

2015 GRI REPORT

GLOBAL REPORTING
INITIATIVE REPORT 2015



PEPSICO

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This PepsiCo, Inc. ("PepsiCo" or the "Company") GRI Report contains statements reflecting our views about our future performance that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are generally identified through the inclusion of words such as "aim," "believe," "estimate," "expect," "goal," "intend," "may," "plan," "target" and "will" or similar statements or variations of such terms and other similar expressions. Forward-looking statements inherently involve risks

and uncertainties that could cause actual results to differ materially from those predicted in such statements, including changes in demand for PepsiCo's products, changes in the legal and regulatory environment, imposition by any jurisdiction (within or outside the U.S.) of new or increased taxes or other measures that impact our products and the timing thereof, PepsiCo's ability to compete effectively, PepsiCo's ability to achieve its goals with respect to products, people and planet, unfavorable economic conditions in the countries in which PepsiCo operates and the

other factors discussed in the risk factors section of PepsiCo's most recent annual report on Form 10-K and subsequent reports on Forms 10-Q and 8-K. Investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made. PepsiCo undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

PEPSICO'S JOURNEY

A decade ago we launched **Performance with Purpose** — PepsiCo's vision to deliver top-tier financial performance over the long-term by integrating sustainability into our business strategy. Since then, we have demonstrated what's possible when a company does well by also doing good.

Over the next decade, we are directing our **Performance with Purpose** efforts toward creating a healthier relationship between people and food while continuing to grow our business.

We will focus on expanding the work of the past 10 years across areas we are now calling **Products, Planet and People**.

Together with our business partners and leading organizations committed to positive change, we are determined to make our vision a reality.



INDRA K. NOOYI
CHAIRMAN AND CEO

A LETTER FROM INDRA NOOYI

Over the past 10 years, we have been on an important journey as a company, transforming the way we do business so we can deliver strong long-term financial returns in a way that is sensitive to the needs of the world around us.

We have called our approach Performance with Purpose, and it has guided all of our efforts, galvanizing us to embrace a deeper sense of meaning in our work at PepsiCo.

As we reach the 10-year mark in our journey, I want to reaffirm my view that this approach is the only way to run a successful global corporation in the 21st Century.

Understanding why Performance with Purpose has propelled PepsiCo forward starts with acknowledging a simple truth: we live in challenging times. That was the case when we began this journey in 2006, and it is the case today.

We are seeing levels of political and economic volatility that we have not confronted for many years. Technological change is disrupting entire industries. Governments are facing budget shortfalls. And trust in institutions is near all-time lows, as consumers increasingly expect companies to make money in a way that does not burden society.

These challenges are compounded for global businesses like PepsiCo that also need to act locally — satisfying local preferences, complying with local rules, and meeting local needs — in every country where we work.

To succeed in this kind of environment, corporations — and the executives who lead them — need to do three things exceedingly well.

First, we need to focus on delivering strong financial performance. Second, we need to deliver it in a way that is sustainable over time. And, finally, we need to deliver it in a way that is responsible and responsive to the needs of the communities all of us share. That is how we will work to create the conditions for people to prosper, helping ensure they continue to welcome PepsiCo and our products into their neighborhoods and homes.

For the past 10 years, Performance with Purpose has been helping us deliver returns in this way — and we are incredibly proud of the progress we are making.

We are reducing added sugars, saturated fat and salt in many of our products, while continuing to expand our lineup of nutritious foods and beverages to meet growing consumer demand. We are significantly improving our operational water use and energy efficiency, reducing our packaging and waste, and promoting responsible agricultural practices globally. We are building a workplace that attracts the

world's best and brightest. And we are doing all of this while nearly doubling our net revenue and outperforming the S&P 500, with a total shareholder return of 142 percent since 2006. Simply put, we are not just changing the way we spend money — we are changing the way we make it.

As proud as we are of these results, however, we also know that our work is far from complete. There are major challenges to overcome around the globe. From obesity and undernutrition to resource scarcity and climate change to underemployment and injustice and inequality of all kinds, we must stop and ask ourselves what is required of leaders over the next decade — to serve our shareholders, our employees and the world all of us inhabit.

In response, we are redoubling our commitment to Performance with Purpose and renewing our goals, to help create a healthier relationship between people and food over the coming decade. Our focus will include transforming our portfolio and offering healthier options while making our food system more sustainable and communities more prosperous. In doing so, we believe we will pave the way for PepsiCo's future growth and help others thrive.

Our 2025 agenda has been informed by many of the world's leading experts and institutions. We have closely mapped our plans to the United Nations 2030 Sustainable Development Goals, as we work to make valuable contributions to our shared global agenda. We have worked to respond to the expectations of our investors and stakeholders. And we are focusing our efforts where we believe PepsiCo can achieve the greatest impact by leveraging our people, our capabilities and our global partnerships.

To date, we have centered our Performance with Purpose work on human sustainability (now *Products*), environmental sustainability (now *Planet*) and talent sustainability (now *People*). Going forward, we look to achieve greater progress in these areas, as previewed on next page and described in more detail later in this report.

I believe that Performance with Purpose will lift our Company to even greater heights in the coming years. But we cannot achieve those heights alone. Delivering solutions to shared challenges will require working together with governments, nongovernmental organizations (NGOs) and other stakeholders. Inside corporations, there are valuable capabilities and resources that can be harnessed to advance sustainable development. Inside governments, there are dedicated public servants who work to improve people's lives. And inside NGOs, there are passionate leaders who are committed to their cause and whose tireless advocacy is essential to bringing about change.

We live in an interconnected, interdependent world, and we cannot afford to operate in silos. We need to use our collective strengths in ways that benefit everyone. As PepsiCo renews our Performance with Purpose journey and begins work on our 2025 goals, that is exactly what we are doing, recognizing that we are stewards of a great Company with the opportunity not only to make a profit, but to do so in a way that makes a difference in the world.



INDRA K. NOOYI
CHAIRMAN AND CEO

*We recognize that we are stewards of a great Company
with the opportunity not only to make a profit,
but to do so in a way that makes a difference in the world.*

Everyday Nutrition
now nearly 25% of our
portfolio by revenue*

*Sustainable Farming
Initiative expanded
to more than 28,000
growers globally*

*PepsiCo named one
of the World's Most
Ethical Companies by
Ethisphere® Institute for
10 consecutive years*

*\$9 billion returned
to shareholders
in 2015 through
share repurchases
and dividends*

*PepsiCo products with positive nutrition like whole grains, fruits and vegetables, dairy, protein and hydration.

PERFORMANCE WITH PURPOSE: OUR AGENDA FOR THE NEXT DECADE

To substantially increase our efforts to improve the products we sell, protect our planet and empower people around the world in order to contribute solutions to shared challenges



PRODUCTS

TRANSFORM OUR PORTFOLIO & OFFER HEALTHIER OPTIONS

- Reduce added sugars
- Reduce saturated fat
- Reduce salt
- Offer more positive nutrition like whole grains, fruits and vegetables, dairy, protein and hydration
- Provide access to healthier options for underserved communities and consumers

PLANET

WORK TO ACHIEVE POSITIVE WATER IMPACT

- Improve water-use efficiency among growers and in our operations
- Replenish water within local watersheds
- Advocate for and collaborate on local solutions & enable access to safe water, with a focus on communities near where we work

SIGNIFICANTLY LOWER CARBON EMISSIONS

- Address greenhouse gas emissions across our value chain

SOURCE SUSTAINABLY

- Advance sustainable sourcing —including for palm oil & cane sugar

REDUCE & ELIMINATE WASTE

- Send no waste from direct operations to landfill
- Halve our food waste
- Design our packaging to be recoverable or recyclable, and support increased recycling rates



PEOPLE

ADVANCE RESPECT FOR HUMAN RIGHTS

- Promote application of the UN Guiding Principles on Business and Human Rights across our operations and with all franchisees and joint venture partners
- Improve farmers' livelihoods, conditions for farm workers and crop yields while increasing environmentally responsible agricultural practices

SUPPORT DIVERSITY, WOMEN'S ADVANCEMENT & WORKING CAREGIVERS

- Increase diversity across PepsiCo, including striving for gender parity in management
- Offer policies and benefits that support working caregivers

SPUR PROSPERITY

- Invest in initiatives to benefit at least 12.5 million women and girls, to help build sustainable communities near where we work



ABOUT PEPSICO

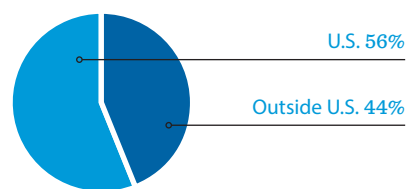
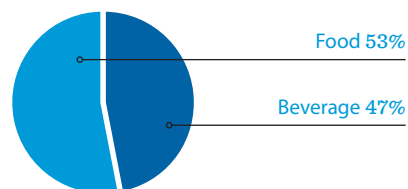
PepsiCo is a leading global food and beverage Company that generated more than \$63 billion in net revenue in 2015, driven by a complementary portfolio that includes Frito-Lay, Gatorade, Pepsi-Cola, Quaker and Tropicana. PepsiCo's product portfolio includes a wide range of enjoyable foods and beverages, including 22 brands that generated more than \$1 billion each in estimated annual retail sales.



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 SIX Swiss Exchange.

PepsiCo's headquarters are located in Purchase, New York.

MIX OF 2015 NET REVENUE



2015 FINANCIAL HIGHLIGHTS

>\$63.0^B Net revenue	\$69.7^B Total assets
\$57.7^B Total liabilities	\$12.0^B Total equity
\$9.0^B Share repurchases and dividends	\$3.67 Diluted earnings per share
\$29.2^B Long-term debt	26.1% Annual tax rate

PepsiCo products are enjoyed by consumers in more than

200

countries and territories around the world

Approximate headcount, as of 12/26/2015

263,000

CURRENT GLOBAL DIVISIONS

- Frito-Lay North America
- Quaker Foods North America
- North America Beverages
- Latin America
- Europe Sub-Saharan Africa
- Asia, Middle East and North Africa

VALUE CHAIN



Sustainability Governance

We believe strong sustainability governance is the foundation for delivering on our Performance with Purpose (PwP) vision to provide top-tier financial performance over the long-term by integrating sustainability into our business strategy. At PepsiCo, sustainability topics are integrated into, and not separate from, our business. The full Board of Directors (Board) considers sustainability issues as an integral part of its business oversight. For example, the Board addresses sustainability issues in its oversight of focus areas such as capital allocation, supply chain management, talent retention and portfolio innovation.

In 2015, the Board, after discussions with external stakeholders, clarified its role with respect to sustainability by amending the Company's Corporate Governance Guidelines to add "sustainability" to the key aspects of PepsiCo's business, over which the Board has oversight responsibilities. In addition to full Board oversight of sustainability, the Board's Nominating and Corporate Governance Committee was charged with annually reviewing PepsiCo's key public policy issues, including its sustainability initiatives, and its engagement in the public policy process, and reviews the structure, function and activities of the Board and its committees from time to time. In many instances, public policy issues directly overlap with PepsiCo's key sustainability-related issues, including climate change, nutrition and sustainable agriculture.

To help drive progress, we award our executive officers annual incentives for achieving annual business objectives against pre-approved targets. The business and individual objectives reflect a combination of Company-wide performance or business-unit performance depending on the executive's position and scope of responsibility. Individual objectives are based on an executive's contribution to PepsiCo's strategic business imperatives, such as:

- Driving sustainable innovation;
- Improving operating efficiencies;
- Increasing customer satisfaction; and
- Managing and developing a diverse and talented workforce.

