues (you can see the trailer here: <http://www.waterpressures.org/>).

G4-EC7 Development and impact of infrastructure investments and services supported (for water infrastructure only)

In a world of constrained natural resources, PepsiCo plays an important role in supporting economic growth and stability in the communities where we live and work, including those at or near the base of the economic pyramid. Water provides the opportunity to catalyze social and economic development and sits at the intersection of education, global health, gender empowerment, food security and productivity. PepsiCo has already achieved its previously stated goal of partnering to provide access to safe water to 3 million people in developing countries by the end of 2015. Given the company's strong progress to date, PepsiCo also announced a new commitment to provide access to safe water to an additional 3 million people by the end of 2015 through continued partnerships with water organizations, doubling the company's original goal.

With the help of the innovative approaches of our water partners, the China Women's Development Foundation, the Inter-American Development Bank, The Earth Institute's Columbia Water Center, the Safe Water Network and Water.Org, we have collaboratively developed new applications of microfinance to the water and sanitation sector, built new markets, helped to install village water and irrigation systems, developed and provided new water allocation models, established water health centers, constructed

rainwater harvesting cisterns, improved sanitation programs and recharged aquifers in developing communities. PepsiCo associates at all levels of the organization have helped create, design and execute these initiatives since their inception and have assisted with their sustainable success.

PepsiCo is committed to working in community watersheds, particularly in water-stressed areas, helping communities with the greatest need and advocating for new approaches that can help bring lasting solutions to the water issues faced around the world. Through the business and the PepsiCo Foundation, PepsiCo has identified projects in which to partner to provide access to safe water for millions of people through initiatives that include water conservation, distribution, purification and hygiene in China, India, Mali, Brazil, Colombia and other Latin American countries. Many of our programs have informed local and state-driven policies and have been adopted by global development organizations to ensure their sustainability over time.

Semi-Arid Articulation

PepsiCo Brazil established a three-year partnership (from 2012 to 2014) with the Semi-Arid Articulation (ASA), a network of some 3,000 civil society groups working toward sustainable development and permanence within the semi-arid region of Brazil (approximately 10 percent of Brazil's territory). Over the three-year period, we will invest approximately \$1.6 million to address social and environmental issues by providing community access to water, food and education.

As part of the partnership, we support the One Land and Two Waters Program. The program enables local communities to build cisterns that can collect up to 52,000 liters of water, supplying it for individual consumption and agricultural use. Since the project began, we have built 65 cisterns



(five in Pernambuco, 30 in Minas Gerais and 30 in Bahia). By the end of 2014, we expect to have built 150 cisterns in total. We have successfully built four cisterns in schools (two in Minas Gerais and two in Bahia). By the end of 2014, we expect to have completed an additional six cisterns. Approximately 1,300 people have directly benefited from the cistern construction through access to clean, safe water.

WaterHope

WaterHope 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 via a partnership between PepsiCo and the Wholistic Transformation Resource Centre (WTRC), a Philippines humanitarian and development organization. One in three Filipinos do not have access to clean, safe drinking water. Access to clean drinking water is a key target for the Philippines' Millennium Development Goal (MDG) for Environmental Sustainability.

In 2013, we opened the eighth WaterHope station in the Philippines. The WaterHope stations provide locals with the opportunity to improve their economic livelihood by becoming water entrepreneurs and setting up micro-enterprise water dealerships to buy and sell water to people in their neighborhoods. The water dealers are able to sell water nearly 50 percent cheaper than commercial water stations. This can provide an economic uplift for the dealers (many of whom are women). This additional money is often used to send their children to school. Attached to each WaterHope station is a community center that provides social development programs such as dental, medical and legal clinics, as well as day-care centers for young children who might otherwise be left home alone while their parents work.

From 2007 to 2013, WaterHope Philippines has provided clean drinking water to more than 1.5 million individuals — ahead of its 2015 target — and has reached nearly 75,000 beneficiaries with its community development programs.

In 2013, we launched WaterHope Vietnam in Dien Thang Bac in Quang Nam province — home to PepsiCo Vietnam's Dien Ban bottling plant and a province with one of the lowest GDPs in Vietnam. This new station has provided approximately 17,000 Vietnamese citizens with access to clean, safe water.

Preserving Natural Water in Asia-Pacific

Over a three-year period, PepsiCo Asia-Pacific, as well as our Thailand Foods and Thailand Beverage businesses, will financially contribute to 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 ensure that a sustainable supply of better-quality water is available to local communities. To date, 88 PepsiCo Thailand volunteers, including management and associates, have collaborated with officials from the Makhujae Subdistrict, local government agencies and villagers to successfully install 20 integrated check dams built with natural materials.



Climate Change and Energy

Management Approach

PepsiCo is continuously working to reduce our impact on climate change and to manage the risks that predicted climate change poses to our business. These include rising global temperatures and increasingly unpredictable and severe weather patterns. We seek to reduce energy use in our manufacturing operations, explore renewable alternatives to fossil fuel, improve the efficiency of our fleet and work with suppliers to help them manage and reduce their energy use and GHG emissions.

Why is it important?

In the World Economic Forum's *Global Risk Report* for 2012 and 2013, "Rising Greenhouse Gas Emissions" were among the top five most likely global risks, and "Failure of Climate Adaptation" was among the top five risks with the greatest potential impact for 2013. The amount and type of energy used in our operations, distribution and supply chain have several impacts. Using less energy means lower costs and less impact on climate change. Moving away from traditional fossil fuels also lowers our emissions, potentially improves the security of our energy supply, and contributes toward cleaner air in the communities in which we operate, giving us a route to climate adaptation. Governments around the world are looking at how the regulatory framework can incentivize less use of fossil fuels and aid the transition to cleaner energy. And there is increasing regulatory and NGO scrutiny of how companies are responding to climate change and their own contribution to it. Our suppliers are grappling with the same issues. At PepsiCo, we have an opportunity to respond proactively to this changing landscape.

What are we doing about it?

We are working to achieve an absolute reduction in GHG emissions across our business. To that end, we have programs and initiatives to reduce energy use and emissions in our operations, to move to lower-carbon energy sources and to work with our supply chain, particularly farmers, to help them achieve reductions. Our approach is developed and managed by our Environmental Sustainability Council (ESC) which ultimately reports to the Sustainability Task Force. We are making progress at our manufacturing sites through our ReCon tool, which is driving energy reductions through innovation and best practice, in our fleets (we have developed one of the largest company-owned electric fleets in the United States), and in our supply chain. Our Sustainable Agriculture Council has created the SFI program, enabling us to work with farmers to help them measure and reduce their GHG emissions. This self-assessment program helps farmers to understand and reduce their economic, environmental and social impacts. It addresses key GHG emission factors for farmers, such as agricultural chemical management, including reducing the use of and replacing nitrogen-based fertilizers, proper tilling practices and on-farm fuel reductions.



Product Transport, Fleet Efficiency

G4-EN30 Significant environmental impacts of transporting products and other goods and materials for the organization's operations and transporting members of the workforce

Fleet emissions contribute approximately 25 percent of our total Scope 1 (direct) and 2 (indirect) emissions. Our fleet operations adopt sustainability in their everyday practices and long-term business plans by reducing emissions through efficiency, new technology and the sharing of best practices.

In the United States, PepsiCo is a certified member of the U.S. Environmental Protection Agency's (U.S. EPA's) SmartWay initiative. The program is a public-private initiative between the U.S. EPA, large and small trucking companies, rail carriers, logistics companies, commercial manufacturers, retailers and federal and state agencies. Its purpose is to improve fuel efficiency and the environmental performance of goods movement supply chains.

Our Frito-Lay North America (FLNA) electric vehicle program has one of the largest company-owned electric fleets in the United States, with more than 280 trucks as of the end of 2013. We also have 208 compressed natural gas tractors on the road, which we expect will deliver productivity savings of over \$3 million in 2014, as well as reducing direct emissions by more than 20 percent, as compared to conventional diesel engines.

We have a number of programs that aim to ensure that we have the most fuel-efficient vehicles on the road. Our Right Truck, Right Route program focuses on ensuring that we use the right vehicles for the routes they run, while also using the most fuel-efficient route; the Road to Green initiative teaches drivers fuel-efficient practices such as not idling trucks; and our internal parts, maintenance and mechanic efficiency programs focus on sustainability as a core concept.

How We Took 3 Million Miles off the Road in the United Kingdom

Since 2009, the logistics fleet in the United Kingdom has avoided 3 million miles that would have been driven, based on projections prior to undertaking our sustainability program. We have achieved this reduction by sharing distribution routes with retail partners; switching our oats transit from road to rail in 2009, saving approximately 300,000 miles per year; and introducing innovative trailers, which have proven to be both cost-effective and environmentally friendly. In 2014, we will be adding 25 longer trailers to our fleet, allowing for an additional 400,000 miles saved by the end of the year.

Energy Consumption and Reduction (Use of Renewable Sources)

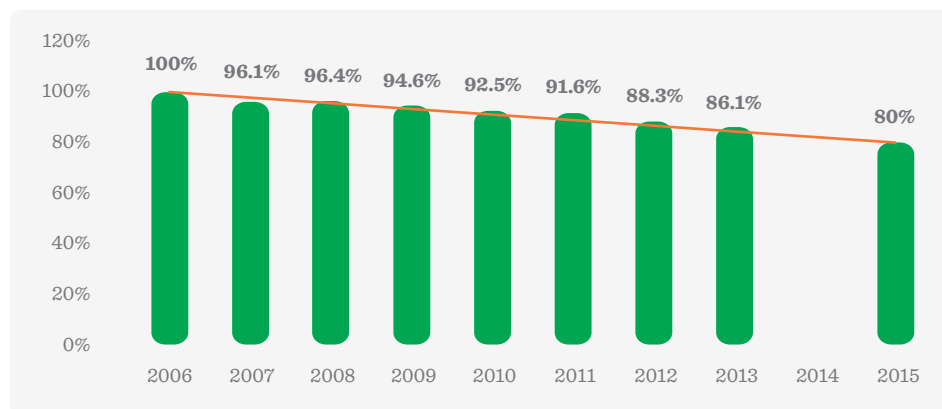
G4-EN3 Energy consumption within the organization

The total energy consumption in 2013 for our legacy operations (our operations as they existed in 2006, i.e., not including any major acquisitions since the baseline year, and adjusting for divestitures) was 15.2 million megawatt hours (MWh). Our energy efficiency has improved by nearly 14 percent when compared with our 2006 baseline, as we progress toward our goal of reducing energy intensity by 20 percent per unit of production by 2015. Based on projections of performance, PepsiCo anticipates achieving the 2015 targets, driven by our resource conservation initiatives that improve the energy efficiency of our operations, as well as by conversion to renewable forms of energy. Our progress in 2013 delivered estimated energy cost savings of \$75 million.

Environmental Sustainability



TOTAL ENERGY PERFORMANCE



TOTAL ENERGY (fuel & electric; in millions of MWh)

	2006	2007	2008	2009	2010	2011	2012	2013
Legacy	14.82	15.08	15.26	15.00	15.19	15.35	15.21	15.16
Total PepsiCo	14.82	15.08	15.26	15.18	20.20	20.75	20.56	20.43

The energy conservation goal applies to global “legacy” operations as they existed in 2006, and excludes major acquisitions and mergers while accounting for divestitures after the 2006 baseline year.

Greenhouse Gas Emissions

G4-EN15 Direct greenhouse gas emissions (Scope 1)

and

G4-EN16 Energy indirect greenhouse gas emissions (Scope 2)

We monitor GHG emissions from company operations on a global scale, with each business unit tracking key performance indicators. Emissions monitoring results are reported quarterly to the PepsiCo Executive Committee, the ESLT, PepsiCo subject matter experts and business unit colleagues. PepsiCo sustainability teams use the data to make improvements in energy efficiency at the site level. They also consolidate and report the data to customers and external stakeholders on a regular basis.