Our Sustainability Council is led by Dr. Mehmood Khan, PepsiCo's Vice Chairman and Chief Scientific Officer, Global Research and Development (R&D), who oversees corporate sustainability strategy development, working closely with the leadership teams manage each of our PwP pillars. The leadership teams are responsible for advising the Sustainability Council on our overall strategy, driving implementation, and identifying and addressing issues and risks. The Sustainability Council also has oversight responsibility for the Sustainable Supply Chain Council and Human Rights Operating Committee. These leadership teams, committees, and associated subcommittees are discussed in greater detail throughout this report.

In 2015, the Sustainability Council provided regular updates to the Chairman and CEO, as well as the PepsiCo Executive Committee, on sustainability-related matters. Our sustainability governance structure reaches across the organization and focuses on three key areas:

1. **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.
2. **Metrics, Tracking and Reporting (specific, measurable, time-bound targets):** Science-based metrics, where appropriate, are defined and standardized for tracking progress against our PwP pillars. Reporting obligations are defined and protocols are in place to ensure compliance and data verification.

3. **Facilitating Integration within Our Business:** Each pillar has a sustainability agenda and has developed scorecards, checklists and timelines specifically focused on measuring our progress against current targets.

In 2016, PepsiCo reviewed our sustainability governance structure to identify opportunities to strengthen the integration of Performance with Purpose into our business agenda and processes. Going forward, the Sustainability Council will evolve and the PepsiCo Executive Committee (PEC) will assume direct oversight of the sustainability agenda, strategic decisions and will champion the performance management.

Theme leads, empowered by the PEC, will be appointed as subject matter experts, to create and oversee global roadmaps development and ensure business alignment to deliver on the goals. Theme leads will align their agendas with the sector leads, who will be on point to ensure successful implementation of processes across our businesses.

They all will be supported by the Sustainability Office who will be responsible for driving the strategic framework, and performance tracking.

Performance with Purpose and the United Nations Sustainable Development Goals

PepsiCo's PwP strategy allows us to make valuable contributions to goals shared by the global community. In 2015, governments around the world officially adopted the *United Nations Resolution Transforming Our World: 2030 Agenda for Sustainable Development* which set out global sustainable development priorities and goals for 2030 (Sustainable Development Goals, or SDGs).¹ The SDGs call for worldwide action among governments, business and civil society to end hunger, protect the planet and enrich the lives of people around the world.

We believe our PwP strategy will enable us to contribute to the realization of the SDGs. By focusing on creating and sustaining jobs, stimulating economic growth, transforming our product portfolio, protecting the planet and enhancing the lives of people around the world, we believe our most impactful contributions to the SDGs will be made through our business and our value chain. Additionally, the PepsiCo Foundation, which aligns with PepsiCo's PwP strategy and the SDGs, aims to provide opportunities for improved health, environmental conservation and education in underserved regions through sustainable development partnerships and programs. Throughout this report we provide examples of PepsiCo Foundation projects that support PwP, and our overarching PepsiCo Foundation programs are detailed in the Global Citizenship chapter.

1. Resolution adopted by the General Assembly on 25 September 2015, Transforming our world: the 2030 Agenda for Sustainable Development (A/res/70/1) http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E

CONTRIBUTING TO THE UN SUSTAINABLE DEVELOPMENT GOALS

PepsiCo's Performance with Purpose agenda allows us to make valuable contributions to goals shared by the global community. The SDGs call for worldwide action among governments, business and civil society to end hunger, protect the planet and enrich the lives of people around the world.

 **PRODUCTS GOALS**
 **PLANET GOALS**
 **PEOPLE GOALS**

SDG Icon	SDG Name	PRODUCTS GOALS	PLANET GOALS	PEOPLE GOALS
	1. NO POVERTY			✓
	2. ZERO HUNGER	✓	✓	✓
	3. GOOD HEALTH AND WELLBEING	✓	✓	✓
	4. QUALITY EDUCATION			✓
	5. GENDER EQUALITY			✓
	6. CLEAN WATER AND SANITATION		✓	✓
	7. AFFORDABLE AND CLEAN ENERGY		✓	
	8. DECENT WORK AND ECONOMIC GROWTH			✓
	9. INDUSTRY, INNOVATION AND INFRASTRUCTURE	✓	✓	
	10. REDUCED INEQUALITIES			✓
	11. SUSTAINABLE CITIES AND COMMUNITIES		✓	✓
	12. RESPONSIBLE CONSUMPTION AND PRODUCTION	✓	✓	
	13. CLIMATE ACTION		✓	
	14. LIFE BELOW WATER		✓	
	15. LIFE ON LAND		✓	✓
	16. PEACE, JUSTICE AND STRONG INSTITUTIONS			✓
	17. PARTNERSHIPS FOR THE GOALS	✓	✓	✓

STAKEHOLDER ENGAGEMENT

At PepsiCo, we seek to engage with key stakeholders to better inform our efforts, maximize our impact and create value for society. Companies have always operated with a license from society, and it is our firm belief that successful companies must earn that license by aligning the needs of their business with the needs of the world around them.

Why does it matter?

We believe that regular, transparent communication with our stakeholders is essential to PepsiCo's long-term success. Our stakeholders, including our consumers, customers, communities, investors, employees and suppliers contribute important external viewpoints that inform our business decisions and our strategy. Working together, stakeholders are powerful partners who accelerate our progress and help facilitate our success.

What is our strategy?

Stakeholder engagement helps us identify significant and emerging issues related to sustainability (see the Material Aspects & Boundaries section of this report for more information). We use a variety of mechanisms to solicit feedback from our stakeholders, including participation in stakeholder networks, outreach programs, webinars and partnerships on a wide variety of topics. A summary of our engagement approaches for each stakeholder group is outlined in the table on pages 12–13. PepsiCo also uses the engagement expertise of Ceres, a nonprofit organization that brings together investors, NGOs and businesses in support of sustainability. Ceres facilitates our engagement with certain stakeholders on critical issues such as climate

change, water scarcity and public health. We are partnering with Ceres again in 2016 to host a dialogue with many of our key stakeholders.

What are we doing about it?

The feedback we receive from our stakeholders informs PepsiCo's strategy, goal-setting and decision-making, which ultimately impacts our performance. This includes engaging with organizations that are critical of our actions in order to understand and address their concerns. As a result of collaboration with our stakeholders:

- PepsiCo became a signatory to leading climate change initiatives including the Climate Declaration of Ceres' Business for Innovative Climate & Energy Policy (BICEP) and the Trillion Tonne Communiqué of the Prince of Wales's Corporate Leaders Group.
- The Board amended our Corporate Governance Guidelines to specify the Board's oversight role with respect to sustainability, an integral part of the Company's business strategy.
- PepsiCo was a founding partner of the Berkeley Sustainable Business and Investment Forum, a finance innovation forum focused on the evolving concepts of risk management, capital allocation and sustainable business practices with a focus on long-term value creation.

PepsiCo also regularly engages with our investor stakeholders. Throughout 2015, members of our management team met with a significant number of our shareholders to discuss our portfolio strategy, capital allocation, corporate governance, financial and operating performance, executive compensation, and sustainability and corporate social responsibility initiatives, and to solicit feedback on these and a variety of other topics.

We are proud to have been honored in 2015 by New York Stock Exchange Governance Services for “Exemplary Shareholder Engagement.”

For more information regarding corporate governance and executive compensation at PepsiCo, please refer to our [2016 Proxy Statement](#).



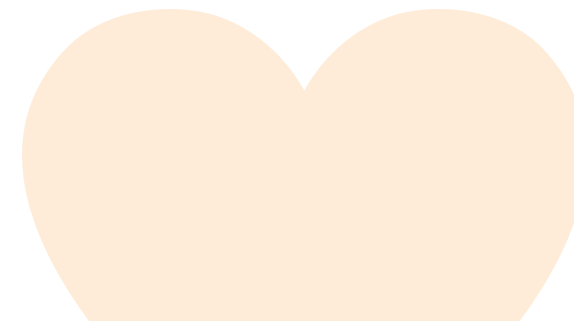
Engagement Approach

The following table provides a snapshot of our largest stakeholder groups and a sampling of some of the topics covered in our ongoing dialogues with them. Throughout this report, we provide specific examples of our engagement efforts and the work we do with our stakeholders.

STAKEHOLDER GROUP	EXAMPLES OF ENGAGEMENT APPROACH	TOPICS ADDRESSED INCLUDE
Consumers	<ul style="list-style-type: none"> • Consumer insights • Dedicated, 24-hour, toll-free phone line • Contact pages on branded websites • Social media 	<ul style="list-style-type: none"> • Brand and product questions and comments • Product innovation • Nutrition and ingredients • Recyclability
Retail and Food Service Customers	<ul style="list-style-type: none"> • Annual retail customer survey • Dedicated customer teams 	<ul style="list-style-type: none"> • Promotions/incentives • Brand marketing • Sales support and service
Communities	<ul style="list-style-type: none"> • Volunteer programs • Community service • Outreach by local offices/manufacturing sites, etc. • Availability of Speak Up (see Systems for Reporting Violations on page 94) 	<ul style="list-style-type: none"> • Promotion of healthy lifestyles • Environmental initiatives • Health and safety • Disaster relief • Any concerns regarding company/supplier activity
Employees	<ul style="list-style-type: none"> • Human Resources tools and representatives • Individual action plans and performance goals • Organizational health surveys and pulse surveys • Annual ethics training and Speak Up training • Employee forums • Social media 	<ul style="list-style-type: none"> • Compensation and benefits • Career development • Business operations • Health and safety • Working conditions

STAKEHOLDER GROUP	EXAMPLES OF ENGAGEMENT APPROACH	TOPICS ADDRESSED INCLUDE
Suppliers	<ul style="list-style-type: none"> • In-person meetings • Environmental Supplier Outreach Program • Supplier Social Capability Management Program • Live and pre-recorded webinars 	<ul style="list-style-type: none"> • Supply chain management • Local and regional regulations • Awareness of PepsiCo's sustainability priorities
Investors	<ul style="list-style-type: none"> • Ongoing dialogue through in-person meetings and conference calls • Annual shareholder meetings • Earnings calls and investor forums • Participation in organizations such as the Harvard Law School Program on Corporate Governance, the Stanford University Rock Center for Corporate Governance, the Council of Institutional Investors and the Weinberg Center for Corporate Governance 	<ul style="list-style-type: none"> • Financial performance • Corporate governance • Sustainability • Executive compensation
NGOs	<ul style="list-style-type: none"> • Collaboration • Individual discussions on specific issues 	<ul style="list-style-type: none"> • Deforestation • Land rights • GMO use and labeling • Nutrition and agriculture • Climate • Colony collapse disorder and pesticides

For more information on stakeholder engagement, please refer to the Public Policy & Political Engagement section of this Report on pages 18–19.