As well as our energy efficiency target of reducing energy intensity by 20 percent per unit of production by 2015, PepsiCo has a goal of holding direct and indirect GHG emissions flat against a 2008 baseline while growing the business. The commitment applies to global operations, excluding significant mergers and acquisitions after the baseline year and accounting for divestitures. In 2013, total direct (Scope 1) and indirect (Scope 2) GHG emissions for legacy operations were 4,139,000 metric tonnes (mT) of CO₂ equivalents, essentially flat compared to 2008, and a decrease of 2 percent from 2012. This performance was achieved despite production volume growth of approximately 9 percent for foods and approximately 17 percent for beverages since 2008, indicating significant efficiency improvements in order to maintain emissions essentially flat over this time period.

The table below shows Scope 1 and Scope 2 GHG emissions for PepsiCo global operations, both legacy and total PepsiCo (“legacy” excludes significant post-2008 mergers and acquisitions, such as the Lebedyansky and Wimm-Bill-Dann juice and dairy businesses in Russia, and franchise bottling operations in North America and Europe). Adjustments have been made for divestitures.

GREENHOUSE GAS EMISSIONS (in 1,000s of mT)	2008	2009	2010	2011	2012	2013
Total Legacy Operations	4,155	4,048	4,148	4,154	4,227	4,139
Total PepsiCo	4,184	4,084	5,457	5,765	5,815	5,781



Reducing Our Energy Use and GHG Emissions

G4-EN6 Reduction of energy consumption

and

G4-EN19 Reduction of greenhouse gas emissions

Energy efficiency and GHG emission reductions go hand-in-hand. ReCon is a customized online site audit and diagnostics program we utilize to apply global best practices, to identify water, GHG and solid waste reduction opportunities and to implement techniques on a global scale. ReCon continues to drive energy efficiency and cost savings for the business. In 2013, there were over 80 projects at sites around the world with approximately \$15 million in savings identified.

Together, PepsiCo's energy efficiency programs and initiatives have helped our overall U.S. manufacturing 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 in our beverage business and a steady 1.4 percent improvement in our Frito-Lay business unit. This strong performance will deliver nearly \$12 million in savings for our businesses. Since 1999, energy intensity has been reduced by 35 percent, equating to savings of \$50 million and 600,000 metric tonnes of CO₂ emissions.

Green Buildings

PepsiCo continues its commitment to saving energy through green building and design worldwide. We encourage our facilities to meet the U.S. Green Building Council's (USGBC's) Leadership in Energy and Environmental Design (LEED) standards, which are among the most rigorous benchmarks

for green building design, construction and operation in the world. So far, 42 facilities across PepsiCo have achieved LEED certification. PepsiCo's Global Sustainable Engineering Guidelines (SEGs), which are based on LEED standards, were developed to ensure that our buildings are constructed using environmentally sustainable principles. The guidelines are applied globally to all new construction, as well as major remodels. The SEGs can be accessed through a website available to all PepsiCo engineers and key partners worldwide. This website provides guidelines for the following:

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

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



ENERGY STAR Program

PepsiCo has been an ENERGY STAR partner since 2004 and has been recognized at the Partner of the Year Awards for nine consecutive years. In 2014, we were awarded the Partner of the Year in Sustained Excellence Award. Taking full advantage of ENERGY STAR tools and programs such as the Energy Management Guidelines, the Challenge for Industry, the Energy Performance Indicators, the Product Efficiency Standards and Food Focus Group networking, PepsiCo has continuously improved the energy efficiency of our own operations, as well as that of operations throughout our supply chain. As a key aspect of our global climate change strategy, PepsiCo leverages our partnership with ENERGY STAR to communicate the strength of our program to customers, consumers and other key stakeholders and we look forward to continuing our strong partnership with ENERGY STAR into 2014 and beyond.

Kentville, Canada

The resource conservation team at the PepsiCo Americas Foods' Kentville facility has reduced its water consumption by 61 percent, fuel usage by 34 percent and electrical usage by 36 percent since 1999. This performance continued in 2013 through employee engagement, data tracking and management, and improved shutdown processes.

Kolkata, India

Since 2009, our Snacks plant in Kolkata, India, reduced energy consumption from 1.2 kWh/kg to 0.5 kWh/kg in 2013, and increased renewable energy, as a percentage of total energy use, from 10 to 70 percent over the same period. Some of the initiatives contributing to this achievement included using rice husks as a renewable energy source to cook our potato chips and using waste as the energy source for our chillers on site, the first time these innovative solutions have been used at PepsiCo.

Tolleson, USA

The Tolleson Gatorade facility is in the process of expanding its existing solar photovoltaic system. For the first system, 500 kilowatts of capacity was installed and started operation in October 2008. Average renewable electricity production from that system has been approximately 900,000 kilowatt-hours. The second system is 1.7 megawatts in size and produces 3.3 million kilowatt hours annually of renewable electricity, which represents approximately 11 percent of the electricity currently consumed by the facility.

G4-EN17 Other indirect greenhouse gas emissions (Scope 3)

Scope 3 emissions are those emissions associated with elements of our value chain outside of our operational control. These include emissions from suppliers that supply the raw materials for our products, such as potatoes, oats, corn and sunflower oil, and the packaging materials for our products, as well as emissions associated with the storage and sale of our products further up the value chain by our customers and consumers.

A key part of our Scope 3 emissions is the beverage coolers that our customers, primarily retailers, use to store our products for sale to consumers. Historically, cooling equipment consumed significant amounts of energy. We continue to improve the energy efficiency of these units while also investing in sustainable refrigerants worldwide. PepsiCo provides refrigeration equipment at the point of sale, including coolers and vending machines, to our retail partners around the world.

PepsiCo improved efficiency by 54 percent for vending machines and 60 percent for coolers in 2013, as compared to models available in 2004. As a result, the per-unit emissions from these coolers are on the decline. In 2013,



absolute emissions from this equipment totaled 3,521,000 metric tonnes, a decrease of 549,000 metric tonnes from 2012.

Please see the Supply Chain and Packaging sections for further information on how we manage, measure and reduce our emissions and other environmental impacts throughout our value chain.

Supply Chain Management

Management Approach

From the farms where our raw materials are grown to the suppliers that help us create a superior product, managing our supply chain is critical to the success of our business.

Why is this important?

Agriculture

Our company is dependent on a successful and sustainable agriculture industry. The majority of our raw materials in terms of dollar spend — such as potatoes, corn, oats, sugar and sunflower oil — come directly from agriculture. These come from different sources, from smallholder farmers in developing and emerging markets to large-scale agribusinesses in developed markets — and everything in between. In order to secure our agricultural supply along this entire spectrum of sourcing in the short and long term, we must carefully manage our operations and approach.

The importance of environmental issues such as climate change, land use impacts, changes in crop demand and water scarcity to the farming sector is clear. For the past two years, agriculture-related elements have been ranked by the World Economic Forum's Global Risk Report as among the top five highest-impact risks. Similarly, we have already seen the impacts that climate issues and other crises can have on the reliability and cost of supply. These include water scarcity or flooding, political instability, lack of economic viability, social challenges and more. Add to this the fact that agriculture accounts for 70 percent of global water use, 40 percent of global employment and 20–30 percent of global GHGs and it becomes clear that progress in agricultural sustainability will have significant and material benefits in other areas.

Supplier Standards

Our businesses depend on a safe, high-quality and affordable supply of raw materials to meet the demands of our production lines as well as the expectations of our consumers, customers and other stakeholders. Managing a global supply chain comprising thousands of suppliers requires setting clear expectations and standards.

What are we doing about it?

At PepsiCo, we believe that responsible and sustainable sourcing means looking beyond the traditional procurement aspects of cost, quality and consistent supply. We use our relationships within our global supply chains to provide tools and resources so that those we work with can operate ethically and responsibly, respect the environment, and continue to provide innovation in packaging, ingredients and agriculture. We are committed to continuously improving our procurement practices within our supply chain by leveraging our talents, programs and policies across the globe for all associates involved in purchasing functions and decisions.



Agriculture

PepsiCo's approach to sustainably sourced agricultural raw materials encompasses five components: policy; objectives and goals; governance; communication; and reporting and verification. Our Global Sustainable Agriculture Policy demonstrates our approach to sustainable development. It encompasses water savings, waste reuse, soil protection and chemical use. The policy includes our vision, aspirations and guiding principles. It is designed to have global reach across industry and agriculture, and is adaptable to farms of all sizes in both developing and mature markets. For more information, please refer to our Sustainable Agriculture Policy.

PepsiCo's Sustainable Agriculture Council (SAGC) reports to the ESLT and PepsiCo's Sustainability Task Force. The SAGC is staffed by agricultural specialists across operations and procurement and a cross-functional team including public policy and government affairs, strategic communications, procurement and R&D. We strive to improve the sustainability of our procurement practices by leveraging our talents, programs and policies across the globe and among all associates involved in purchasing functions and decisions. We have established multiple objectives focused on improving the sustainability of our agriculture supply chain. They are broad enough to be leveraged across the various commodities we procure around the globe at both the regional and the local level. Programs with specific and measurable goals are successfully implemented worldwide based on these foundational objectives and the challenges and opportunities that exist in specific regions.

Supplier Standards

PepsiCo is committed to maintaining a high standard of business ethics in its dealings with employees, governments, customers and consumers. It is also our mission to make sure that suppliers providing PepsiCo with goods and services do the same, sharing one set of values that guide our daily decisions and actions. PepsiCo's Supplier Code of Conduct defines our expectations of our suppliers to do business the right way. It is designed to help them meet their obligations, show respect to those in their workplaces, act with integrity in the marketplace and comply with all relevant rules and regulations. While we use our Supplier Code of Conduct to articulate our priorities, we use our supplier Social Capability Management (SCM) program to communicate and educate our suppliers, evaluate compliance and facilitate continuous improvements within our supply chain. We partner with our industry peers, suppliers and third-party service providers such as Supplier Ethical Data Exchange (SEDEX) and social audit providers to drive transparency and social accountability across our supply chain.

Agricultural Raw Materials

G4-EN33 Significant actual and potential negative environmental impacts in the supply chain and actions taken

We have been working for the past three years to develop a global framework to help define sustainable agricultural practices at the farm level and help growers continuously improve. The PepsiCo Sustainable Farming Initiative (SFI) was launched in 2012 to encourage both PepsiCo and our growers to operate in ways that reduce environmental and social impacts, while maintaining economic strength and viability.

Environmental Sustainability



Working with industry partners Validus, LLC and Business for Social Responsibility (BSR), the SFI was developed for global application, at the farm level, for all of our agricultural commodities across four pillars: Social, Economic, Environmental and Foundation. It is this comprehensive view — going beyond just environmental concerns — that makes SFI so effective. We are also sharing our approach with other customers of agriculture to make the standards compatible across different programs where possible.

ENVIRONMENTAL PILLAR	SOCIAL PILLAR	ECONOMIC PILLAR	FOUNDATION PILLAR
<ul style="list-style-type: none"> • Energy • GHGs • Water • Agrochemicals • Soil • Nutrients • Waste • Biodiversity • Air 	<ul style="list-style-type: none"> • Health, wellness & safety • Employment conditions • Employment practices • Community • Land policy 	<ul style="list-style-type: none"> • Management practices • Efficiency • Commercial relationships 	<ul style="list-style-type: none"> • On-farm storage • Handling & transport • Machinery • Training • Record-keeping

A sustainable, successful agriculture sector is essential to delivering high-quality raw materials for our products. In 2011–2012, we ran 36 pilot projects in 14 countries to test and learn about how the standard could help suppliers. With this learning in hand, in 2013, PepsiCo significantly expanded the SFI program to include over 500 growers. We focused on high-profile crops directly associated with our brands, including potatoes, citrus, oats, and corn. In 2013, SFI officially rolled out across the United States, Canada, the United Kingdom, Brazil, Chile, Argentina and Mexico. The first half of 2014 will see additional rollouts in India and Australia.

Ultimately, SFI and the continued implementation of best practices for sustainable agriculture will add value to PepsiCo’s business in the following areas:

- **Security of Supply:** PepsiCo and our growers will be increasingly confident that we can continue to grow and purchase agriculture crops into the future.
- **Risk Management:** To manage volatility, PepsiCo and our growers look for solutions from the experts on weather volatility, alternative energy, input costs, etc.
- **Regulation and Legislation:** SFI provides PepsiCo with a framework within which to better manage the growing level of regulation and legislation that is facing our businesses.
- **Productivity and Increased Efficiency:** Perhaps the greatest lever to use in sustainability — growing more with less. We continue to identify where good practices, innovation and technology can increase efficiency.



Energy and Greenhouse Gas

PepsiCo UK is leading a “50-in-5” initiative aimed at reducing the agricultural carbon emissions of key crops used in PepsiCo products in the United Kingdom by 50 percent by 2015. New crop varieties, investment in technology such as drip irrigation, and the data and information available through i-crop™ and Cool Farm Tool technologies, which allow growers to measure, predict and therefore reduce energy and water use, make us confident that our growers will meet this challenging target.

In the U.K., at the end of 2012, the carbon footprint of Walkers’ potatoes had been reduced by 27 percent on a constant yield basis, compared to the 2010 baseline. Led by the information generated by the Cool Farm Tool, PepsiCo agronomists and our partners have been working with growers to measure emissions, identify hotspots and implement approaches that reduce emissions in the field without impacting yields. These include optimizing activities associated with high emissions, such as the use of tractors and fertilizers. Similarly, new methods of adding fertilizer that reduce the amount of emissions released into the air and using lower-carbon fertilizers will also help. We will continue to work with our partners to find ways to tackle other hotspots such as storage facilities, where performance on energy use and waste varies significantly.

Around the world, we are looking at ways to reduce the environmental impact of fertilizer use by the farmers that supply us. In Belgium, the Netherlands, France and Germany, we are using organic fertilizers, when appropriate, to reduce carbon emissions. For example, slurry from Dutch and Belgian dairy and pig farms is placed directly into the soil as a natural fertilizer. This cross-farm cooperation helps dairy and pig farmers reduce their waste and reduces our growers’ carbon emissions as it reduces the use of traditional

fertilizers. It also improves our products’ environmental performance, since 40 to 50 percent of the carbon produced per ton of our potatoes is from fertilizers.

We have also adopted a fertilizer strategy with other growers in our potato supply chain in Europe and the orange supply chain in Florida to reduce a key environmental impact and cost for farmers. This approach includes:

- **Abated Fertilizer:** Replacement of traditionally manufactured fertilizer with available low-carbon supply.
- **Optimized Use of Fertilizer Applied to the Crop:** Through our U.K. 50-in-5 program, we identified the overapplication of nitrogen by approximately 18 percent in 2010. We are therefore using soil-testing programs to calculate the required amount of fertilizer more accurately. Optimizing fertilizer use could reduce the carbon footprint of our potato growers.
- **Organic and Waste-stream Fertilizer:** Organic fertilizer can contribute significantly to reducing our carbon footprint. Trials during 2012 and 2013 in Western Europe confirmed that we can use organic fertilizers without negative yield or quality impact.

This work will form the basis of individual carbon-reduction targets being set for PepsiCo supply programs, leveraging what has been accomplished in Western Europe and Florida.

Water

Across our operations in Europe, we are helping our growers get “more crop from every drop.” In Turkey, we have worked with some of our 500 farmers to reduce water usage by 34 percent in 2012, compared to 2010. We did this by



increasing the use of drip irrigation and mini sprinkler systems and boosting yields. As a result, we have saved around 10 million tons of water — enough to fill approximately 4,000 professional-sized swimming pools.

We are also working with Greek and Bulgarian potato growers to use water more efficiently by rolling out learnings from i-crop™ and putting in place drip irrigation. Most of our farms in Bulgaria use drip irrigation, resulting in 40 percent less water use per hectare, as compared to other irrigation methods, and increased yields of 5 percent. Drip irrigation trials that Walkers conducted with its growers in the U.K. resulted in an increase in yield of 5 percent, and a 38 percent reduction in irrigation water per metric tonne of potatoes in 2013, the third year of the trials.

Agrochemicals and Nutrients

PepsiCo supports sustainable practices that substitute natural controls for agrochemicals, foster ecosystem balance and reduce crop losses. Sustainable protection of plants against pests includes prevention and monitoring of pest problems, using control methods only when necessary, and targeting only the pests that cause crop production problems.

PepsiCo aims to follow procedures that assure safe use of plant protection products, and expects the same of its growers. These procedures begin with making sure that all protection products are registered or permitted by the appropriate governmental agency in both the country of production and the destination country. Furthermore, under these procedures, we safely manage agrochemicals by selecting the correct agrochemicals and properly storing them on site. By working to ensure the proper security, handling, transport and application of plant-protection products, we reduce any potential negative effects on people and the environment.

PepsiCo is also using, and encouraging our suppliers to use, safer insecticides and the recycling of agrochemical containers and packaging in countries around the world. For example, in Turkey, we are cooperating with farmers in a trial using a natural fertilizer for potatoes, Naturalis, which is made from our Turkish potato chip factories' waste. Natural fertilizer is good for the soil as it provides organic content as well as nutrients. It supports PepsiCo Turkey's aim to reduce chemical usage in fertilizers for potato production by 40 percent. Our ultimate goal is to roll out this fertilizer to cover 100 percent of our fertilizer needs for potatoes in Turkey, and to sell excess capacity in the market.

Soil

Sustaining, retaining and improving the soil and its organic matter are a high priority for PepsiCo. Minimizing soil loss resulting from the erosive forces of water and wind is critical. To address these and other soil concerns, we implement long-term solutions that can preserve and conserve soil.

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

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

Biodiversity

Through our sustainable agriculture programs, we work to ensure that a healthy and balanced ecosystem is maintained to mitigate the risks of



biodiversity loss. For example, as a member of the Sustainable Agriculture Initiative platform, a global food and drink industry initiative for sustainable agriculture, PepsiCo is jointly working to define the scope and suitable metrics for measuring and improving biodiversity in arable crops using a recognized global standard. In the U.S., we have improved waterfowl and wildlife habitat by placing select Gold Dust potato fields under a flood/fallow program. Biodiversity is also a key SFI indicator.

PepsiCo Agriculture Initiatives Benefit Communities in Colombia

Our commitment to responsible sourcing includes respecting human rights and the environment. The social pillar of sustainability addressed in PepsiCo's SFI provides a comprehensive on-farm verification program that focuses on respect for human rights, the well-being of local communities and basic health and nutrition. These social pillar objectives, in conjunction with the environmental and economic pillars, and together with our farmer suppliers, allow us to increase supply chain productivity, build greater resilience against uncertainty and reduce risk to farmers and to PepsiCo.

In 2008, we began a supply program aimed at increasing our direct purchases from farmers. We believe that by breaking commercialization chains and working directly with smallholder farmers, we have an opportunity to benefit local communities. In Colombia, we use this direct purchase program when sourcing plantains for the production of Natu chips. This program has provided security for local farmers, employment for 65 to 70 women in the preparation plant and work opportunities for vulnerable 20- to 25-year-old men.

Supplier Standards and Outreach

PepsiCo's approach to responsible sourcing involves four strategic planks: Assure Sustained Supply, Protect Corporate Reputation, Ensure Social Human Rights and Respect the Environment. Each strategic plank uses a clearly defined process to set expectations and deliver results that support our Responsible and Sustainable Sourcing (RSS) vision and objectives. We draw on relationships within our global supply chains to ensure that those we work with operate ethically and responsibly. We are committed to continuously improving our procurement practices by leveraging our talents, programs and policies across the globe for all associates involved in purchasing functions and decisions.

Supplier Standards

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

To ensure the utmost integrity throughout our supply chain, we maintain a robust set of supplier policies and procedures. An important component of RSS is our commitment to working in partnership with our suppliers to follow a specific code of conduct to identify and mitigate risks in the supply chain.

The Supplier Code of Conduct (SCoC) communicates our global expectations in the areas of labor practices, associate health and safety, environmental management and business integrity. Our SCoC is based on the International Labor Organization, the United Nations Global Compact and other internationally recognized standards. The SCoC includes 13 standards that address basic compliance with applicable law, respect for human rights and prohibiting all forms of forced or compulsory labor, ensuring that no child labor is used, and cooperating with reasonable assessment processes



requested by PepsiCo. The SCoC has been translated into 25 languages and appears in procurement contracts globally.

PepsiCo's SCoC strategy includes four levels of engagement:

- **Accountability:** Achieved through the Global Procurement Contract Management Policy, which requires suppliers to adhere to PepsiCo's SCoC.
- **Engagement:** Requires that suppliers understand the SCoC, and includes supplier training programs.
- **Assessment:** Conducted using the SEDEX assessment tool to determine third-party social audits by suppliers.
- **Mitigation Planning:** Developed on the basis of audit findings of noncompliances.

PepsiCo's SCoC reinforces our expectation that our suppliers "do business the right way," protects our brand reputation and supports the goal of long-term sustainable supply by addressing known business, environmental and social risks and building supplier capability.

In addition to our SCoC, our Supplier Quality Assurance (SQA) program ensures that our direct material suppliers meet PepsiCo's quality and food safety requirements. SQA standardizes the process for food safety parameters and the frequency and nature of on-site food safety audits, along with a supplier approval process, and includes certificates of analysis and testing of ingredients and packaging materials. Find more information about the SQA in the Food Safety section of this report.

Sustainable Partnerships

While we use our SCoC to articulate our priorities, we leverage our holistic supplier Social Capability Management (SCM) program to communicate with and educate our suppliers, validate compliance and facilitate continuous improvements within our supply chain. We partner with our industry peers, our own suppliers and third-party service providers like SEDEX and social audit providers to drive transparency and social accountability in our supply chain.

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

Additional examples of collaboration include:

- **The Consumer Goods Forum (CGF):** PepsiCo is an active member of CGF and participates in a number of working groups to address supply chain issues including social, economic and environmental issues such as deforestation, refrigeration, paper and board, and palm oil. <http://www.theconsumergoodsforum.com/groups.aspx>
- **Socioeconomic Inclusion of Urban Recyclers Program:** PepsiCo Argentina founded the Socio-economic Inclusion of Urban Recyclers Program, in alliance with the Inter-American Development Bank (IDB) and



Avina Foundation. This five-year partnership between PepsiCo and the IDB marks the first time a private-sector organization has participated in the IDB's innovative regional trust funds for development activities.

- **Rainforest Alliance:** Certified supply chain:
 - Potatoes: In Chile, 100 percent of farmers who produce potatoes used in food products and 100 percent of seed producers have earned rainforest certification.
 - Banana and pineapple for Naked Juice:
<http://www.rainforestalliance.org/shopthefrog/naked-juice>
 - Lipton Tea partnership:
<http://www.rainforestalliance.org/shopthefrog/lipton-pureleaf>
- **Fair Trade USA:** We have a certified supply chain for Near East quinoa blends and Fair Trade Certified coconut products including: Naked coconut water, Nutiva virgin coconut oil, and sprouts.
<http://www.fairtradeusa.org/products-partners/beans-grains>
- **Bonsucro:** PepsiCo will work with suppliers toward the goal of assuring the sourcing of 100 percent sustainable cane sugar by 2020, starting in Brazil and Thailand. Recognizing that the sustainable cane sugar market is still developing, we will work with relevant stakeholders, including suppliers, to evaluate certification standards (Bonsucro and alternatives) that are appropriate and applicable to our supply chain to achieve this goal.
<http://bonsucro.com/site/members/list-of-members/>

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; and
 - No new conversion of Peatlands.

Adherence to the Free, Prior, and Informed Consent (FPIC) Principles is defined and outlined in the PepsiCo Land Policy.



Land Policy

In March 2014, PepsiCo launched its land policy to suppliers. The policy upholds our commitment to zero tolerance for illegal activities in our supply chain and for land displacements of any legitimate land tenure holders, which are contrary to the International Finance Corporation (IFC) Performance Standards.

Our land policy outlines processes and assessments to avoid these situations. However, we recognize that they can occur, and PepsiCo has a responsibility to address them. As part of our land policy, we are committed to:

- Zero tolerance for land displacements of any peoples, in accordance with IFC Performance Standards
- Fair and legal negotiations for land acquisitions
- Use of appropriate grievance mechanisms, such as the PepsiCo Speak Up Hotline, for future dispute resolutions

To further demonstrate our support of responsible land rights practices, PepsiCo intends to join the Committee on World Food Security (CFS).