External Partnerships and Charters

Participating in external partnerships and supporting charters that promote sustainability enable us to contribute to solutions to systemic issues that we cannot tackle alone. Many of the externally developed principles and initiatives we have endorsed are listed on our website. Among them are:

- The Climate Declaration of Ceres' Business for Innovative Climate & Energy Policy
- Global Sullivan Principles of Social Responsibility
- MacBride Principles
- The Trillion Tonne Communiqué of the Prince of Wales's Corporate Leaders Group
- Universal Declaration of Human Rights
- UN Caring for Climate initiative
- UN CEO Water Mandate
- UN Global Compact
- UN Guiding Principles on Business and Human Rights
- UN Sustainable Development Goals
- UN Women's Empowerment Principles

We are a member of numerous industry and trade groups, and our partners with various nonprofit organizations and NGOs. We list many of those key memberships and partnerships on our website. Our group memberships include:

- American Beverage Association
- Business for Social Responsibility (BSR)
- Ceres

- Consumer Goods Forum
- FoodDrinkEurope
- Food Industry Asia
- Global Reporting Initiative (GRI)
- The Grocery Manufacturers Association
- International Council of Beverage Associations
- International Food & Beverage Alliance
- International Life Sciences Institute
- Mexican Council of Consumer Goods Products (ConMexico)
- SNAC International
- UN Global Compact
- U.S. Council for International Business
- World Business Council for Sustainable Development (WBCSD)
- 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 our stakeholders. Importantly, such organizations help develop consensus among varied interests. When we work together with our peer food and beverage manufacturers, we can have a greater positive impact in addressing societal issues than when we act alone. At times, we do not share or agree with all of the views of our various peers or partner associations and they do not always speak on our behalf. PepsiCo representatives on the boards and committees of such groups enable us to voice PepsiCo's positions regarding policies or related activities.

MATERIAL ASPECTS & BOUNDARIES

Our stakeholder engagement efforts continue to inform our GRI reporting and overarching sustainability strategy. PepsiCo prioritizes the topics we publicly report on and we focus on those topics most important to PepsiCo and our key stakeholders. We publicly disclose our assessment of “Material Aspects” in accordance with the GRI G4 Reporting Guidelines for sustainability reporting purposes.

In 2013, 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.² Our initial assessment of Material Aspects resulted in 16 topics across our then-current three PwP pillars (Human, Environmental and Talent Sustainability) and our financial and corporate governance performance areas.

Since our 2013 assessment, we retested our Material Aspects with external stakeholders in 2014 and internal stakeholders in 2015 and 2016. In 2014, we presented our Material Aspects analysis to stakeholders at our Ceres Stakeholder Forum. No new topics emerged during this forum; however, based on stakeholder feedback, we consolidated several topics, made Human

Rights a stand-alone Material Aspect and included Land Use as part of our Agriculture Material Aspect. In 2016, along with the development of our 2025 agenda, our Sustainability Council and senior executives reviewed our Material Aspects in the context of PepsiCo priorities including:

- Key business priorities
- Business strategies and their associated impacts
- Global trends and the challenges and opportunities they present to our business
- Stakeholder feedback

Through this process, we reconfirmed that our Material Aspects align with our corporate priorities, support our 2025 goals and reinforce the integration of sustainability throughout our business. This year, as part of our 2025 agenda, we intend to reassess the scope of our Material Aspects in connection with our 2025 goals and focus on delivering on our plans to transform our products, protect the planet and enrich the lives of people around the world.

2. 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 in what the GRI Sustainability Reporting Guidelines define as “Material Aspects.” We are not using these terms as they have been defined by or construed in accordance with the securities laws or any other laws of the U.S. or any other jurisdiction or as these terms are used in the context of financial statements and financial reporting and nothing in this report or other sustainability reports should be construed to indicate otherwise.

Our list of Material Aspects represents issues on which PepsiCo intends to continue managing, measuring and reporting. The following Material Aspects table outlines the topics that are currently most relevant to PepsiCo and our stakeholders, and reflects our robust assessment process.



PEPSICO MATERIAL ASPECT	BOUNDARY
FINANCIAL PERFORMANCE	
Overall Financial Performance and Organizational Profile	
Stakeholder Engagement	
Public Policy Engagement	
PRODUCTS	
Innovating More Nutritious Options	
Responsibly Marketing Our Products	
PepsiCo Quality and Food Safety	

PEPSICO MATERIAL ASPECT	BOUNDARY
PLANET	
Water	
Climate Change	
Agriculture	
Packaging and Waste	
PEOPLE	
Talent Attraction, Engagement & Growth	
Diversity and Engagement	
Human Rights	
Workplace Safety	
GLOBAL CITIZENSHIP	
Community Investment and Philanthropy	
CORPORATE GOVERNANCE	
Corporate Governance, Risk Management and Compliance	

Our Material Aspects may change in accordance with future materiality assessments. Future assessments of Material Aspects may result in adding new Material Aspects should they rise in importance or deleting current Material Aspects should they no longer be considered of significant importance.

About This Report and Boundaries

This represents PepsiCo's fourth annual GRI Report and addresses PepsiCo's activities and performance for the 2015 calendar year. During the reporting period (2015), there were no significant changes to the Company regarding size, structure or ownership. Throughout the report, some historic data and information have been included to provide context and to illustrate performance trends. The GRI Index, included at the end of this report, details that we are in "accordance" with the GRI G4 Core Guidelines.

Content included in this GRI Report covers PepsiCo's global operations only unless otherwise noted. The report 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.³ 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.

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 shown on pages 105–107.

Any specific limitations of environmental performance data are disclosed in the relevant footnotes to that data. Environmental data presented in this report has changed from prior disclosures due to acquisitions and divestitures of business operations, including the acquisitions of Mabel Alimentos S.A., Dilexis S.A. and Wimm-Bill-Dann.

No health and safety data were restated.

To provide feedback on this report, please contact performancewithpurpose@pepsico.com.

3. A consolidated list of our subsidiaries as of the fiscal year-end is disclosed in Exhibit 21 of PepsiCo's 2015 Annual Report on Form 10-K.

PUBLIC POLICY & POLITICAL ENGAGEMENT

Public policy directly affects PepsiCo's ability to operate a successful business. For this reason, we engage in public policy to help ensure a variety of informed voices participate in the political process. Our goal is to promote a healthy business environment that supports our ability to achieve sustainable growth in the years ahead.

Why does it matter?

PepsiCo's business is shaped by public policy at the local, state, federal, regional and global levels. At a global level, in 2015, we witnessed the convergence of a widely held policy agenda with the adoption of the Paris Agreement on climate change and the United Nations SDGs. Governments, civil society and key business leaders came together in pursuit of ambitious, long-term solutions to the world's most significant environmental and social challenges. Companies are being called upon to develop creative, innovative solutions and technologies to better serve society's needs. These historic agreements reflect future policy direction which could impact how we conduct business.

While these global policy agreements call on us to integrate sustainability into our business, we must also address local, state, national and regional regulatory proposals that could affect PepsiCo's ability to operate a successful business. For example, we are facing proposed regulations related to product labeling, sales, advertising and marketing practices, taxes on sugar-sweetened beverages and other products. To that end, we participate in public policy dialogue and share our expertise on key issues that support our business strategy and where we or others have identified that we can contribute ideas to solve policy issues, including health and wellness, water and climate change management, land rights and human rights. We

aim to make constructive contributions that will lead to policies that help our business, our consumers and other stakeholders thrive in a sustainable fashion.

What is our strategy?

PepsiCo's Global Public Policy and Government Affairs (PPGA) team works with senior management to develop annual and long-term public policy priorities. We believe we can have a greater positive impact by partnering with our peer food and beverage manufacturers through trade associations and other industry groups. We partner with a variety of NGOs on critical matters and take part in multi-stakeholder debates and engage with NGOs and public interest groups that are critical of our actions to understand and address their concerns.

What are we doing about it?

Our political engagement occurs on a wide variety of issues confronting a multitude of challenges. Stakeholder engagement and political contributions, as described in the following sections, are two ways through which we can have a positive impact on the public policy landscape.

Stakeholder and Public Policy Engagement

Stakeholder engagement helps us identify issues that are most important to our external stakeholders. By working with our stakeholders on these important issues before they become policy requirements, we take action before regulations are required and stay in front of social, environmental and economic trends. These topics are analyzed against our assessment of Material Aspects process and often inform our actions and public policy engagement. Examples include:

- Land Rights — Engagement with Oxfam led to the development of a comprehensive land rights policy through our entire value chain, as well as assessment programs in key countries including Brazil, Thailand, Mexico and the Philippines to identify existing and future challenges.
- Climate Change — Following engagement with organizations such as Ceres and BSR on climate change, we increased our advocacy with governments and others to show our support for appropriate legislative frameworks to tackle the issue. This included being part of a business coalition that made commitments to the White House on climate change, and contributing to the debate at COP21 in Paris by hosting a panel with governments, industry, NGOs and others on sustainable agriculture.

- Cage-free Eggs — Following discussion with the Humane League in 2016, PepsiCo adopted a commitment to use 100 percent cage-free eggs in North America by 2020 and the remainder of PepsiCo's global egg procurement by 2025.
- Trans Fats — In support of the efforts of the World Health Organization (WHO), governments and the public health community to reduce the global intake of industrially produced trans fat (TFA), PepsiCo has joined industry in adopting a commitment to reduce industrially produced TFAs from partially hydrogenated oils (PHOs) in our products worldwide to less than 1g TFA per 100 grams of product by the end of 2018.

Political Contributions

In 2015, PepsiCo's total political contributions, including all U.S. political action committee and corporate political contributions were approximately \$5 million. For additional information about PepsiCo's political activities, visit our [website](#).



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♥ PRODUCTS

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TRANSFORMING OUR PORTFOLIO AND
OFFERING HEALTHIER OPTIONS

7UP, Sugar Down:
*As effervescent as ever, but with up
to 30 percent fewer added sugars.*



PRODUCTS

2015 marks the culmination of our reporting on PepsiCo's Human Sustainability goals. These objectives are now evolving into our Products goals for 2025, which substantially expand our efforts in this area while building on our achievements to date.

PWP GOAL		2015 PROGRESS AGAINST GOAL
<p>Continue to refine our food and beverage choices to meet changing consumer needs by reducing sodium, added sugars and saturated fat, and developing a broader portfolio of product choices</p>	<p>25% of our portfolio by revenue includes products that provide positive nutrients like grains, fruits and vegetables and protein</p>	<ul style="list-style-type: none"> • Two key countries achieved the sodium reduction goal and six additional key countries reduced the average amount of sodium per serving in key brands by more than 10 percent. • Five key countries achieved the saturated fat reduction goal and we reduced the average amount of saturated fat per serving by 3 percent in our key global food brands in key countries. • Eight key countries reduced average added sugars per serving compared to our 2006 baseline. • Almost 25 percent of our portfolio by revenue includes products that provide positive nutrients like grains, fruits and vegetables, protein and hydration, which we refer to as Everyday Nutrition.
<p>Continue to provide clear nutritional 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</p>	<p>98% compliance with our Responsible Advertising to Children Policy</p>	<ul style="list-style-type: none"> • 93 percent compliance with voluntary commitment to display calorie count and key nutrients on our packaging for products in 10 key countries. • In globally representative markets, 82 percent of PepsiCo products complied with our side- and back-of-package labeling commitment and 67 percent complied with our front-of-package labeling commitment. • In the first half of 2015, we achieved 98 percent compliance with our Responsible Advertising to Children Policy in globally representative markets.

Trends, such as a desire for convenient, functional nutrition, local and natural ingredients, and more nutritious foods and beverages, have firmly taken hold and we believe will continue to accelerate around the world. Through our 2025 goals, we intend to use the power of our brands to offer consumers more nutritious choices and increase our efforts to reach underserved communities and consumers around the world.

Specifically, we will work to continue to reduce added sugars, saturated fat and sodium in many of our products, as informed by the World Health Organization recommendations. We also plan to strengthen our efforts to provide what we refer to as Everyday Nutrition to our consumers, including underserved communities around the world.



Why does it matter?

Widespread obesity, undernutrition and related public health challenges have had an impact on food and beverage companies. According to the WHO, worldwide obesity has more than doubled since 1980. An estimated 39 percent of adults age 18 years and older are overweight and 13 percent are obese. The WHO further states that obesity, and associated non-communicable diseases, such as diabetes and cardiovascular disease, are largely preventable and could be substantially reduced through a healthy diet, regular physical activity and avoiding the use of tobacco. While obesity rates are also on the rise in developing countries, undernutrition remains one of the world's most serious health problems. According to UNICEF, nearly half of all deaths in children under age five are attributable to undernutrition.⁴

Bringing about systemic and comprehensive improvements in the global diet can be better served through the engagement of large food and beverage companies like PepsiCo. Our global scale, resources and capabilities position us to partner with governments and NGOs that seek to address health and nutrition priorities around the world. Because no one company can solve public health challenges alone, we will continue to work with experts as well as across our value chain to meet our goals while contributing to globally coordinated efforts around food security, improved nutrition, health and well-being. And we aim to do so in a way that will continue to enhance our ability to create shareholder value and deliver sustainable financial performance.

In response, the food and beverage industry faces increased regulatory pressure to take steps to help consumers improve their diets and expand nutritious food and beverage choices. PepsiCo believes that the private sector

has an important role to play in developing collaborative solutions to address public health and food security concerns, including efforts to meet the SDGs. Additionally, we believe that meeting growing consumer demand for more nutritious foods and beverages can be accomplished while delivering strong long-term financial performance and returns.

What is our strategy?

As a leading food and beverage company, we can help address these global consumer trends and positively impact our consumers by offering a wide range of high-quality, safe foods and beverages. Products (formerly referred to as Human Sustainability) goals focus on continuing to reduce added sugars, saturated fat and salt/sodium in many of our products and strengthening our efforts to provide what we refer to as Everyday Nutrition to our consumers, including underserved communities.

In 2015, PepsiCo continued our efforts to address our health and wellness Material Aspects:

- **Innovating More Nutritious Options:** broadened the range of our product portfolio, including expanding our offerings of more nutritious products.
- **Responsibly Marketing Our Products:** continued to label and market our products responsibly and promote healthy lifestyles in our communities through programs supported by PepsiCo and the PepsiCo Foundation.
- **PepsiCo Quality and Food Safety:** continued to ensure the high quality and safety of our products.

4. WHO: <http://www.who.int/mediacentre/factsheets/fs311/en/>
WHO: <http://www.who.int/mediacentre/factsheets/fs355/en/>
UNICEF: <http://data.unicef.org/nutrition/malnutrition>



PepsiCo is taking aggressive steps to implement many of the actions recommended by the WHO's Global Action Plan for the Prevention and Control of Non-communicable Diseases (NCDs) 2013 – 2020. For example, the WHO's current recommendation on sodium, saturated fat and added sugars informed, in part, our 2025 Product goals. We also intend to continue to provide clear information about our products' ingredients and adhere to responsible marketing policies, making it easier for consumers to make informed choices.

The content in this chapter provides additional examples of steps PepsiCo is taking in this regard.

What are we doing about it?

In 2009, PepsiCo announced ten PwP goals, with two goals specifically related to our Products (formerly known as Human Sustainability). Throughout 2015, we focused our approach on these two goals:

- Continue to refine our food and beverage choices to meet changing consumer needs by reducing sodium, added sugars and saturated fat, and developing a broader portfolio of product choices; and
- Continue to provide clear nutritional 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.

PepsiCo's Vice Chairman and Chief Scientific Officer, along with other senior leaders in PepsiCo's research and development department, regularly review our implementation strategy and progress against our goals to reduce sodium, added sugars and saturated fat, grow our nutritious products portfolio, and report results to the Sustainability Council and PepsiCo Executive Committee.

Innovating More Nutritious Options

This year, PepsiCo products are enjoyed by consumers over one billion times a day in more than 200 countries and territories around the world. We offer products that appeal to the wide variety of taste preferences among our consumers.

In response to increased consumer focus on health and wellness, we have continued to invest in research and development to deliver innovative solutions built on a strong foundation of science and technology and enable the development of products with improved nutrition profiles. PepsiCo research and development has worked to improve the nutritional value and increase the appeal of our reformulated products. We have continued to introduce new and reformulated products to offer more nutritious options.

PRODUCT REFORMULATION

The three primary nutrition related goals we focused on were reducing sodium, saturated fat and added sugars in our snack and beverage brands. But to fully meet the preferences of our consumers, and work to deliver for all stakeholders, we had to look for opportunities to reduce the sodium, saturated fat and added sugars while continuing to deliver the great taste that consumers expect from our products.

Nonetheless, PepsiCo set ambitious goals in 2009 to reduce these ingredients in our key global brands. These goals guided our performance through 2015.

- **Sodium:** Reduce the average amount of sodium per serving in key global food brands, in key countries, by 25 percent by 2020, against a 2006 baseline;⁵

5. In 2014, we adjusted the target date for our sodium goal from 2015 to 2020 to allow additional time to meet this goal and align the sodium target date with the target dates for reductions in saturated fat and added sugars.



- **Saturated Fat:** Reduce the average amount of saturated fat per serving in key global food brands, in key countries, by 15 percent by 2020, against a 2006 baseline; and
- **Added Sugars:** 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.

We measure and report our progress on the reduction of sodium and saturated fat in our key brands as well as our progress on the reduction of added sugars in all beverage brands. We review the data on an aggregated basis to provide an overview of our progress on each goal. We also review our results on a country-by-country basis to identify successes, address challenges and, if appropriate, refine individual countries' action plans. In 2015, we tracked our progress in 10 key countries that together represented approximately 80 percent of our net revenue. Each of these countries has developed tailored strategies that take into account local taste preferences, challenges and cultural differences to satisfy varying consumer preferences.

SODIUM REDUCTION

In 2015, we reduced the average amount of sodium per serving by 12 percent and removed more than 2,300 metric tons of sodium from key global food brands in key countries as compared to 2006. In the UK and China we have already met our 25 percent sodium reduction target in key brands. Additionally, Brazil, Canada, India, Mexico, Russia and Turkey have all reduced the average amount of sodium per serving in key brands by more than 10 percent compared to 2006 levels. Our primary challenge in reducing sodium is consumer acceptance of reduced sodium products in the U.S. and Saudi Arabia. We continue to prioritize the reduction of sodium in our flavored chips, investing in research and development to develop tools and processes that will aid in our sodium reduction efforts and, at the same time, meet consumer acceptance.

ADDED SUGARS REDUCTION

PepsiCo remains focused on extending our portfolio to a wider array of low-calorie beverage categories and to reducing added sugars in our overall beverage portfolio. As of the end of 2015, we have the leading noncarbonated beverage portfolio in the U.S. Globally, 12 percent of our revenue came from trademark Pepsi and less than 25 percent came from carbonated soft drinks. We continue to invest in research and development to create alternative sweetness solutions and lower-calorie products.

In 2015, we revamped some of our popular beverages by reducing added sugars. For example, PepsiCo China reduced sugar by 30 percent in Mirinda Orange, one of the country's most popular carbonated soft drinks, and in Poland, Pepsi Lipton International Limited introduced new flavors of Lipton Ice Tea with 30 percent less sugar compared to the original green tea flavors. In the U.S. and Canada, we successfully removed approximately 372,000 metric tons of added sugars from our total beverage portfolio compared to our 2006 baseline.

As of the end of 2015, the majority of key countries had made significant progress in reducing added sugars. Our greatest challenges are in India and China, where the markets are growing so rapidly that it is difficult to predict sales and consumer acceptance. Key countries that did not meet the 2015 target have plans in place to help improve their results.

- 8 key countries reduced average added sugars per serving compared to our 2006 baseline;
- 2 key countries increased average added sugars per serving compared to our 2006 baseline.



SATURATED FAT REDUCTION

PepsiCo strives to produce products using oils with lower saturated fat than traditional cooking oils. In our key global food brands in our key countries, we have reduced the average amount of saturated fat per serving by almost 3 percent compared to the 2006 baseline. For example, in 2015, PepsiCo's New Zealand snack brand, Bluebird Foods, switched to oils, including sunflower and canola, in its Bluebird Thinly Cut potato chips. As a result, the products cooked in sunflower oil now contain 75 percent less saturated fat compared with chips cooked in 100 percent palm oil. In the U.S., we reduced saturated fat in six varieties of Cap'n Crunch, eliminating more than 30 percent of saturated fat per 100 gram serving.

As of 2015, the U.S., U.K., China, Turkey and Russia have met our goal of reducing the average amount of saturated fat per serving in key global brands by 15 percent, as compared to the 2006 baseline.

EXPANDING OUR NUTRITION BUSINESS

We believe there is significant potential for growth in PepsiCo's portfolio of nutritious products. As more and more families are eating healthier, we want to be their choice for what we refer to as Everyday Nutrition. PepsiCo is focused on doing it in a way that is informed by the strict guidelines set by the world's most respected public health organizations, but also reflects the evolving ways consumers themselves define nutrition. Almost 25 percent of our portfolio by revenue in 2015 included products that we refer to as Everyday Nutrition that provide positive nutrition like grains, fruits, vegetables, protein and hydration. We plan to increase our portfolio of more nutritious products by building on our expertise and leveraging our iconic and trusted brands.

Partnering to Improve Nutritional Value

We believe that through collaboration with our peers, we can have a much greater impact on helping people live healthier lives.

Global Goal to Virtually Eliminate Use of Industrially Produced Trans Fatty Acids

*The International Food & Beverage Alliance (IFBA) members, including PepsiCo, The Coca-Cola Company, Ferrero, General Mills, Grupo Bimbo, Kellogg, Mars, McDonald's, Mondelēz International, Nestlé and Unilever have agreed on a common global objective to **reduce industrially produced trans fatty acids (iTFA) to less than one gram of trans fat per 100 grams of product by 2018 worldwide.***

Balance calorie Initiative

*PepsiCo, The Coca-Cola Company and Dr. Pepper have also engaged in a partnership with the American Beverage Association and Alliance for a Healthier Generation to adopt a goal to **reduce beverage calories consumed per person by 20 percent by 2025** in the U.S. In particular, the initiative is focused on communities where there has been less interest in options that help consumers reduce their calories. The "Community Initiative" calls for a focused, aggressive, multi-pronged approach in neighborhoods within select cities where for a variety of reasons, there has been less consumer interest in—and thus less access to—bottled water, lower-calorie and smaller-portion beverage choices. Pilot programs have begun in Los Angeles, Little Rock, New York City, the Mississippi Delta and the Greater Montgomery, Alabama area.*



In 2015, we saw significant accomplishments with the introduction of new whole grain products around the world. In China, we capitalized on our strengths across the grains and dairy industry to create a breakthrough new product — Quaker High Fiber Oats Dairy Drink — that combines oats and dairy into a great tasting, nutritious beverage. In response to the product's success, the Quaker High Fiber Oats Dairy Drink was named "Best Dairy Drink of 2015" at the World Beverage Innovation Awards. Additionally, we strengthened our lineup of multigrain Sunbites snacks and continued to grow this brand in the Middle East and Asia Pacific to meet the needs of consumers who are looking for more nutritious choices.