In addition, we are committed to implementing a third-party audit program, based on available and accepted standards, of the social, environmental and human rights aspects of our top sugar sourcing country, Brazil, by the end of 2014. We are also committed to implementing similar audit programs for our sugar supply chain in Thailand, our palm oil supply chain in Mexico and our coconut water supply chain in the Philippines by the end of 2016. PepsiCo will provide a public summary of critical findings, including the methodology used for each assessment, and will seek to hold appropriate discussions with relevant stakeholders. We are also immediately embedding within SFI detailed questions regarding land rights that have been developed with third-party expertise.

Training

Formal learning is one of several ways in which we advance our procurement capability and encourage associates to integrate Environmental, Social and Governance (ESG) factors in everyday decisions. In 2012, we launched Global Procurement University (GPU), which includes a variety of e-learning courses designed to build the knowledge and skills that will help enable procurement professionals to increase their functional capability to enhance performance and professional development. GPU offers consistent instruction to targeted Global Procurement employees in multiple languages, driving a globally consistent team and increasing our organizational capacity. In 2012, we achieved 100 percent completion of the foundational training and, in 2013, we rolled out new coursework that aligns with key areas identified for further capability development in the areas of category strategy and insights and analytics, as well as other offerings designed to build associates' procurement expertise.

In 2013, we launched an SCoC training program for nearly 100 strategic suppliers through live face-to-face training meetings. That training is now publicly available to our suppliers in six languages through an e-learning module on pepsico.com. Our strategic suppliers will be required to complete the online training in 2014. We will track their progress via the online training tool. Also, in January 2014, 400 Global Procurement associates were trained in our SCoC strategy and in how to communicate the SCoC training requirement to our suppliers.



Environmental Supplier Outreach

We educate and work with our strategic suppliers on specific initiatives. PepsiCo is extending our resource conservation programs and setting quantifiable goals for energy, GHGs, water, agriculture and forestry resource conservation within the extended supply chain.

We are a member of the CDP Supply Chain. Our membership demonstrates to our suppliers how important we feel predicted climate change is to business decision-making, along with our desire to work collaboratively. In 2013, 49 percent of 206 suppliers invited for the CDP Supply Chain survey responded. Key findings from the 2013 survey include:

- 8 million metric tonnes of CO₂ equivalent of emissions were reduced in 2013.
- \$7.1 billion was invested in emissions reduction initiatives.
- \$206 million was saved as a result of emissions reduction initiatives.
- 57 is the average disclosure score of our suppliers, and is above the global average.
- C is the average performance band for our suppliers, on a par with the global average.

ReCon is a capability-building tool we have been deploying to our key suppliers in North America since 2008. Additionally, our Supplier Outreach program drives energy conservation with strategic suppliers and franchise operations in the United States, Mexico, Latin America, South America and Western Europe. In the United States, PepsiCo's ReCon tools and processes have been shared with over 50 co-packers and suppliers in the program. The program provides our suppliers with tools to reduce their usage of energy and water and reduce waste, thus reducing costs and helping to mitigate climate-related risks.

Best Practice Sharing

To build a more sustainable supply chain and to encourage co-packers, transporters and raw packaging material suppliers to embrace Performance with Purpose, PepsiCo France rewards suppliers' actions and encourages the sharing of best practices. For the second year in a row, PepsiCo France hosted its Sustainability Supplier's Trophy to award the environmental and social initiatives of its suppliers. The three winners demonstrated collaboration and originality by recovering beetroot water to irrigate plants for biomass generation, creating a PET collection network and fostering employee engagement.

Supplier Diversity

PepsiCo is committed to supporting diverse suppliers. The Supplier Diversity Program aligns with PepsiCo's Diversity and Inclusion goals, supports the development of minority communities, and encourages innovation to spur sustainable growth. In 2013, we spent approximately \$1.3 billion with suppliers that were minority- or women-owned enterprises (MWBES) in the United States. We spent nearly \$855 million in direct business with MWBES through our Tier 1 program (involving direct suppliers) and continued to build on our strong Tier 2 program (which reaches out to indirect suppliers). Through our Tier 2 program, we engage our prime (non-diverse) suppliers by requesting that they incorporate diverse suppliers in their business with PepsiCo. This Tier 2 effort resulted in nearly \$468 million spent in business with MWBES in 2013.

For more information:

<http://www.pepsico.com/Purpose/Talent-Sustainability/Diversity-and-Inclusion>



Packaging Materials

Management Approach

Why is this important?

According to the U.S. EPA, in most parts of the developed world, packaging constitutes as much as one-third of the nonindustrial solid waste stream. As consumption increases with higher living standards, more countries are seeing significant growth in their packaging waste. While most packaging is recyclable, recycling rates remain lower than expected. In 2013, PepsiCo purchased nearly 9.5 billion pounds of packaging materials, representing a significant portion of our supply chain spend. Reducing the amount of packaging used for PepsiCo products both helps to reduce the amount of waste sent to landfills and reduces costs for the company. We are constantly working to design more recyclable packaging to increase recycling rates globally.

What are we doing about it?

PepsiCo's Global Sustainable Packaging Policy outlines our commitment to strive for the smallest possible environmental footprint while still meeting the value, cost and performance criteria expected by consumers and customers. As stated in our packaging policy, our principles and programs aim to *Remove, Reduce, Recycle, Renew and Reuse* where possible and commercially viable. The policy provides the framework through which we aspire to:

- Increasing the use of recycled content or materials from renewable sources
- Optimizing packaging design to use only the materials necessary

- Promoting the use of materials that can be recycled (beverage containers, cereal cartons, etc.)
- Reducing postindustrial waste
- Avoiding known negative impacts to the environment
- Achieving a lower carbon footprint by ensuring efficient energy usage across the product life cycle

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

In 2013, we refreshed our global packaging commitment to "Innovate our packaging to make it increasingly sustainable, minimizing our impact on the environment." We have rolled out several initiatives aimed at packaging improvements. We continue to increase the post-consumer recycled content in our packaging globally. We are also working with Wal-Mart on several packaging initiatives, including the Southeast Recycling Development Council (SERDC). Our R&D teams are actively looking for ways to improve our packaging through design incorporating recycling, lightweighting and alternative materials.

G4-EN1 Materials used by weight or volume

In 2013, PepsiCo used nearly 9.5 billion pounds of materials for packaging. Packaging reduction initiatives conducted in 2013 eliminated nearly 110 million pounds of packaging material from the market and reduced



our packaging costs by more than \$55 million across our global food and beverage operations.

2013 PepsiCo Packaging Materials by Weight

CATEGORY	GLOBAL TOTAL LBS. (millions)	GLOBAL TOTAL LBS.
Plastics (rigid)	1,892	20%
Aluminum	465	5%
Glass	588	6%
Paper	4,843	52%
Films (flexible)	1,663	17%

Initiatives to reduce packaging include lightweighting, film downgauging, bag optimization, carton size reduction 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 over 11 million pounds of flexible film packaging, equivalent to 6.5 billion 1-ounce single-serve bags.

In 2013, we completed a system conversion to transition our Gatorade 15-count packages of 32-ounce bottles to a combination tray / shrink film from a Bliss box made of 100 percent corrugated cardboard. Implementation of this conversion is now 100 percent complete at our 13 plants. This change resulted in nearly 39 million pounds of material reduction.

G4-EN2 Percentage of materials used that are recycled

We are committed to increasing the content of post-consumer or postindustrial material in our packaging. In some cases, this can be a challenge because we

are dependent on the recycling market to make these materials available to us. Additionally, all packaging must meet our high safety standards. Our team continues to work to secure a greater share of the post-consumer material currently available, while also working to increase supplier capacity, advance new technologies to make recycling easier and more efficient, and increase consumer recycling rates, thereby increasing the amount of material available.

Recycled polyethylene terephthalate (rPET) comes from plastic that has already been used for packaging, such as plastic bottles. Prior to being transformed into a new plastic bottle, the plastic is sorted and cleaned, in accordance with food safety standards. In 2013, our U.S. beverage businesses used 86 million pounds of the available food-grade rPET, which is equal to approximately 31 percent of the total market for rPET generated. This has allowed us to achieve, on average, approximately 10 percent rPET in our primary soft drink containers in the United States. Additionally, Naked Juice bottles are made with 100 percent post-consumer rPET. We are the only nationally distributed beverage company to use 100 percent rPET, across a product portfolio.

In France, we incorporated 5 million pounds of rPET, achieving up to 50 percent recycled content in individual product lines. This also equates to 29.5 percent of our total resin usage in 2013, a 30 percent increase from 2012. In Germany, we achieved our 2015 goal of utilizing 25 percent rPET in approved bottles in 2013, by using 10 million pounds of rPET. This is equal to a 250 percent increase as compared to 2012.

In Canada, 7UP bottles were the first 100 percent post-consumer content bottles for a carbonated soft drink. In 2013, we utilized 3.4 million pounds of rPET.

PepsiCo Brazil's Porto Alegre facility is now utilizing 2-liter PET bottles with 100 percent rPET for Teem carbonated soft drinks. This will help to eliminate the use of 334 tons of virgin PET per year. Throughout 2013, the initiative expanded to include 40 percent rPET for Pepsi-Cola and 100 percent rPET for



H2OH. In 2012, the Brazil business began using a 100 percent recycled shrink wrap at the Curitiba plant. This initiative was expanded to the Rio de Janeiro and Porto Alegre plants in May 2013.

PepsiCo believes that recycling begins with design for recycling (DFR) to help increase the supply of post-consumer recyclable PET material. The DFR principles are being added to our materials and packaging specifications to help ensure that future packaging is compatible with PET recycling.

PepsiCo Russia’s commitment to environmental sustainability continues through its long-term partnership with the Forest Stewardship Council (FSC) and packaging specialist Tetra Pak. Throughout 2013, the three partners worked together to highlight how companies can reduce their impact on the environment by using sustainable packaging materials. PepsiCo was the first business to introduce FSC-certified packaging in Russia for its juice and dairy products. The FSC logo identifies products that use cartons made from wood obtained only from known and monitored sources that are in compliance with the strictest environmental, social and economic requirements.

PepsiCo and the MyShelter Foundation partnered to build the Pepsi Liter of Light Program, which brings eco-friendly light to communities in the Philippines living without electricity by recycling packaging materials. The bottle lights make use of everyday materials: PET, water, corrugated sheet metal and chlorine. Each light, lasting up to 10 years, costs about \$2 and takes 30 minutes to install. As of April 2014, Pepsi Liter of Light has installed 190,000 bottle lights in 95,000 homes and donated 800 solar-powered night lamps and 33 street lamps, partly through Pepsi donations and awareness initiatives.

G4-EN28 Percentage of products sold and their packaging materials that are reclaimed by category

Based on average recycling rates published by the American Beverage Association, NAPCOR, aluminum.org, corrugated.org, AF&PA and the U.S. EPA MSW, we estimate that approximately 4.5 billion pounds of the 9.5 billion pounds of packaging material used by PepsiCo is recycled by the consumer.

PepsiCo Packaging Estimated Recycling Footprint

CATEGORY	GLOBAL TOTAL LBS. (IN MILLIONS)	U.S. PUBLISHED RECYCLING RATE (%)	RECYCLING FOOTPRINT — LBS. (IN MILLIONS)
PET	1,632	30.8%	503
Closures	260	30.8%	80
Can	465	67.0%	312
Corrugate	3,268	91.0%	2,974
Paper	662	65.1%	431
Glass	588	34.1%	200

In 2010, PepsiCo set a goal of partnering to increase the U.S. beverage recycling rate to 50 percent by 2018, a shift that would capture billions of containers and significantly reduce carbon emissions. To reach this target, we launched the Dream Machine in 2010, partnering with Waste Management and Keep America Beautiful. In 2013, we rebranded our efforts as “PepsiCo Recycling.”



Since the launch of our program, beverage container (aluminum, PET, glass) recycling rates have increased by 8 points, from 34 to 42 percent. PepsiCo works with colleges and universities, K–12 schools, gas stations and retailers to deliver innovative recycling solutions. In 2013, we invested in support for the operation and delivery of our recycling programs, increasing the total amount of material recycled by more than 18 million pounds and 324.3 million containers since 2010.