We also expanded offerings of some of our popular fruit and vegetable products. For example, Naked, the category leader in premium juice and smoothies, continues to experience strong growth driven by popular new flavors and a fresh line of cold-pressed juices. Tapping into the growing demand for green juices, we developed Tropicana Farmstand Tropical Green, which is already one of the line's top sellers. In 2015, PepsiCo UK launched Tropicana Essentials, a range of three tasty, nutritious juices made from fruits with added vitamins and minerals. As part of the suite of Tropicana Essentials products, we also offer three varieties of Essentials Fruit and Vegetable, two varieties of Essentials Multi Vitamins and Essentials Calcium. Tropicana Essentials Fruit and Vegetable is made of 100 percent fruit and vegetable juice with vitamin A and potassium. Essentials Multi Vitamins is a nutritious blend of 12 different fruits and a good source of vitamins A, E, C B1, B2 and B6. Essentials Calcium contains fresh squeezed orange juice and is designed to support healthy bones and normal muscle function through added calcium. All of the Tropicana Essentials products contain no artificial flavors or colors.

Addressing Undernutrition in Assiut, Egypt

The PepsiCo Foundation is partnering with the United Nations World Food Program (WFP) to support food security and nutrition awareness workshops for underserved schools in Upper Egypt. In 2015, fortified date bars were distributed to more than 3,000 children in the Dairut and Manfalut districts of Assiut governorate. The date bars are distributed during the school week to help fight short-term hunger and improve cognitive capacities in class. In addition to daily date bars, WFP provides conditional monthly take-home rations to support food insecure families and encourage enrollment and attendance in school. Since the introduction of daily snacks and conditional take-home rations, attendance and enrollment have increased 6 percent among participating community schools.

Additionally, with the help of the PepsiCo Foundation, WFP organized 33 teachers' training workshops in 2015 to educate teachers on nutrition. The workshops, which reached 75 percent of teachers in Assiut governorate, help ensure that vulnerable communities understand the importance of nutrition. As part of the program, WFP contracted a nutrition and public health expert to develop the training modules. Moving forward, these modules are expected to help expand the reach of nutrition education activities and be used to train teachers across all WFP-supported governorates.



NEXT STEPS

2015 is our final reporting year on PepsiCo's Human Sustainability goals. We are now transitioning to our 2025 Product goals. Through these goals, we intend to use the power of our brands to offer consumers more nutritious choices and increase our efforts to reach underserved communities and consumers around the world.

OUR 2025 PRODUCT AGENDA: TRANSFORM OUR PORTFOLIO AND OFFER HEALTHIER OPTIONS

- **Reduce Added Sugars:** At least 2/3 of our global beverage portfolio volume will have 100 Calories or fewer from added sugars per 12 oz. serving.
- **Reduce Saturated Fat:** At least 3/4 of our global foods portfolio volume will not exceed 1.1 grams of saturated fat per 100 Calories.
- **Reduce Salt:** At least 3/4 of our global foods portfolio volume will not exceed 1.3 milligrams of sodium per Calorie.

Positive Nutrition:

- The rate of sales growth of what we refer to as our Everyday Nutrition products will outpace the rate of sales growth in the balance of our product portfolio. Specifically, we will work to:
- Increase positive nutrition — like whole grains, fruits and vegetables, dairy, protein and hydration — by expanding our portfolio containing one or more of these ingredients; and
- Provide access to at least 3 billion servings of nutritious foods and beverages to underserved communities and consumers, through a variety of channels and programs supported by the PepsiCo Foundation — with an increasing focus on products that are locally sourced and produced, and readily accessible.

Partnering to Tackle Malnutrition in Ethiopian Children

For decades, Ethiopia has faced challenges associated with hunger and malnutrition. While humanitarian efforts over the past several years have made a significant impact, recent studies show that malnutrition — especially among young children — continues to be a profound problem in this drought stricken country. In response, the PepsiCo Foundation and World Food Program have partnered to deploy Dimbuch, a new chickpea-based ready-to-use supplementary food product designed to help children between the ages of six months and five years with moderate to acute malnutrition.

Dimbuch is easy to eat right from the package and takes only 12 weeks to counteract acute malnutrition if eaten alongside customary foods. As an added benefit to the Ethiopian economy, Dimbuch is made using locally grown chickpeas and manufactured by an Ethiopian company called Hilina Enriched Foods, located just outside the capital city of Addis Ababa.

The development of Dimbuch was a five-year social and scientific collaboration between the PepsiCo Foundation and the World Food Program that started with a \$3.5 million grant from the PepsiCo Foundation. As part of the development process, the team conducted two trials to ensure the product would be as effective as possible at reversing malnutrition. In March 2015, the first shipments of Dimbuch went out to Ethiopian families in the Ankober district of Eastern Ethiopia, a rural farming region that experienced a 25 percent decrease in its harvest due to severe



drought conditions. A month's supply of the product was delivered to the Gorobella Health Post, which acts as a Food Distribution Center for the World Food Program. PepsiCo employees were on hand to witness the distribution, and visited with the beneficiaries in their homes.

Through this program, we helped more than 20,000 children get the nutrients they need. As children make Dimbuch part of their regular diet, the World Food Program is closely monitoring their progress and collecting valuable information that could lead to wider distribution in the future.



Responsibly Marketing Our Products

PepsiCo is committed to helping consumers make informed choices by communicating responsibly about our products. We do this by providing consumers with fact-based nutritional information and responsibly advertising to children. In certain circumstances, we restrict direct sales of beverages to schools to only our most nutritious products.

In 2015, PepsiCo continued to drive progress against our 2010 PwP goal to continue to provide clear nutritional 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.

This goal is supported by our Product marketplace policies, which include:

- [PepsiCo Global Labeling Policy](#)
- [PepsiCo Policy on Responsible Advertising to Children](#)
- [PepsiCo Global Nutrition Criteria for Advertising to Children](#)
- [PepsiCo Global Policy on the Sale of Beverages to Schools](#)

LABELING

Labeling is a critical part of responsible marketing. As a global Company with brands that billions of consumers enjoy every day, it is important for PepsiCo to provide fact-based, simple and easy-to-understand information about how the key nutrients in each product fit in a balanced and healthy diet.

We are continuously looking for ways to improve our labeling. 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 Brazil, Canada, China, India, Mexico, Russia,



Saudi Arabia, Turkey, the UK and the U.S. In 2015, PepsiCo achieved over 93 percent compliance with this commitment.

Compliance in 2015 with our 2010 Labeling Commitment, effective Dec. 31, 2015

	10 KEY COUNTRIES (%)
2015	93
2014	92

In 2014, PepsiCo adopted our Global Labeling Policy, which calls for the following information:

- Nutritional information on the amount of energy (as calories, kilocalories or kilojoules), protein, carbohydrates, total sugars, total fat, saturated fat and sodium per 100 grams, per milliliter or per serving on the side or back of our packaging. Nutritional information is also required for any nutrients for which a health or nutrition claim is made.
- Information on energy (as calories, kilocalories or kilojoules) per 100 grams, per milliliter or per serving on the front of our packaging in all countries.
- The percentage of the official Guideline Daily Amounts, Daily Values or equivalents for energy, total fat, saturated fat, sodium and total sugars on either the front or the back of the packaging in countries where such values are available.

Where we cannot label our products as described above due to packaging constraints such as small sized packages, we strive to provide nutritional information by other means such as PepsiCo websites. In 2015, in globally representative markets, which represented over 97 percent of net revenue, 82 percent of PepsiCo products complied with our side- and back-of-package labeling commitment and 67 percent complied with our front-of-package labeling commitment.

Compliance in 2015 with our 2014 Labeling Policy, effective Dec. 31, 2016

	SIDE OR BACK OF PACK	FRONT OF PACK
Global	82	67
10 Key Countries	87	67

To further advance efforts to provide consumers with nutrition information, we have joined our peer food and beverage manufacturers and retailers to develop front-of-pack labeling programs. We recognize we have more work to do on implementing front-of-pack labeling. Throughout 2016, we are continuing to roll out front-of-pack labeling of energy on our packages. However, we are anticipating and implementing new regulatory labeling requirements in a few key markets, such as the U.S. Labeling implementation may be delayed in those key markets in an effort to ensure that we are in compliance with the applicable regulatory requirements and our policy, minimize cost to our business and provide consistency for consumers.



RESPONSIBLE ADVERTISING

While PepsiCo is committed to responsibly advertising to all consumers, we are especially careful to market only products that meet our Global Nutrition Criteria for Advertising to Children. To accomplish this, we work to ensure that our marketing campaigns reflect PepsiCo's Values.

MARKETING WITH PEPSICO'S VALUES

Each time we promote our products — whether on television, in print, through social media or via any other method — we have an opportunity to send a message about who we are as a Company and what we, as PepsiCo, stand for. We strive to launch creative and effective marketing campaigns that reflect PepsiCo's Values (see our Values on page 91).

Each division and region within PepsiCo has an established process for reviewing and approving marketing campaign materials. While these processes may vary around the world, we maintain consistent requirements for a cross functional review, consultation and approval prior to the release of any content. This review helps us ensure that campaigns are in compliance with local laws, clear and truthful, appropriately handle sensitive topics and are in line with our Values and Code of Conduct.

Under our "Marketing with PepsiCo Values" program, we train our marketing associates on how to market our world-class products and iconic brands in a way that is consistent with PepsiCo Values and the principles in our Code of Conduct (see our Code of Conduct on page 92). In 2015, over 2,800 associates worldwide participated in this training program.

RESPONSIBLE MARKETING AND ADVERTISING TO CHILDREN

PepsiCo believes children are a special audience and we take particular care in developing advertisements and evaluating programming that carries messages to young children. To that end, we continuously work to

improve our global policies to communicate responsibly with children and their caregivers.

Our policy provides that on a global basis, we will only advertise to children under 12 those products that meet PepsiCo's Global Nutrition Criteria for Advertising to Children to encourage the consumption of healthier food and beverage products. In 2012, we strengthened our Responsible Advertising to Children Policy by prohibiting advertising in programs that have an audience profile of greater than 35 percent children under the age of 12. We further strengthened our policy again in 2014 to include additional forms of media, a variety of marketing techniques and marketing in school environments. The policy now covers any marketing communications that use licensed characters (excluding company-owned, brand equity characters), celebrities and movie tie-ins primarily directed to children under 12. Media covered under the policy include TV, radio, print, cinema, online (including company-owned websites), DVD/CD-ROM, direct marketing, product placement, interactive games, outdoor marketing, mobile and short message service marketing. As social media continues to transform the ways in which we market our products, we strive to continue to engage in responsible marketing practices. PepsiCo strives to keep pace with new forms of marketing, which presents new challenges with application technology and availability of audience data. We will continue to engage with our partners and external organizations to understand the continuously evolving marketing landscape and adapt accordingly.

Over two different monitoring periods in the first half of 2015, we collectively achieved 98 percent compliance with our Responsible Advertising to Children Policy in globally representative markets which include Brazil, Russia, China, Colombia, Malaysia, South Africa, Indonesia, Thailand, United Arab Emirates and seven European Union countries, as verified by Accenture Media Management. We also 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 in Canada.

Hello Goodness: Making the Healthier Choice the Easier Choice

Responding to consumers' desire for more convenient healthier choices, in 2015, we launched innovative snack and beverage vending machines called "Hello Goodness." We rolled out 500 Hello Goodness vendors in the mid-Atlantic region of the U.S., with a thoughtfully chosen selection of healthier options such as Naked Juice, Smartfood Delight popcorn, Lay's Oven Baked potato chips, Quaker Real Medleys bars, Pure Leaf unsweetened iced tea, Propel Electrolyte Water, Tropicana Pure Premium juice and Sabra Ready-to-Eat Hummus cups.