PepsiCo Recycling offers a turnkey recycling solution for college and university campuses and creates a competitive advantage for PepsiCo. With kiosks located at nearly 60 college and university campuses across 24 states, PepsiCo helps participating schools track recycling progress through an online leader board competition and offers special promotions, like double points on Veteran’s Day and America Recycles Day, as a way to engage college students throughout the year.

In addition, recycling in a Dream Machine or PepsiCo Recycling bin benefits the Entrepreneurship Boot Camp for Veterans with Disabilities (EBV). Through the EBV program, post-9/11 disabled veterans receive training, at no cost, in entrepreneurship and small-business management so they can build their own businesses and pursue their dreams. PepsiCo has donated approximately \$1.5 million to EBV through these recycling efforts.

In K–12 schools nationwide, PepsiCo has successfully engaged hundreds of thousands of students to be environmental leaders at school, at home and in their communities. PepsiCo provides educational tools and ideas to inspire students to create videos and develop original art made from recyclables. In 2013, PepsiCo teamed with more than 1,000 schools in 38 states, collecting 42.5 million recycled beverage containers and awarded more than \$500,000 in cash prizes for recycling and eco initiatives.

PepsiCo also works with retail partners to increase recycling on the go. A recent PepsiCo study found that 81 percent of Americans would recycle beverage containers at a location if a recycling bin were available. In 2013, PepsiCo piloted a recycling-at-the-pump program with 47 Kum & Go locations in the greater Tulsa, Oklahoma, market by putting a PepsiCo Recycling Bin at every pump. In less than a year, more than 6,000 pounds of recyclable materials were diverted from landfill — an approximate 120,000 plastic bottles and aluminum cans. The Metropolitan Environmental Trust of Tulsa, comprising 11 municipalities, awarded PepsiCo and Kum & Go with the 2013 Recycling Innovator! Award on November 15, America Recycles Day.

Waste Management

Management Approach

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.

Why is this important?

PepsiCo is committed to reducing the generation of waste in all forms, eliminating waste disposed of in landfills or dumps, and reusing or recycling waste for beneficial use, where feasible, whenever the generation of waste cannot be avoided. In many countries, landfills are reaching capacity and the cost of solid waste disposal continues to increase. Proper waste management reduces the negative impact of our company’s operations on our local communities, reduces cost and increases revenue, and supports PepsiCo’s sustainability vision of eliminating waste to landfill.



What are we doing about it?

G4-EN23 Total weight of waste by type and disposal method

Zero Landfill

In 2013, we aimed to increase the amount of waste disposed of through beneficial means, such as recycling and reuse, to 90 percent of all waste generated. Stated differently, we aimed to send only 10 percent of the total solid waste generated by our operations to landfills.

Full-year total waste generation, including recycled and reused wastes, in metric tonnes:

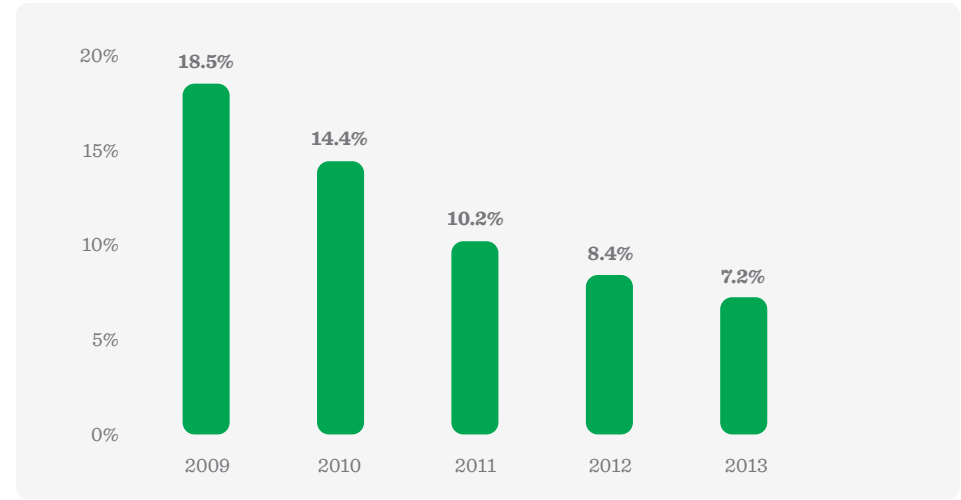
	FY2010	FY2011	FY2012	FY2013
Total waste generated (in metric tonnes)	1,343,000	1,406,000	1,352,000	1,393,000

Total waste generated that was sent off-site for beneficial use, such as recycling, in metric tonnes:

	FY2010	FY2011	FY2012	FY2013
Total waste sent off-site for beneficial use (in billions of metric tonnes)	1,149,000	1,263,000	1,238,000	1,293,000

	FY2010	FY2011	FY2012	FY2013
Percentage of total waste, including recycled/reused	85.6%	89.8%	91.6%	92.8%

% Landfill Total PepsiCo



PepsiCo decreased landfill costs by approximately \$3 million in 2013, while at the same time increasing revenue from recyclable and reusable materials diverted from landfills. In 2012, a new landfill elimination initiative was launched in our South American, Mexican and Asian businesses to drive further landfill waste reductions. Through the first two years of implementation, this initiative has identified over \$3 million in additional cost savings.

PepsiCo Foods Canada has made significant progress toward its zero landfill waste goal. In 2013 it diverted over 99 percent of waste from landfill, a total of 55,500 metric tonnes.

Waste to Wealth

Since 2008, PepsiCo Latin America Beverages has worked with partners to establish recycling programs that we call Waste to Wealth programs. The



objective is to lead solid waste solutions that take care of the environment, improve the quality of life and work of recyclers, facilitate the development of a local recycling market, are sustainable in time and involve our business, people and products.

In 2012, Waste to Wealth programs delivered impressive results in Argentina, Bolivia, the Dominican Republic, Guatemala and Peru. The social and environmental benefits achieved include²:

Social impacts

- 164,931 people trained
- 2,726 new jobs created by recycling
- Individual income increased by \$2,150
- Revenue of recycling organizations increased by \$47,926

Environmental Impacts

- 2,202,430 kWh of electricity saved
- 6,219 barrels of oil saved
- 6,534,774 BTU of energy saved
- 12,140 cubic yards of landfill space saved
- 3,151,400 gallons of water saved
- 2,173 metric tons of CO₂ conserved

2. Key performance indicators were developed and summarized by TRUEIMPACT—a Boston-based consultancy—and were based on data provided by partner NGOs in each country and on PepsiCo financial data.

Compliance

Management Approach

PepsiCo believes that proactive management of environmental risks through the delivery of our environmental policies and through meeting our regulatory obligations is fundamental to the protection of the environment, while also protecting our reputation and our long-term business success.

What are we doing about it?

The PepsiCo Environmental Health and Safety (EHS) Policy is the foundation of our commitment to environmental protection and regulatory compliance at every level within PepsiCo. This includes the responsibility of implementing and maintaining an effective environmental management system (EMS) to help us identify and manage environmental risks. We apply formal governance and auditing processes to our environmental programs in order to manage compliance with both environmental regulations and PepsiCo global standards.

PepsiCo's Global Environmental Health and Safety Management System (GEHSMS) is designed to fully incorporate and build upon each of the requirements of the ISO 14001 international environmental management system standard. Manufacturing locations in all PepsiCo business sectors must implement GEHSMS or align their existing EMS with this more comprehensive standard, assuring that all major PepsiCo operations are operating under a common EMS and global environmental performance expectations. To ensure global alignment with this critical PepsiCo standard, our program requires that each site be third-party audited for conformance to



the standard, as well as for compliance with environmental legal obligations for certain sites, at least every three years.

Third-party audits of our GEHSMS implementation began in 2014, with all sites targeted to be audited by the end of 2016. One hundred eight locations have also achieved certification of their EMS to the ISO 14001 standard.

Governance of environmental compliance management takes place through the Environmental Compliance Council (ECC), one of our four operational councils that report to the ESLC and to the Sustainability Task Force, led by our company President. In conjunction with the Health and Safety Leadership Council (HSLC), the ECC is also overseeing the implementation of a global Environmental Health and Safety Management Information System (myEHS) to standardize and consolidate our existing environmental and health/safety management software solutions into an enterprisewide solution to provide common tools and processes for environmental data capture and reporting, and to ensure that key compliance and environmental performance metrics are effectively managed and measured.

G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

In 2013, PepsiCo paid approximately \$58,000 in environmental fines. These fines were the result of relatively minor infractions of local environmental regulations at some of our manufacturing locations, and were paid across PepsiCo's business regions, which include over 320 manufacturing operations.



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

Overview

PepsiCo strives to be a home for the world’s best and brightest talent. Our “talent management architecture” is designed to ensure that our associates have the leadership skills and functional capabilities needed to deliver sustainable performance and growth. Our talent management architecture creates transparency within our workforce, offers robust opportunities for talent and leadership development, systematically provides us with employee feedback to improve manager quality, and facilitates recruiting both internally and externally.

PepsiCo provides employees with developmental opportunities and ensures that they are part of a team, and of a company, with strong organizational health that ensures the retention of our talent and the cultivation of an engaged and productive workforce.

The “Material Aspects” related to Talent Sustainability are:

- Human Resources, including recruiting and retention, wages and benefits and professional development
- Diversity and Inclusion
- Compliance and Ethics, including antidiscrimination and antiharassment policies, human rights and grievance mechanisms
- Occupational Health and Safety



Human Resources

Management Approach

For PepsiCo, success depends on our ability to recruit and retain top-level talent. Furthermore, we believe it is our responsibility to help all our associates develop their strengths and address their opportunity areas.

Why is this important?

Employees are one of the most valuable assets of any organization. It is essential that we create an environment that identifies, cultivates and rewards the talented employees who form the infrastructure of our success. Retaining our talented employee base requires a carefully executed strategy to help our associates throughout their career with PepsiCo, from onboarding to day-to-day activities to opportunities for growth and promotion.

What are we doing about it?

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

We conduct training for associates, from the front line to senior management, to make sure they have the knowledge and skills they need to achieve their performance objectives. Leadership development for managers and executives is centrally coordinated and led by PepsiCo human resources staff.

We also draw on a curriculum of leadership development programs led by our most senior executives. A global cross-sector/cross-divisional learning council aligns development priorities, leadership curriculum and delivery methods.

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

Recruiting and Retention

PepsiCo has a long history of surveying our employees, reviewing results and reporting them to employees and taking action based on those results to drive organizational improvements. We use the results from our survey efforts both at the strategic level (with the CEO and senior-most leaders) and at the local plant, regional and work-group levels. This combination of reporting and data analysis affords us the ability to make local changes at the workplace or work-group level, and to drive large-scale cultural initiatives across PepsiCo. We are reviewing the results of the 2013 Organizational Health Survey for the entire employee population (more than 274,000 employees globally) to develop global and local plans to build on our strengths and make necessary changes to address opportunity areas.

Recruiting a Diverse Workforce

PepsiCo recognizes the opportunity that developing the next generation of leaders presents. We have been actively involved in multiple initiatives to recruit a diverse workforce and to engage and inspire new employees across a number of the regions in which we operate.



For example:

- In the United States, the on-campus recruiting program takes a particular interest in bringing diverse talent to PepsiCo. PepsiCo is a lead sponsor of the following diversity recruiting conferences: The Consortium, Management Leadership for Tomorrow, Reaching Out MBA, National Black MBA, Enactus and LIMEConnect. Each of these organizations provides PepsiCo with an excellent opportunity to recruit the best talent in each graduating class. On campuses around the United States, we are heavily involved with the National Society of Black Engineers (NSBE), the Society of Hispanic Professional Engineers (SHPE), and the Society for Women Engineers (SWE), as well as a number of local student organizations. Our campus recruiting efforts have yielded outstanding results in the U.S. In 2013, 63 percent of new hires resulting from college campus recruiting were of people from diverse backgrounds.
- In Canada, we launched the PepsiCo Canada Emerging Leadership Program for new graduates. This program offers new graduates the opportunity to experience different roles, a fast-paced career path, and professional and personal growth opportunities. Similar programs in the United Kingdom, Ireland and Russia are expected to launch in 2014.
- To attract potential employees from the mobile applicant pool, all pages on www.pepsicjobs.com are fully optimized for mobile and employment applications will be accepted from mobile devices in nearly 20 languages. CONN3CT, PepsiCo's Employee Resource Group for young professionals, is also dedicated to supporting young talent through career development programs and leadership and networking opportunities.

PepsiCo has undertaken thorough and rigorous analyses to comprehensively identify the drivers of retention and turnover, specifically voluntary turnover.

Based on these analyses we know that careers, organizational health and the meeting of employee expectations regarding rewards are critical. Using the data and information we collect about retention and turnover allows us to act preemptively and create tailored retention plans for certain “at-risk” employees.

G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender, and region

In 2013, PepsiCo had comparable hire and turnover rates for males and females. We increased the number of females we employed at the start of the year by 11.5 percent and the number of males by 11.3 percent. Similarly, the turnover rate was 17.9 percent for females and 17.4 percent for males.

Wages and Benefits

G4-LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees

We are continually looking for ways to make PepsiCo a great place to work. One way we do so is by offering associates a comprehensive benefits package. Benefits are designed to meet or exceed the standards of the competitive marketplaces in which our associates work around the world. In the United States, we offer a full range of healthcare, savings and retirement benefits. Our health and welfare benefits include medical, dental, vision, prescription drug, mental health, life and accident insurance, as well as disability and flexible spending accounts. In addition to these benefits, the company provides access, at no additional cost to associates, to services and resources that deliver expert medical advice and high-quality care to associates and their families who have certain serious or complex health



needs. We also offer commuter reimbursements, adoption assistance, child- and elder-care referral and resources, smoking cessation programs, care and lifestyle management programs, and family and medical leaves. Same-sex domestic partners who meet certain eligibility requirements are eligible for coverage under PepsiCo benefits in the U.S. Eligible part-time associates receive medical, dental, vision and life insurance benefits.

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

Employee 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, we offer on-site health and wellness services in the vast majority of countries in which we operate. 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.

At PepsiCo, our wellness efforts are branded Healthy Living. Healthy Living encourages employees and their families to focus on healthy lifestyles at home, at work and at play. Healthy Living includes access to preventive screenings and rewards for completing personal health assessments and for

participating in health improvement programs or competitions. In 2013, we began focusing our Healthy Living efforts on four key areas:

- Eat Healthy (nutrition)
- Find Balance (mental health)
- Get Moving (physical activity)
- Be Well (prevention)

We continue to believe that our Healthy Living program plays an important role in our overall healthcare strategy of promoting the health of our employees and their families. We remain committed to wellness at PepsiCo and continually examine ways to enhance the program to keep it innovative and effective.

Wellness activities and initiatives tend to vary by country according to local culture and norms. For example, the wellness program in India focuses on “Formula3 — Food, Fun & Fitness,” with regular activities including physical fitness, nutrition counseling and measurement of an individual’s body-mass index, blood pressure and cholesterol. The program has been a tremendous success, increasing employees’ awareness of and participation in their health and well-being.

Healthy Money is another key aspect of PepsiCo’s wellness program, providing tools and resources to improve the financial fitness of PepsiCo’s employees. Through Healthy Money, employees in North America, for example, have access to professional financial counselors and online tools that assist with building personal financial plans, lowering debt, saving for retirement and much more. Healthy Money workshops and webinars have covered a broad range of employee financial concerns including retirement



and investing, the funding of college expenses, and cash and debt management. The program has also addressed timely topics such as understanding property foreclosure and issues specific to certain segments of the employee population, such as financial planning for domestic partners.

Professional Development

G4-LA10 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings

PepsiCo has several formal classroom and online coursework platforms to help employees expand their knowledge and improve aptitude in core business areas. In 2013, PepsiCo redoubled efforts on talent development and improved the quality of training offered to employees by, among other actions, investing in a new foundational leadership training program and completely revamping PepsiCo University.

One example of our continued effort to develop and retain talented associates is reflected in PepsiCo India's receipt of the "Excellence in Developing the Leaders of Tomorrow" award at the Society for Human Resource Management (SHRM) India HR Awards. The award recognizes companies that create people management best practices for developing potential leaders.

PepsiCo University

PepsiCo University has created a global learning architecture to systematically develop skills and knowledge and provide our associates with robust

opportunities for professional growth. Through our Global Development Council, PepsiCo University sets priorities for global classroom and online curriculum needs. The PepsiCo University Leadership Transition curriculum addresses capability building to develop a global mind-set, foster strategic thinking, develop talent, and create a collaborative and innovative culture. The more advanced programs in the Leadership Transition curriculum (Leader of Managers, Senior Leader) help our associates understand the importance of partnering with a multitude of stakeholders — including governments, NGOs and nonprofit organizations — on a variety of projects and initiatives across the business.

In 2013, PepsiCo University developed and deployed two new programs designed for emerging high-potential talent to accelerate their growth within PepsiCo. The accelerated leadership program I (ALP I) is targeted to the leadership pipeline of managers and senior managers below the executive level. ALP I was piloted with cross-functional high-potential talent from Brazil, Argentina, Colombia and Mexico. ALP II is for the more junior executive population of directors and senior directors, and was piloted in the United Kingdom, Norway, Spain, Poland and Russia. These programs will be launched in AMEA and the United States in 2014.

Finance University

Finance University is a collection of multi-hour, Web-based courses organized to provide course work around investor relations, external reporting, audit, risk management, control, tax, treasury, operations and supply chain finance, sales finance, strategy, mergers and acquisitions, business planning, systems and IT. Finance University continues to expand its curriculum to help associates gain critical skills in all areas of finance and launched two new courses in 2013, bringing the total to 19 courses. In 2013, 4,795 associates took at least one course, leading to 7,917 course completions and over 47,311 hours



of learning. Finance U courses are open to all associates, and 2,837 associates outside of Finance improved their skills by accessing the curriculum.

Global Procurement University

Formal learning is one of several ways in which we advance our procurement capability. In 2012, we took a significant step when we launched Global Procurement University (GPU) and achieved 100 percent completion of the foundational training. GPU is made up of a variety of e-learning courses designed to build the knowledge and skills that will help enable procurement professionals to increase functional capability, driving a globally consistent team and organizational capability growth. In 2013, we rolled out new course work in key areas identified for further capability development.

Customer Management University

To support our commercialization competencies, a robust and continuously updated sales and customer management curriculum is available for all U.S. sales professionals across all divisions. Customer Management University courses are carefully aligned to ensure that needs for each division are being met, and are led by the PepsiCo Customer team.

Global R&D University

The purpose of this learning initiative is to create a holistic technical training program for all R&D associates worldwide. Global R&D University consists of eight individual colleges, each with one or two deans who govern their particular “learning domain.” The eight colleges are Packaging, Nutrition, Food Safety and Regulatory, Ingredient Application Science, Human Research and Science, Experience Design, Product Development and Process Engineering. In addition, the global functional and leadership programs of each line of business provide specific training designed to meet the local needs of their frontline and mid-level associates.

HR University

In 2012, we launched HR University with seven courses focusing on content ranging from organization design and business consulting skills to HR analytics and talent forecasting. In 2012, more than 1,000 associates completed at least one course, representing more than 5,600 hours of learning. HR University courses are open to all associates, and 461 associates outside of the HR University scope improved their skills by accessing the curriculum. In 2013, we added two new courses to HR University; and more than 2,000 associates took at least one course. HR University courses are open to all associates and more than 1,300 associates outside of HR University accessed the content.

Smart U

With the social media landscape changing so quickly, it can be difficult to keep up. Smart U teaches associates about our Social Media Policy and how to talk about PepsiCo responsibly within their social media circles. Smart U online training also provides associates with resources, including a video module series to help them stay current with social media tools and technology, including Twitter, Google+, Content and Podcasting.

Additional learning and knowledge management is facilitated through a wide range of networks, communities of practice, councils and task forces, including the Environmental Sustainability Council, Diversity and Inclusion Governance Council, Global Development Council, Sales Leadership Council and Supply Chain Governance Council. The company intranet is also an important tool for knowledge management.



Egypt Sales Staff Development

In addition to PepsiCo University, several business units have professional development programs. The promise to sustain growth through empowered people and talent development is the foundation of PepsiCo Egypt's "Tatawar" development program. The program is designed to address career development and capacity needs as identified by our sales teams. "Tatawar" (meaning "develop") will enable:

- Identification of capacity gaps
- A unified competency-based approach to assessing talent
- The creation of a full skills inventory
- A Sales Training Academy based on individualized training
- Enhanced career opportunities by linking individual performance to PepsiCo's Global Sales Competency Model

Developing the Next Generation of Workers

Diplomas Now

In addition to providing opportunities for our employees, we also are committed to developing the next generation of our workforce. We support job-readiness programs through a number of PepsiCo Foundation grants, amplified where possible by employee volunteering and mentoring. We believe in assisting individuals in developing the skills needed to obtain meaningful and steady work.

Receiving a high school diploma is an important step toward economic success in the United States. The inequity between ethnicities becomes evident during high school: 85 percent of Caucasians graduate from high school, while only 76 percent of Latinos and 68 percent of African-Americans graduate. In 2008, the PepsiCo Foundation became the founding partner of Diplomas Now, a breakthrough initiative to improve graduation rates in the worst-performing high schools through a collaborative partnership between three organizations. Johns Hopkins University's Talent Development Secondary provides a new model for improving instruction and performance based on early warning indicators, City Year provides a team of in-school, "near-peer" AmeriCorps student coaches, and Communities in School provides case managers to support students and their families.

The program started in 2008 with one pilot school in Philadelphia. Today, with a cumulative grant of \$12 million from the PepsiCo Foundation, the program helps approximately 31,000 primarily African-American and Latino students across 14 cities and 40 schools. Many of these schools are part of a five-year randomized control test (RCT) with the Department of Education. The RCT will end in 2016, with data from two graduating classes who went through four years of the program providing evidence-based results on the success of the Diplomas Now model, and is expected to create systemic change across U.S. schools. While no graduation data are available yet, early results are very promising, with core schools showing a 70 percent decrease in suspended students, a 61 percent decrease in students failing English and a 52 percent decrease in students failing math.



Children's Development Centers in Turkey

In collaboration with the Southeast Anatolia Project Administration (GAP), PepsiCo Snacks Turkey launched the GAP-Cheetos Children's Development Center project in 2003. The centers aim to reduce educational inequalities experienced across the country. We aim to create an environment where school-age and preschool children can study or participate in activities to support their mental, emotional, personal and social development. To date, the 11 centers have provided social, cultural and educational support to more than 28,500 children.

Building on the Development Centers, we established "Our Girls Are Going to School" in 2009. The program has provided funding for 82 girls to complete high school. PepsiCo Turkey aims to grow the GAP-Cheetos Children's Development Centers by opening a new center every year, increasing the number of girls included in "Our Girls Are Going to School" and doubling the number of participants in both programs within the next five years.

Business4Change

PepsiCo, together with other partners, hosted more than 200 young people from the Middle East at Business4Change, a conference in Dubai aimed at inspiring and developing social entrepreneurs. Youth ages 16 to 30 attended to learn more about social entrepreneurship and gain support to start a social enterprise, while some had recently kicked off a business. We also gave Performance with Purpose Awards to four businesses recognized as having the most socially beneficial, yet economically viable and sustainable ideas. The winners will receive mentoring and support to develop dedicated mobile websites and apps for their projects.

Diversity & Inclusion

Management Approach

As both a global and a local company, PepsiCo is committed to hiring, developing and retaining employees from diverse backgrounds. We aim to create a workplace in which associates can "bring their whole selves to work" while benefiting the company with diverse perspectives and skills. We work to leverage diversity and inclusion as a competitive business advantage to drive innovation, strengthen our reputation and encourage engagement within internal and external communities worldwide.

PepsiCo works in countries with a broad array of laws and regulations. Regardless of where we operate, PepsiCo takes great care to respect the diversity, talents and abilities of all.

Why is this important?

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

- "Win with diversity and inclusion"
- "Respect others and succeed together"



What are we doing about it?