MARKETING HEALTHIER LIFESTYLES

Healthy foods and healthy lifestyles go hand in hand. As we work to expand our Everyday Nutrition portfolio, we also strive to develop campaigns to market those products to ensure their success. Each of our Everyday Nutrition brands, including Quaker, Tropicana, Naked Emerging Brands and Gatorade, emphasize messages consistent with the brand profile and consumer proposition. When appropriate, our campaigns will emphasize the benefits of physical activity or healthy eating and drinking.

In March 2016, PepsiCo UK launched The Little Glass campaign to help consumers better understand juice portion sizes and how Tropicana counts towards one of the five recommended portions of fruit and vegetables per day by delivering positive nutrition such as vitamin C, folate and potassium. The campaign is expected to reach 98 percent of its target audience in the UK across TV, print, digital and in-store activity.



COMPLIANCE WITH THE WHO'S INTERNATIONAL CODE OF MARKETING OF BREAST-MILK SUBSTITUTES

PepsiCo recognizes the WHO's public health recommendation that breast-feeding is the best nutrition for infants. However, there are cases where safe and healthy alternatives or specialty infant formulas are necessary. In 2011, PepsiCo entered into the infant formula and baby food market with the acquisition of Wimm-Bill-Dann and its Agusha baby food business in Russia and the Ukraine. Agusha produces safe, high-quality, wholesome nutrition for babies and markets its infant formula in accordance with the aim and principles of the WHO's International Code of Marketing of Breast-milk Substitutes. Agusha also adheres to all relevant Russian and Ukrainian laws, regulations and promotional standards regarding infant formula.

In the Ukraine and Russia, mothers can obtain educational information from the Agusha website or through PepsiCo Russia's "Academy of 1,000 days from Agusha" to help raise awareness on the benefits of a healthy diet before and during pregnancy.



Fuel Up to Play 60 en Español

In 2015, the PepsiCo Foundation continued to promote initiatives aimed at helping youth improve their eating habits and increase physical activity. For example, the PepsiCo Foundation partnered with GENYOUth to create Fuel Up to Play 60 en Español, a new U.S. initiative to educate Latino students, parents and communities about the importance of healthy eating, physical activities and to create healthier school environments with Spanish-language versions of the results-driven, national health and wellness program Fuel Up to Play 60 including a new Fuel Up to Play 60 Spanish-language website. Fuel Up to Play reached students from more than 73,000 schools and has encouraged 13 million students to eat healthier and 16 million to become more physically active.

Y-MVP

Once again, in 2015, the PepsiCo Foundation partnered with the YMCA of Greater New York to promote Y-MVP, an innovative program that uses digital and social media to motivate African-American and Hispanic teens from low-income households to engage in more Moderate to Vigorous Physical (MVP) activity. With the help of the PepsiCo Foundation, Y-MVP was able to train staff members and implement Y-MVP in local YMCA facilities across all five boroughs of New York City. The eight-week Y-MVP class, led by a Y-MVP Coach, meets once per week for 90 minutes. Participants are also expected to independently engage in at least one additional hour of MVP activity per week. Each participating YMCA offers four eight-week class sessions per year, from October to June, with each session having at least two classes of 10 to 12 teens per class.

NEXT STEPS

PepsiCo will continue to market our products responsibly and find ways to educate our consumers about our products. We will continue to roll out labeling of calories per serving on the front of our packaging and the amount of key nutrients per serving on the front, side or back of all packaging.



PepsiCo Quality and Food Safety

Safe, high-quality food can only be produced when the entire production chain — from farm to consumer — observes safe practices. Compromises to food quality and safety cause millions of people to get sick each year. Because of this, food safety and food “defense” are now, more than ever, front and center in the minds of governments and consumers, making it imperative for companies to implement robust processes and systems to deliver safe, stable and legal products.

We are committed to the development, manufacture and distribution of safe and high-quality products that consistently meet or exceed customer and consumer expectations. By complying with food safety regulations as well as following our own rigorous standards, we will continue to build the trust of our consumers who count on the quality and safety of our products, which is essential to our reputation, our business and our brands.

In 2015, we moved from a regionally-managed approach to a globally harmonized category approach to product quality and food safety. This change simplified and standardized food quality and safety in an efficient, consistent manner across snacks, nutrition and beverages globally. Over the last two years, we have also developed key performance indicators (KPIs) for monitoring and evaluating performance.

The following organizational structure represents how our Research and Development (R&D) Global Functions, Company-wide Governance and Compliance departments, as well as other departments contribute to our high quality products. We rely on this structure to effectively manage food safety and quality.





MANAGING OUR PERFORMANCE

At PepsiCo, we only sell products we can be proud of. This idea represents one of the six guiding principles we live by as part of our Values (see our Values on page 91). Because of this, making and delivering foods and beverages that place consumer health and safety first is vital to our success as a company.

OUR QUALITY AND FOOD SAFETY VISION:

Captivating the consumer with safe and wholesome products of outstanding quality, consistency and value with every serving, across the globe

OUR QUALITY AND FOOD SAFETY COMMITMENT:

We are committed to providing:

- Outstanding quality products that are safe, legal and meet consumer expectations;
- Consistency in how our products taste and appear wherever you go; and
- Highly competent and effective people and processes for procuring, producing, distributing, merchandising and monitoring our products across the globe.

The PepsiCo Quality and Food Safety Operating Model aligns with and directly supports the PepsiCo Operating Model and ensures effective collaboration between R&D, Procurement, Operations and Sales. The global Food Safety team makes sure that our associates understand and have the tools to execute the requirements of the PepsiCo Food Safety Policy, which we rely on to:

- Minimize food safety risk
- Embed food safety in the design of new products and processes
- Assess risks in mergers and acquisitions

- Build the expertise necessary for innovation
- Operationalize food safety-related regulations

Our Executive Product Integrity Council (EPIC) helps drive PepsiCo's objectives to maintain the highest global food safety and quality standards by setting policies, prioritizing issues and allocating resources. EPIC is chaired by our Executive Vice President (EVP), Global Categories and Franchise Management and driven by the Senior R&D Vice President Global Functions, Governance and Compliance. This team is supported by a cross-functional, cross-divisional leadership team comprising executive representatives from our Food Safety, Operations, Business Unit Leaders, Security, Procurement, Supply Chain Management, Communications, PPGA, R&D and Legal departments. In addition, the team receives input and support from Risk Management and Human Resources (HR), and other experts as needed.

The Global Quality and Food Safety Leadership Team is a key contributor in achieving EPIC's objectives for PepsiCo. This council operates through a set of guiding principles and provides strategic leadership for Global Quality and Food Safety Initiatives and stakeholder communications. They also provide policies, procedures and standards for global business alignment.

Our Product Quality team verifies that every PepsiCo product is of the highest quality. This team is involved in every step of production, from the purchase of raw ingredients through the manufacturing process and continuing on until the finished product reaches the consumer. When we develop new products, we do so in a responsible manner and follow all applicable ethical standards and research guidelines.

In 2015, as part of our global harmonization process, we developed a Quality and Food Safety Scorecard that measures important metrics across our entire value chain in our snacks, beverages, nutrition and dairy categories. Teams have been assigned to drive progress against these metrics by the designated target dates.



Food quality and safety value chain:



Complying with Changing Regulations

Beginning in 2014, PepsiCo developed and implemented a comprehensive action plan to address the new Food Safety Modernization Act (FSMA) requirements, the most sweeping change to food law since the Food, Drug and Cosmetic Act of 1938. To do this, we relied on global cross-functional teams to assess, revise and update standards, processes and records. We also developed and implemented action plans to close any identified programmatic gaps. Finally, we conducted verification and training activities and expanded supporting metrics.

The nine key elements of the program are:

- *Food safety plan*
- *Hazard analysis*
- *Preventive controls*
- *Monitoring*
- *Corrective actions*
- *Verification & validation*
- *Supply-chain program (Supplier program)*
- *Recall plan*
- *Associated records*

The global regulatory landscape is rapidly evolving and PepsiCo is constantly working to maintain compliance.

PepsiCo utilizes globally recognized third-party organizations to conduct independent audits to assess our manufacturing sites' food safety management practices and provides a detailed inspection to assess food safety hazards based on standard requirements. The auditor also conducts a thorough physical review of each site visited. In 2015, 95 percent of PepsiCo's manufacturing sites received an independent third-party food safety audit.

SUPPLIER QUALITY ASSURANCE

It is critical that our direct material suppliers meet PepsiCo's quality, regulatory and food safety requirements. Our Global Supplier Quality Assurance (SQA) program standardizes the PepsiCo process for food safety parameters and the frequency and nature of on-site food safety audits, along with a standardized supplier approval process, which includes certificates of analysis and testing of ingredients and packaging materials. Our Global SQA program is guided by PepsiCo's Raw Material Quality and Food Safety Policy and PepsiCo's Global Supplier Requirements that define required procedures with respect to ingredients, agricultural commodities, packaging materials (including intermediate, blend, mix or work-in-process of any packaging material or ingredient) and manufacturing sites to help ensure the safety of our products for our consumers.



BIOENGINEERED FOODS

Bioengineered crops, commonly referred to as genetically modified organisms (GMOs), are reviewed and authorized by governmental food safety authorities and are becoming an increasingly valuable tool to meet the needs of the growing global population. One in eight people are affected by food availability issues. Safe and effective methods of food production, like crops produced through bioengineering technology, can help feed the hungry and malnourished around the world.

Many bioengineered crops are resistant to weeds, pests, diseases and climatic stress, reducing the need for agronomic chemicals, water and other potentially costly inputs. These cost efficiencies can help reduce the price of crops used for food (e.g., corn, soybeans and sugar beets) by as much as 15 to 30 percent. Today, 70 to 80 percent of the foods consumed in the U.S. contain ingredients that have been genetically modified.⁶

Our Food Safety and Regulatory Affairs Department and our suppliers work together to ensure PepsiCo uses bioengineered ingredients that are safe and comply fully with all applicable requirements. In addition, our scientific and regulatory specialists track developments in the relevant science and ensure we maintain our high standards with regard to safety and compliance. Individual PepsiCo business units may or may not choose to utilize bioengineered ingredients.

Government approval of the use and labeling of bioengineered foods differs from market to market. Different regional markets can have different expectations and consumer preferences, as well as varied raw material availability. In some markets, where certain bioengineered ingredients have been approved by the responsible official authorities, we may offer bioengineered and non-bioengineered products. If bioengineered materials are used, we ensure that

the products containing these materials comply with local regulations for their use, including any labeling requirements.

In 2015, PepsiCo committed to participation in the SmartLabel™ Program to provide additional transparency to consumers on hundreds of attributes in thousands of products, including nutritional information, ingredients, allergens and the use of bioengineered ingredients. This interface will provide information as an extension of the packaging label in an accessible and modern way leveraging digital technology. Projections have been made that within two years, more than 20,000 food products will disclose through the SmartLabel™ Program information about bioengineered ingredients.

PepsiCo will continue to engage in informative dialogue with our consumers and stakeholders so that they understand the safety and benefits of bioengineered ingredients in our products. For more information on the use of bioengineered ingredients at PepsiCo, please refer to:

[Global Policy on Bioengineered Food and Ingredients](#)

[PepsiCo Statement on Use of Genetically Modified Ingredients in the U.S.](#)

NEXT STEPS

PepsiCo will continue to focus on rolling out the global harmonization system to streamline performance in this area. In 2016, we will begin tracking performance against our scorecard. We will use this data to identify performance areas for improvement moving forward.

6. See Facts About GMOs Disclosure Statement, <http://factsaboutgmos.org/disclosure-statement>



PLANET

PRODUCING MORE FOOD WITH
LESS ENVIRONMENTAL IMPACT

Growers at Whitewater Farm, in the UK, are using 50 percent less water and energy to grow the potatoes PepsiCo uses in our Walkers crisps.



2015 marks the culmination of our reporting on PepsiCo's Environmental Sustainability goals. These are now evolving into our Planet goals for 2025, which significantly expand our efforts while building on PepsiCo's historic achievements to date, noted below.

PWP GOAL		2015 PROGRESS AGAINST GOAL
<p>Help protect and conserve global water supplies, especially in water-stressed areas, and provide access to safe water</p>	<p>25.8% reduction of our water use per unit of production since 2006</p>	<p>By the end of 2015, we had reduced our water use per unit of production by 25.8 percent since 2006, from our legacy operations,* exceeding our public target of a 20 percent reduction by the end of 2015 and delivering cost savings of approximately \$19 million in 2015 as compared to a 2006 run rate.</p> <p>As of the end of 2015, we have helped provide safe water access to more than 9 million people as a result of our partnership with a wide range of organizations. Together with these organizations, PepsiCo and the PepsiCo Foundation have collectively invested over \$38 million towards safe water access.</p>
<p>Work to achieve an absolute reduction in greenhouse gas (GHG) emissions across our global businesses</p>	<p>4% reduction of direct and indirect GHG emissions despite production growth of over 12 percent</p>	<p>In 2015, total direct (Scope 1) and indirect (Scope 2) GHG emissions for legacy operations were 4,024,000 metric tonnes (mT) of carbon dioxide equivalents (CO₂^e), a reduction of slightly more than 4 percent compared to 2008. This performance was achieved despite production volume growth of over 12 percent for our legacy foods business and nearly 19 percent for our legacy beverages business in 2015 as compared to 2008 production volume.</p>
<p>Continue to support sustainable agriculture by expanding best practices with our growers and suppliers</p>	<p>28,000 growers represented through our SFI program</p>	<p>In 2015, the Sustainable Farming Initiative (SFI) continued to expand its coverage globally and was implemented across 15 countries, with active programs representing over 28,000 growers in our supply chain (up from 600 in 2014) and we are on track to engage with all traceable core crop growers by the end of 2017.</p>
<p>Innovate our packaging to make it increasingly sustainable, reducing our impact on the environment</p>	<p>45,000 metric tons packaging reduction</p>	<p>In 2015, we reduced packaging by nearly 45,000 metric tons versus prior year from various packaging optimization and redesign initiatives. These efforts generated \$25 million of cost savings.</p>
<p>Work to eliminate solid waste to landfills from our production facilities</p>	<p>6% of our waste was sent to landfill</p>	<p>In 2015, we sent approximately 6 percent of our total solid waste to landfill, which equates to an estimated savings of \$4.3 million compared to our landfill waste generation rates of nearly 19 percent when we started our waste reduction tracking program in 2009.</p>

* Legacy operations mean our operations as they existed in the stated year, excluding major acquisitions and mergers while accounting for divestitures after the baseline year.



We intend to reduce our environmental impact while growing our business and helping to meet the food, beverage, and natural resource needs of our changing world. This includes working to aggressively reduce greenhouse gas emissions across our value chain, respect water everywhere we operate, and implement sustainable sourcing practices. We plan to take advantage of commercial and other benefits for our business, and address the scale of the challenge we as a society now face.

Why does it matter?

As a global food and beverage manufacturer, PepsiCo's business success depends largely on the availability of key natural resources required to make our products. Managing the interrelationship between agriculture, climate change, energy and water in terms of both adaptation and mitigation will be important to our continued success.

By 2050, it is expected that to meet rising demand for food, society will either need to increase food production by 70 percent⁷ or substantially reduce the roughly one third percent of food that is currently wasted⁸ or lost through the value chain. At the same time, the growing disparity between supply and demand for both water and energy — key resources used in PepsiCo's operations — may create barriers to food production. Additionally, if everyone follows business as usual, greenhouse gas (GHG) emissions are expected to increase by 37 percent by 2030 and 52 percent by 2050, further accelerating climate change.⁹ In the face of these global issues, PepsiCo will continue to play an active role toward helping solve complex problems and managing its environmental impact to help protect resources now and into the future.

7. FAO News Article, September 2009: <http://www.fao.org/news/story/en/item/35571/icode/>

8. FAO Report Summary, 2011 <http://www.fao.org/save-food/resources/keyfindings/en/>

9. OECD report 2008: <http://www.oecd.org/env/indicators-modelling-outlooks/40200582.pdf>

There is a growing consensus on the need and scale of change across businesses, governments and other organizations. The establishment of the Sustainable Development Goals (SDGs) and the progress made on climate change by governments at COP 21 in Paris provides PepsiCo and others with a valuable framework to find partnerships and collaboration in pursuit of common sustainability goals across both environmental and social issues. While we can contribute to (and impact) many of the SDGs, we believe we are particularly well placed to support the goals relating to:

- good health and well-being through our portfolio transformation;
- clean water and sanitation as we continue to help millions of people around the world access safe water and help farmers in our value chain reduce their water use;
- decent work and economic growth through the provision of good jobs in the communities where we operate and working with our value chain to ensure workers are well treated; and
- climate action by delivering greenhouse gas reductions in our value chain and supporting initiatives that aim to deliver the systematic changes needed to reduce emissions by the significant amounts needed.

What is our strategy?

Our Planet Pillar is guided by our PwP goals, policies and our focus on environmental compliance.

Specifically, we strive to deliver continued progress across our Material Aspects that impact environmental sustainability (see pages 15–17 for full details of our materiality process):



- **Water:** Help protect and conserve global water supplies, especially in water-stressed areas, and help provide access to safe water.
- **Climate Change and Energy:** Work to achieve an absolute reduction in GHG emissions across our global businesses.
- **Sustainable Sourcing:** Continue to support sustainable agriculture by identifying and sharing best practices with our growers and suppliers.
- **Packaging and Waste:** Innovate our packaging to make it increasingly sustainable, reduce our impact on the environment, and work to eliminate solid waste to landfills from our production facilities.

To support the delivery of our goals and to address specific issues that require additional attention, we have adopted policies on a wide range of environmental sustainability issues. These include our:

- PepsiCo Environmental, Health and Safety (EHS) Policy
- PepsiCo Sustainable Packaging Policy
- PepsiCo Global Sustainable Agriculture Policy
- PepsiCo Land Use Policy
- PepsiCo Forestry Stewardship Policy
- PepsiCo Palm Oil Commitment
- PepsiCo Cane Sugar Commitment
- Global Code of Conduct (our Code)
- Supplier Code of Conduct (our SCoC)

See <http://www.pepsico.com/Purpose/Performance-with-Purpose/Policies> for full details on our policies.

The foundation of our focus on environmental protection and regulatory compliance at every level within PepsiCo is established through our EHS policy, which we also share with our bottlers, suppliers and contractors. The Environmental Health and Safety Leadership Team (EHS�T) is led by PepsiCo's

Vice President for Environmental, Health and Safety, Global Operations and is responsible for the continued development and implementation of the environmental compliance aspects of PepsiCo's combined Global Environmental, Health and Safety Management System (GEHSMS), and its associated Environmental Technical Standards, in support of our EHS Policy.

PepsiCo and its subsidiaries are party to a variety of environmental proceedings, claims and inquiries arising in the normal course of business, none of which are material to PepsiCo's business.

What are we doing about it?

Moving forward, strategic responsibility for environmental sustainability will sit with the PepsiCo Executive Committee (PEC). Day-to-day responsibilities will sit with the Planet subject matter and business leads, who are tasked with driving implementation of our 2025 agenda across our business.

Water

Our business relies on the continued availability of water of sufficient quality to grow the raw materials for our products, to use in manufacturing processes and as the key ingredient for most of our beverages.

Recognizing that water is truly a shared resource, and underpinned by our commitment to respect water as a human right, our aim is to meet our water needs without compromising the ability of others to meet theirs. While water is predominately a local issue — the impact of using a liter of water



in Seattle is not the same as using a liter of water in Dubai — global trends are increasing freshwater demand and reducing its supply. On the demand side, global water withdrawals more than tripled between 1940 and 2010¹⁰ to meet increasing agricultural, industrial and domestic use. Today, agriculture accounts for around 70 percent of global water use.¹¹ This pressure will continue as the world population increases from approximately 7.3 billion today to a projected 9.7 billion in 2050.¹²

In the meantime, climate change threatens to restrict supply, leading to a predicted increase in the frequency and severity of droughts and floods and overall drier conditions in some regions. As a result, the World Economic Forum predicts in its latest Global Risk Report¹² that a water crisis would have the third biggest impact for businesses. In addition to the physical resource challenges it poses, economic water scarcity is also a challenge as aging municipal infrastructure reaches the end of its functional viability and replacement costs become prohibitive for governments to manage.

The potential risks that PepsiCo and other businesses face include, among other things, constraints on growth, operational and supply chain disruptions, conflicts with other stakeholders, loss of social license to operate and grow, and increasing production costs.

PepsiCo continues to activate a robust, comprehensive water-stewardship strategy based on three key imperatives:

- improving water efficiency in our direct operations;
- extending conservation outside of our own 'four walls' into the watersheds where we work and into our supply chain, particularly our agriculture supply chain; and

- pursuing integrated watershed management through collective action and advocacy.

IMPROVING WATER EFFICIENCY IN OUR DIRECT OPERATIONS

Conserving water is good for our business and the environment wherever we operate. By the end of 2015, we had reduced our water use per unit of production by 25.8 percent off of a 2006 baseline, exceeding our public target of a 20 percent reduction by the end of 2015 and delivering cost savings of approximately \$19 million in 2015. In addition to improving the efficiency of our water use, we decreased our absolute water use by approximately 3.2 billion liters in 2015 compared to 2014, from 95.8 to 92.7 million cubic meters, despite seeing growth in our beverage and snacks volumes.

Water reduction per unit of production

YEAR	2007	2008	2009	2010	2011	2012	2013	2014	2015
% Reduction Since 2006	6.3	8.4	13.7	17.6	19.4	20.4	20.5	23.2	25.8

Our water and energy conservation goals apply to global legacy operations as they existed in 2006, excluding major acquisitions and mergers while accounting for divestitures after the 2006 baseline year.

Total water use (in millions of cubic meters)

YEAR	2010	2011	2012	2013	2014	2015
Legacy PepsiCo	52.2	52.1	51.4	52.6	51.6	51.5
Total PepsiCo	101.5	101.1	99.0	96.9	95.9	92.7

Our legacy PepsiCo totals apply to global legacy operations as they existed in 2006, excluding major acquisitions and mergers while accounting for divestitures after the 2006 baseline year.

10. http://www.fao.org/nr/water/aquastat/water_use/image/WithTimeNoEvap_eng.pdf

11. <http://www.oecd.org/agriculture/wateruseinagriculture.htm>

12. <http://www.un.org/en/development/desa/news/population/2015-report.html>



In addition to managing our water use, we also actively manage issues of water quality related to our operations. PepsiCo facilities use raw water from a combination 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.

EXTENDING CONSERVATION TO OUR SUPPLY CHAIN

In addition to requiring a significant amount of water, agriculture is on the front line of the impacts of increasing water stress. We, therefore, focus our value chain efforts on supporting our growers to manage their water use. The following are examples of some of the initiatives we have invested in and worked with our growers to roll out:

- new potato varieties for our snack products that use less water and deliver higher yields;
- drip irrigation and other water-efficient irrigation methods;
- efforts to responsibly manage runoff risks of pollution or contamination of ground or surface water by pesticides, nutrients or soil; and
- providing water measurement technology to enable growers to better plan when and how much water they might use to maximize yields.