In our company, we look at diversity and inclusion across every dimension. For example, we respect the different sexual orientations of our employees, and encourage diversity of thought. We do this not just because it is the right thing to do, but also because it is increasingly critical in today's global marketplace to consider a variety of perspectives.

PepsiCo's Global Diversity and Inclusion Governance Council is composed of internal and external thought leaders, and is co-chaired by our Chairman and CEO and our Chief Diversity Officer. We have also established Diversity and Inclusion Councils on all four continents of PepsiCo's international business to focus on locally relevant diversity and inclusion strategies and plans.

Please refer to the Environmental Sustainability section of this report for information on supplier diversity.

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

2013 Diversity and Inclusion

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

2013 U.S. Diversity and Inclusion Statistics

	TOTAL	WOMEN	PERCENT	PEOPLE OF COLOR	PERCENT
Board of Directors	13	4	31	5	38
Executive Officers	12	3	25	3	25
Executives	2,818	878	31	622	22
All Managers	18,232	5,953	33	4,855	27
All Associates	98,208	18,227	19	33,711	34

The data for the Board of Directors is as of December 31, 2013 and does not give effect to changes to the Board after that date. Executives, all managers and all associates are approximate numbers as of December 31, 2013, for full-time U.S. associates only. The data in this chart is based on the United States' definition for people of color.

Women in the Workplace

PepsiCo has a strong commitment to increasing female participation and developing female talent as well as empowering women and girls in communities around the world.

In 2013, AMEA made great strides toward this commitment by enabling more gender-diverse candidate slating, strengthening our reporting and, as always, nurturing a culture of gender awareness and inclusion. These actions have resulted in female representation across the whole sector.

- Females in the China region alone make up 49 percent of our executives and 53 percent of the total workforce, and in 2013 we hired more than 100 frontline women in Saudi Arabia.



- AMEA strengthened capabilities and supported talent by launching Gender Intelligence Workshops, safety programs, fortitude workshops, and more. We also supported education programs that inspire confidence and change in young girls.
- Asia Pacific had approximately 39 percent executive female representation in 2013, up from 26 percent in 2009. These results are a reflection of great collaboration across all Asia Pacific functions and business units around women talent development.
- As a result of our unified commitment, AMEA's executive female representation increased to 28 percent.

In 2014, AMEA will continue to support and enable women's development and will work to improve gender representation by building on programs that fortify the role of women in our workplace.

To underscore our commitment to women in the workplace, PepsiCo continues to partner with organizations supporting women in local communities. For instance:

- In March 2014, PepsiCorps partnered with Heifer International South Africa to launch the Blouberg Project, a sustainable agriculture program designed to improve living conditions for some of the region's poorest residents, many of whom are women and girls.
- Our partnership with Asplabel, a local farm cooperative and PepsiCo plantain supplier, has created jobs for women in Belén de Umbría, Colombia, helping to improve the lives of the women and their families.

PepsiCo is consistently recognized for our efforts to develop and advance women in the workplace. Among the notable recognitions from 2013:

- PepsiCo's commitment to the advancement and retention of women in the workplace was recognized in 2013, when PepsiCo Asia Pacific received the Best Organization for Women Talent Development award at the Golden Globe Tigers Awards banquet. The award, which recognizes individual women leaders and super-achievers, was presented at the World Marketing Summit in Kuala Lumpur, where the world's best marketing and brand experts gathered to explore efforts to tackle socioeconomic issues.
- PepsiCo was named a Top Corporation by the Women Business Enterprise National Council (WBENC).
- PepsiCo was recognized by *Working Mother* magazine as one of the 2013 Best Companies for Multicultural Women and by *LATINStyle* magazine as one of its top 50 companies for Latinas.
- Umran Beba was awarded the Global Inspiring Women Worldwide Award at the Women's International Networking (WIN) Conference.
- PepsiCo U.K. secured a place in *The Times'* Top 50 Employers for Women.
- In our U.S. college campus recruiting, women, people of color and people from diverse backgrounds comprised 63 percent of our new hires in 2013.



Military Veterans

In the United States, PepsiCo is committed to recruiting veterans of the armed services to our workforce through partnerships to support those who have served. We currently employ more than 12,000 veterans across the U.S., representing about 10 percent of our U.S. employee population, and plan to continue our recruiting efforts with veterans. Our outstanding record of hiring U.S. military veterans earned us a top 25 ranking for the second consecutive year in the G.I. Jobs ranking of Top 100 Military Friendly Employers.

PepsiCo is the only food and beverage company in the top 50 companies in this prestigious ranking. In 2013, online jobs clearinghouse Bright.com ranked PepsiCo number one among *Fortune* 50 companies in “most veterans hired” as a percentage of their workforce.

We salute the service of all our veteran employees and believe that PepsiCo is a stronger company because of the unique experiences and leadership qualities these employees bring to the workforce.

Individuals with Disabilities

In markets around the world, PepsiCo is committed to providing individuals with disabilities with equal opportunity and equal treatment. For example, PepsiCo Colombia implemented “Growing Together, a Journey with Our Hearing-Impaired Team,” an innovative program developed with the help of 40 hearing-impaired associates who had developed solutions for their own needs, offering ongoing sign language training for associates, executive forums, and new partnerships with institutions that will allow training, certification and opportunities for hearing-impaired associates. Through these efforts and others, PepsiCo continues to break barriers in how society perceives the hearing-impaired community.

Internal Awards

To recognize individuals within our company who actively support greater diversity and inclusion in the workplace, we have created two internal honors, the Harvey C. Russell Inclusion Award and the Global Steve Reinemund Diversity and Inclusion Leadership Legacy Award. One of the first senior African-American executives in the United States, Harvey C. Russell became a vice president of PepsiCo in 1962, and went on to set the standard for our company’s corporate social responsibility platform. The prestigious award given in his name reflects his leadership, perseverance and commitment to continuous improvement, and his key role in helping create the foundation upon which PepsiCo’s diversity initiative is built. In 2013, 76 associates were honored for their outstanding achievements in diversity and inclusion. Harvey C. Russell Award–winners’ distinctions included: building and improving retention rates; establishing a support system for women taking maternity leave; fostering an inclusive work environment for hearing-impaired employees; engaging in community outreach efforts; and supporting the development of health, nutrition and educational programs.

The Global Steve Reinemund Diversity and Inclusion Leadership Legacy Award, created in 2007, recognizes PepsiCo senior staff who model exemplary leadership and commitment to diversity and inclusion. Award recipients inspire and move PepsiCo to new levels of achievement in diversity and inclusion through their words and actions.



Compliance and Ethics, including Antidiscrimination and Antiharassment, Human Rights and Grievance Mechanisms

Management Approach

At PepsiCo, we believe acting ethically and responsibly is not only the right thing to do, but also the right thing for our business and our employees. Potential incidences of corruption, discrimination, harassment and human rights violations can gravely impact the integrity of our company. To ensure that all of our associates act ethically, responsibly and in compliance with applicable law, PepsiCo has a Global Compliance and Ethics program in place to promote, monitor and enforce our Global Code of Conduct (Code).

Why is this important?

Acting ethically and building trust with our customers, our consumers, and the communities we serve is what makes PepsiCo a world-class company. Our Values and our Code provide a common set of behavioral standards and business goals, uniting all PepsiCo employees across the globe and defining how we do business “the right way.” Simply put, we do business “the right way” when we act ethically and consistently with our Values, our Code, our policies and the law.

Together, our Values and our Code are at the heart of our culture of compliance and ethics, and are the essential building blocks of Performance with Purpose. We are committed to maintaining a culture of ethics where the principles of our Code are embraced by all employees, incorporated into our strategies and business decisions, and reflected in our daily routine.

Our Code is organized upon four pillars that reinforce our Values and govern our day-to-day decisions and actions:

- Respect in the Workplace
- Integrity in the Marketplace
- Ethics in Our Business Activities
- Responsibility to Our Shareholders

What are we doing about it?

PepsiCo’s Chief Compliance and Ethics Officer maintains responsibility for overseeing the promotion, monitoring and enforcement of our Code, compliance policies and practices. Our Code applies to every employee, officer and director of PepsiCo, its subsidiaries, and joint ventures over which PepsiCo has management control. All employees are expected to comply with the spirit and letter of our Code. Failure to comply with our Code can result in disciplinary and corrective action depending upon the type and seriousness of the matter, up to and including termination. Actions and behaviors that uphold the Code are integrated into employee Annual Performance Appraisals in certain sectors and regions, and are set forth in our Leadership and Individual Effectiveness Model. Suspected violations of our Code, our policies or applicable law can be reported to a manager, to Human Resources, or through our Speak Up reporting hotline.

Our Annual Global Code of Conduct Training and Certification Program

Each year, we conduct an annual worldwide Code Training and Awareness program that reaches all levels of employees throughout all our businesses across the globe. In our 2013 annual Code Training Program, over 65,200 salaried, email-enabled, Internet-accessible employees completed



a 40-minute, custom-created, Web-based Code training course and certified compliance to the Code. We require 100 percent completion among all employees who meet our eligibility criteria for online training. Our custom-written training course is available in 26 languages, and presents the Code in the context of the PepsiCo business environment. It provides a means for employees to disclose exceptions or potential conflicts of interest that are reviewed by representatives from Control, Global Compliance and Ethics and Legal to mitigate risk. Moreover, over 100,000 frontline employees in our plants and warehouses received in-person training in 2013 on the principles of our Code and our Values through Code and Values workshops.

Our Code Awareness Program

Our annual training program is accompanied by our annual Code Awareness Campaign, which reinforces the Code message throughout all levels of PepsiCo. The Awareness Campaign is kicked off by a series of broadcast email messages from our CEO, our Sector CEOs and other senior leaders to stress the importance of ethics and making a personal commitment to following our Code. The Awareness Campaign features Code and Speak Up posters in 26 languages, learning aids, training tools, frontline presentation decks and distribution of our Code in some form to employees via training or other means. All Awareness Campaign activities conducted in each sector and region are reported to Global Compliance and Ethics for tracking purposes.

We also promote the Code message periodically throughout the year to keep ethics top-of-mind. In 2013, our Code and its supporting policies were regularly featured in a series of articles in our internal newsletter under the banner of "Continuing the Code Conversation." Employees can also learn more about our Code by visiting our Compliance and Ethics Resource Center intranet site that contains quick links to our Values, Code and policies, as well as information about our Speak Up ethics hotline and non-retaliation policies.

Human Rights

Our Code reinforces our company Values, governs the actions and decisions of all employees, and promotes human rights in the workplace. Both our Code and our Human Rights Workplace Policy affirm our commitment to programs and policies that:

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

For more information, please see the full text of our [Human Rights Workplace Policy](#).

The underlying principles of our Human Rights Workplace Policy are broadly communicated in our annual Code training program, which reaches more than 65,200 salaried employees worldwide. Employees are required to comply with these principles, and to report suspected human rights violations within our operations or supply chain if they arise.

In 2012, PepsiCo created a more robust governance structure to address human rights. PepsiCo's Human Rights Operating Council (HROC) is chaired by our Global Senior Vice President of Employment Law, and is made up of representatives from the relevant corporate and regional functions (Human Resources, Public Policy, Legal, Global Procurement, Operations, Global Risk



Management, Research and Development, Sales, Global Compliance and Ethics and Communications).

The HROC has identified the top human rights priorities for the company and is exploring best practices with external organizations. Ultimately, the HROC will develop detailed guidance for our top human rights priorities, such as working hours and wages; terms of employment; health and safety; nondiscrimination, harassment and abuse; child labor; forced labor; freedom of association and collective bargaining; and the human right to water. In partnership with our Enterprise Risk Team, the HROC will incorporate human rights due-diligence questions in our Global Risk Tool to be answered at the country level.

The HROC regularly reports on progress to the Sustainability Steering Committee and the Human and Environmental Sustainability leadership teams.

Antidiscrimination and Antiharassment

G4-HR3 Total number of incidents of discrimination and corrective actions taken

PepsiCo's Global Antiharassment Antidiscrimination Policy sets forth a zero-tolerance policy toward any type of harassment or discrimination based on race, color, religion, sex, sexual orientation, gender identity, age, national origin, disability or veteran status, or any other protected category under applicable law. This includes harassment by other employees and third persons encountered at work, including customers, visitors or vendors of PepsiCo. The policy provides additional information to define harassing conduct to ensure that all associates understand the ground rules.

Our policies protect any of our employees who raise concerns and report suspected misconduct, so that they may do so without fear of retaliation. To ensure that employees are comfortable reporting a violation, we provide them with a variety of avenues for reporting complaints including their manager, Human Resources, or the Speak Up hotline. See [Grievance Mechanisms](#) (Speak Up).

In 2013, approximately 850 managers completed a two-hour sexual harassment prevention course.

Human Rights

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

and

G4-HR9 Total number and percentage of operations that have been subject to human rights reviews or impact assessments

PepsiCo's commitment to human rights is guided by the United Nations (UN) Universal Declaration of Human Rights and related international covenants. While governments are responsible for protecting human rights through legal frameworks, businesses have a corporate responsibility to respect all human rights. As a signatory to the UN Global Compact, we are committed to aligning our policies, operations and strategies with its universally accepted principles, including those for human rights and labor standards.



In April 2013, PepsiCo conducted human rights audit training for our business unit Chief Human Resources Officers and completed a pilot audit of its own facilities using a third-party reviewer. This initial assessment was based on the Sedex Members Ethical Trade Audit and was conducted along with a health and safety and environmental audit of the facility.

Throughout 2013, PepsiCo conducted enhanced Supplier Code of Conduct training with over 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. Key findings from the 2013 survey show that PepsiCo suppliers scored higher than the global average for reporting, ambition and performance. In October 2013, we rolled out Supplier Code of Conduct training online in six languages on www.pepsico.com. All of our strategic suppliers will be required to complete the online training in 2014 and we will track their progress via the online training tool.

In 2013, PepsiCo also engaged with several key customers on sustainability matters. These engagements included discussions regarding our human rights priorities in our operations and supply chain.

Grievance Mechanisms (Speak Up)

G4-LA16 Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms

All employees are encouraged to ask questions, raise issues and seek guidance when a course of action is unclear. Furthermore, all employees have an obligation to report suspected violations of our Values, our Code of Conduct, our policies or applicable law whenever they arise. Our employees have several avenues for reporting issues and seeking advice, including

their manager, Human Resources, the PepsiCo Law Department, the Global Compliance and Ethics Department, and the Speak Up hotline. Our Speak Up program is an important component of our culture of ethics and integrity. Our Speak Up ethics hotline is operated by an independent third-party vendor to provide employees, consumers, business partners and other third parties with a 24/7 anonymous and confidential means of seeking guidance and reporting potential violations of our Values, our Code of Conduct, our policies or applicable law. Reports can be made via dedicated toll-free phone lines in 61 countries and 38 languages or by using the [Speak Up Webline](#) available in 25 languages.

Speak Up is widely promoted at PepsiCo through on-site posters at all facilities and office locations, on company internal and external websites, and in our annual online Code training, which is completed by 65,200 employees annually. It is also featured in our frontline training materials, new-hire on-boarding training program, internal newsletter articles and locally developed Values and Code of Conduct awareness programs.

PepsiCo reports its Speak Up usage on its public website, including the number of Speak Up reports received, the report source (phone or Web) and information concerning the disposition of closed Speak Up matters. PepsiCo does not publicly disclose details relating to individual specific matters, calls or complaints or confirmed violations of the Code of Conduct. Internally, non-identifiable examples of real violations and enforcement actions are incorporated into our annual Code training for learning purposes. For more information, please see our [Speak Up usage details](#).

Global Compliance and Ethics reviews all incoming Speak Up matters and assigns matters in accordance with an incident management process and our Escalation Policy. Investigators of Speak Up reports may include the



Global Compliance and Ethics team, Sector/Region compliance partners in Human Resources, Law, Security and Audit and as needed by outside counsel, external investigators and subject matter experts. Global Compliance and Ethics works closely with, and provides oversight to assigned investigators within each Sector/Region to foster consistency of the investigative process, discipline and appropriate corrective actions.

Non-Retaliation

Our policies protect our employees who raise concerns and report suspected misconduct so that they may do so without fear of retaliation. Our Global Code of Conduct prohibits retaliation against an individual who in good faith:

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

Occupational Health & Safety

Management Approach

Our first priority as a company 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, with the aspiration of an incident-free workplace.

Why is this important?

Our people play a key role in making, moving and selling our products and contribute to our culture and business results. The safety of our people is a top priority for PepsiCo. We approach health and safety from a number of angles — leadership commitment, management systems, supervision, risk reduction and involvement of our people. It's important that we do this to protect our employees, contractors and other people who may be affected by our business.

What are we doing about it?

Our Health and Safety Leadership Council (HSLC), comprising members from all PepsiCo businesses, ensures that we have the strategies, frameworks and systems to effectively manage risks, build health and safety leadership capabilities, establish global metrics, and track performance. The HSLC reports to the PepsiCo Environment, Health and Safety Executive Committee (EHSEC), which meets twice a year and is responsible for implementing our Global Road Map to Health and Safety Excellence. The Road Map was refreshed in 2013 to focus on our high-risk areas.

Our Global Road Map to Health and Safety Excellence is based on five pillars:

- Lead and Commit
- Manage Risk
- Build Capability
- Perform and Measure
- Engage



To ensure occupational health and safety throughout our operations, each PepsiCo business is staffed with health and safety professionals, and safety committees or coordinators are present and active in all company-owned manufacturing plants. We set annual health and safety strategic plans and targets for improvement in all our individual businesses. Each PepsiCo business develops a strategic plan for health and safety, and leaders have specific health and safety objectives in their Performance Development Plans.

In 2013, all company-owned plants were audited for compliance with PepsiCo’s global Health and Safety program through the Global Environment, Health and Safety Management System (GEHSMS). Globally, we improved our internal audit score by 10 percent as compared to 2012. Following completion of the audit, each plant developed an action plan to address improvement opportunities. In addition, 65 plants are OHSAS 18001–certified by independent consultants and 31 facilities in the United States are part of the OSHA Voluntary Protection Program.

Additionally, in 2013, we began rolling out a global EHS information system, called myEHS, with the launch of modules for metrics, incident reporting and management, risk assessment/management, compliance and training. More than 500 people were trained and logged nearly 7,000 training hours to roll out the system. The technology allows us to record and track incidents in real time, conduct audits on mobile devices and tablets, and automate our metric reporting.

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

Global lost-time injury rate

	2010	2011	2012	2013
Global lost-time injury rate (per 1 million hours)	9.04	8.99	5.81	4.8

We aim to achieve world-class health and safety performance. The total lost-time injury rate (LTIR) across PepsiCo in 2013 was 4.8 per 1,000,000 hours worked, a decrease of 17 percent since 2012. We have continued to focus our attention on our “Top 6” critical risk areas as well as increasing our focus on our sales force’s safety.

We regret that in 2013 10 PepsiCo employees lost their lives while working for us. The majority of our fatalities continued to be the result of motor vehicle accidents. We operate large fleets in many high-risk countries where traffic fatalities are a serious public health and safety issue. We continue to actively implement defensive driver training by mandate and in accordance with our global EHS Standard for Commercial Vehicle Safety. We conduct training of our drivers using either Smith System defensive driver training or our in-house training called TEST (Ten Easy Safety Tips) Drive. In high-risk countries, we have implemented state-of-the-art behavior monitoring devices to provide drivers with feedback on their speed, harsh acceleration, harsh deceleration, wearing seatbelts, etc.

We believe that occupational fatalities are unacceptable. Over recent years we have focused on our “Top 6” risk areas (confined spaces, machinery safety, hazardous energy, working at height, vehicle safety and contractor management) and have seen a decrease in fatalities in those areas. We have also globally leveraged initiatives such as Kaizen Ergonomic events where we review tasks and workplaces to identify and address ergonomic risks while making the work more efficient.



Our Egypt business has experienced particularly strong safety performance improvements. There, we have experienced zero traffic-related fatalities for the last two years, despite the country having one of the highest traffic morbidity rates in the world (42 per 100,000 inhabitants, according to the World Health Organization).

We regret that in 2013 there were three contractor fatalities. To further enhance contractor safety performance, we continue to focus on contractor management and have expanded our health and safety requirements to agencies providing contractors. We have partnered with employment agencies in India to provide motorcycle helmets to contract sales workers and have implemented an online contractor management system that checks our contractors' qualifications and safety systems in our North America Beverage business. We improved our internal implementation of the PepsiCo Contractor Management Standard, which addresses the selection of contractors, contractor safety rules and supervision.

Best plants in the Riyadh Industrial City

In 2013, PepsiCo's International Refreshments Company (IRC) in Riyadh was selected by the Saudi Industry Property Authority as a model for best plants in the Riyadh Industrial City. A delegation of 32 officers from the Riyadh Civil Defense visited IRC to learn about the Safety Policies and Procedures at the plant and to identify opportunities to bridge the gap between the private sector and the enforcing authorities in terms of health and safety. One delegate commended IRC by saying, "There are few companies in the private sector that adopt an international standard of health and safety in their daily operation."

Safety Leadership Journals in Australia and New Zealand

In our Australia and New Zealand operations, safety is top-of-mind for all managers thanks to the use of Safety Leadership Journals. The Journals include monthly safety topics, a number of "Cut out and keep" guides, the Ten Easy Safety Tips for drivers, and ergonomic positions to watch out for. There is also a "What to look out for" guide, making it really easy to identify key risks, positive behaviors and hazards. In 2013, the Journals were expanded to include food safety and environment safety. These resources make it easy for managers to talk about safety and include it on the agenda as part of normal, daily business operations.

In 2012, more than 8,000 safety conversations were recorded in Journals across Australia and New Zealand. In 2013, also in Australia and New Zealand, 13,539 safety walks were conducted. A safety walk is an informal safety inspection whereby a supervisor/manager/leader does a walk-through of a given area and looks for safety issues. Fundamental to the safety walk concept is the "conversation." A safety walk cannot be recorded as complete unless a conversation has been held between the "inspector" completing the walk and those responsible for the work area.



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		



ASPECT	DMA AND GRI INDICATORS	DISCLOSURE	EXTERNAL VERIFICATION
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-SO6	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		



ASPECT	DMA AND GRI INDICATORS	DISCLOSURE	EXTERNAL VERIFICATION
	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	<i>Report the remuneration policies for the highest governance body and senior executives</i>	
	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	<i>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</i>	
	FP6	<i>Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and added sugars</i>	
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	<i>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</i>	
	G4-PR7	<i>Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes</i>	



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-EN8	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	<i>Significant environmental impacts of transporting products and other goods and materials for the organization's operations and transporting members of the workforce</i>	
	G4-EN3	<i>Energy consumption within the organization</i>	Yes
	G4-EN15	Direct greenhouse gas emissions (Scope 1)	Yes
	G4-EN16	Energy indirect greenhouse gas emissions (Scope 2)	Yes
	G4-EN6	<i>Reduction of energy consumption</i>	
	G4-EN19	<i>Reduction of greenhouse gas emissions</i>	
G4-EN17	<i>Other indirect greenhouse gas emissions (Scope 3)</i>	Yes	



ASPECT	DMA AND GRI INDICATORS	DISCLOSURE	EXTERNAL VERIFICATION
Supply Chain Management*	G4-DMA	Management approach	
	G4-EN33	<i>Significant actual and potential negative environmental impacts in the supply chain and actions taken</i>	
		<p>OMISSION STATEMENT</p> <p><i>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.</i></p>	
	FP1	<p><i>Percentage of purchased volume from suppliers compliant with the company's sourcing policy</i></p> <p>OMISSION STATEMENT</p> <p><i>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.</i></p>	
Packaging Materials	G4-DMA	Management approach	
	G4-EN1	<i>Materials used by weight or volume</i>	
	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	



ASPECT	DMA AND GRI INDICATORS	DISCLOSURE	EXTERNAL VERIFICATION
Occupational Health & Safety*	<u>G4-DMA</u>	Management approach	
	<u>G4-LA6</u>	<i>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</i>	Yes (partial)
		<p>OMISSION STATEMENT</p> <p><i>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.</i></p>	

*Omission statement required.

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

Indicators in italics represent partially reported disclosures.

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