PURSUING INTEGRATED WATERSHED MANAGEMENT

As the impact of water use is felt locally, we identify sites that are characterized as water-stressed to prioritize efficiency in our plants and to identify ways to provide enough water for both our plants and the local communities where they are based. In some places, this means aiming to achieve water replenishment — giving back at least the same amount of water as we consume.

Since no single tool can address the issue of water risk, we use multiple externally recognized tools to monitor and assess the level of water stress for our sites, including the World Business Council for Sustainable Development (WBCSD) Global Water Tool's mean annual relative water stress assessment, the World Resources Institute's (WRI) 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 most recently reviewed our sites in 2014, and found between 39 and 41 percent of our manufacturing facilities were located in water-stressed or water-scarce areas according to these tools.

In some areas, we seek to move beyond water efficiency and management of our own water use to help contribute positively to the availability of water for other users of the same watershed. One way that we do this is through our water replenishment program.

Since 2009, for example, PepsiCo India has achieved its goal to replenish 100 percent of water consumed by operations, as verified by Deloitte Touche Tohmatsu India Pvt. Ltd. In 2015, PepsiCo India replenished over 12.7 billion liters back into water stressed areas by investing in the direct seeding of rice, application of drip irrigation to our growers, in-plant rain water harvesting structures and utilizing integrated water community programs.

In the U.S., almost everyone lives in or is connected to a watershed, which serves as nature's filtration system for drinking water. Through a partnership with The Nature Conservancy called Recycle for Nature, PepsiCo both stimulates recycling and supports six projects in iconic watersheds that supply drinking water to millions of Americans. By recycling plastic bottles and aluminum cans, consumers in the U.S. will help fund the preservation of the Green Swamp Preserve, Colorado River, Kings River, Front Range Forest, Verde River and Cape Fear watersheds.



Providing Access to Safe Water through WaterCredit

PepsiCo is focused on helping communities gain access to safe water. Since 2008, the PepsiCo Foundation has partnered with water.org to provide more than \$12 million to create and expand WaterCredit, an innovative program that uses microfinance loans to give families access to improved water and sanitation. The WaterCredit program, to which the PepsiCo Foundation is the single largest contributor, is responsible for helping more than 3 million people gain access to safe water. Specifically, the program has enabled thousands of families to install a water pump in their home and obtain access to safe water to cook, drink and bathe with. In addition to improving health and safety, water pumps reduce the burden of transporting water, allowing community members to spend more time earning a living and pursuing an education.

NEXT STEPS

We have established new goals on water which we aim to meet by 2025. We will strive to achieve Positive Water impact by applying a strategic approach to water stewardship globally, informed by PepsiCo's respect for water as a fundamental human right and the imperative for integrated water management within local watersheds.

OUR 2025 PLANET PLANET AGENDA: STRIVING FOR POSITIVE WATER IMPACT:

Water-use efficiency in agriculture:

- Improve the water-use efficiency of our direct agricultural supply chain by 15 percent in high-water-risk¹³ sourcing areas, a volume approximately equivalent to the entire water use of all PepsiCo direct operations

Water-use efficiency¹⁴ and WASH (WBCSD's Water, Sanitation and Hygiene at the workplace Pledge) in direct operations:

- Build on the 25 percent improvement in water-use efficiency achieved to date with an additional 25 percent improvement by 2025, with a focus on manufacturing operations in high-water-risk areas
- Maximize water reuse in high-water-risk areas and ensure that 100 percent of wastewater from our operations meets PepsiCo's high standards for protection of the environment
- Ensure appropriate access to safe water, sanitation and hygiene (WASH) for 100 percent of our own manufacturing employees

Local replenishment:

- Replenish 100 percent of the water we consume in manufacturing operations located in high-water-risk areas, ensuring that such replenishment takes place in the same watershed where the extraction has occurred

Respect for water as a human right:

- Advocate for strong water governance in communities and watersheds where we operate, promoting water solutions that meet local water needs
- Initiate and support collaborative efforts with other stakeholders to address water risk and mitigate water insecurity
- With the PepsiCo Foundation and its partners, work to provide access to safe water to a total of 25 million people since 2006 in the world's most at-water-risk areas, with a focus on communities near where PepsiCo works

13. Water risk will be informed by the World Resources Institute's Aqeduct tool as well as internal and external expertise.

14. Water-use efficiency benchmarking for our beverage operations will be informed by the Beverage Industry Environmental Roundtable (BIER) tools. Water-use efficiency benchmarking for snacks operations requires additional development with peers and third parties.



Water Stewardship at PepsiCo

Water stewardship is a central part of PepsiCo's mission to deliver sustainable growth. In 2015, 663 million people still lacked improved drinking water sources and 2.4 billion people still lacked improved sanitation facilities.¹⁵ This presents a unique set of challenges for PepsiCo because water is the basis for the majority of our beverage, snack and food products. As such, PepsiCo has long understood the importance of water to local communities and our own operations. We believe that by helping our associates, consumers and the communities in which we operate secure safe and affordable water supplies we also help safeguard our license to operate.

As we look at global mega trends, we know that few challenges are as significant as the global water crisis. We will continue supporting water initiatives to protect and conserve water supplies and develop meaningful metrics that can help quantify direct and indirect impacts. An important part of our holistic approach to water stewardship is progress through partnerships, we are currently working with six key water partners. In 2009, PepsiCo and the PepsiCo Foundation set a goal of partnering with NGOs and other organizations to provide access to safe water to three million people by the end of 2015. By 2013, we met the goal—more than two years ahead of schedule. In response, we doubled our original goal and aimed to provide access to safe drinking water to six million people by the end of 2015. Again, we exceeded our goal and by the end of 2015 we were able to provide safe water access to more than nine million people. Our investment has totaled more than \$38 million since 2006. These PepsiCo Foundation

partnerships support innovative, game-changing solutions and programs with a true impact.

As a founding member of the Safe Water Network, we help the organization use a market-based approach to provide communities with the training, tools and support needed to manage and operate local water stations. Through this initiative, the Safe Water Network has established nearly 150 stations in India.

Through our work with the Columbia Water Center of the Earth Institute, we were able to provide 4.3 million people with access to safe water in Brazil, India, Mali and China. This was accomplished by developing and field testing drinking water projects, teaching communities how to manage and maintain water systems and constructing necessary infrastructure such as water towers and diesel pumps.

Additionally, we were the first private sector contributor to the InterAmerican Development Bank Aquafund which aims to provide 500,000 people across Latin America with water and sanitation through technical assistance, capacity development and knowledge creation.

To capture the overall impact of the PepsiCo Foundation's various safe water investments across the globe, we developed standardized performance indicators—including social value generated, cost per outcome and select

15. http://apps.who.int/iris/bitstream/10665/177752/1/9789241509145_eng.pdf?ua=1



process performance metrics—to ensure accountability and promote continuous improvement for our investment decisions and among our implementation partners. Moving forward, as part of our 2025 agenda, we have set a goal to use 25 percent less water per unit of production in our manufacturing operations and achieve positive water impact in all water-stressed areas where we work by managing and returning water locally. Additionally, in partnership with the PepsiCo Foundation, we will work to provide access to safe water to a total of 25 million people by 2025 in the world's most at water-risk areas.





Climate Change

Climate change presents both risks and opportunities for businesses. We will need to adapt to the predicted effects of rising global temperatures and increasingly unpredictable and severe weather patterns while reducing emissions by managing the amount and type of energy used in our operations, distribution and supply chain. We are therefore working to achieve an absolute reduction in GHG emissions across our business through both our direct operations (energy use, renewable energy, fleets and goals to reduce manufacturing) and through our value chain. Our focus will be on “hot spots,” those areas of the supply chain where emissions are highest, including agricultural sourcing, coolers and packaging manufacture.

The role of business in combating climate change is also under continual review. Governments around the world are looking at how regulatory frameworks can incentivize decreased use of fossil fuels and aid the transition to cleaner energy. There is also increasing regulatory and NGO scrutiny of how companies are responding to climate change and their own contributions to it. Our suppliers are grappling with the same issues. At PepsiCo, we have an opportunity to respond proactively to this changing landscape.

Understanding the importance of advocacy from the private sector to help advance the global climate dialogue, PepsiCo’s Chairman and CEO, Indra K. Nooyi, has publicly voiced her support for a limitation of global warming at 2 degrees Celsius.

IMPROVING PERFORMANCE IN OUR OPERATIONS

Our emissions reduction efforts in our operations are focused on energy efficiency improvements, conversion to renewable energy where feasible and maximizing fuel efficiency in our fleets.

GHG EMISSIONS

In 2015, total direct (Scope 1) and indirect (Scope 2) GHG emissions for legacy operations were 4,024,000 metric tonnes (mT) of carbon dioxide equivalents (CO₂e), a slightly more than 4 percent reduction compared to 2008. This performance was achieved despite production volume growth of over 12 percent for our legacy foods business and nearly 19 percent for our legacy beverages business in 2015 as compared to 2008 production volume, indicating significant efficiency improvements in order to reduce emissions over this time period.

*Greenhouse gas emissions (Scopes 1 and 2) (in mT)*

YEAR		2008	2009	2010	2011	2012	2013	2014	2015
Legacy PepsiCo	Scope 1	2,842,000	2,813,000	2,893,000	2,910,000	2,898,000	2,812,000	2,853,000	2,737,000
	Scope 2	1,358,000	1,290,000	1,293,000	1,284,000	1,330,000	1,354,000	1,302,000	1,287,000
	Total	4,200,000	4,103,000	4,186,000	4,194,000	4,228,000	4,166,000	4,155,000	4,024,000
Total PepsiCo	Scope 1	2,842,000	2,813,000	3,713,000	3,908,000	3,900,000	3,810,000	3,940,000	3,716,000
	Scope 2	1,358,000	1,290,000	1,790,000	1,948,000	1,958,000	2,001,000	1,921,000	1,869,000
	Total	4,200,000	4,103,000	5,503,000	5,586,000	5,858,000	5,811,000	5,861,000	5,585,000

Our GHG goal applies to global “legacy” operations as they existed in 2008, excluding major acquisitions and mergers while accounting for divestitures after the 2008 baseline year.

ENERGY CONSUMPTION

The total energy consumption in 2015 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 14.9 million megawatt hours (MWh). Energy efficiency for these legacy operations has improved by nearly 18 percent since 2006. This is narrowly below our 2015 goal of 20 percent efficiency per unit of production as our growth outpaces the reductions we have made through improving the energy efficiency of our operations, as well as by conversion to renewable forms of energy. Our progress in 2015 delivered estimated energy cost savings of more than \$96 million as compared to the 2006 baseline.

*Total energy (fuel and electric, in millions of MWh)*

YEAR	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Legacy PepsiCo	15,018,411	15,082,547	15,295,218	14,978,511	15,067,580	15,183,949	15,140,072	15,086,739	15,378,193	14,940,037
Total PepsiCo	15,672,273	15,794,469	15,952,312	15,900,447	20,049,510	20,565,047	20,467,699	20,308,648	20,873,280	20,230,469

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

FLEET EFFICIENCY

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 U.S., PepsiCo is a certified member of the U.S. Environmental Protection Agency’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. From 2008-2015, Frito-Lay reduced its diesel fuel usage by more than 30 percent, while growing net revenue by 18 percent to \$14.8 billion from \$12.5 billion. We are on track to cut conventional fuel use from our fleet by 50 percent by 2020 and by 70 percent by 2023, compared to a 2007 baseline.

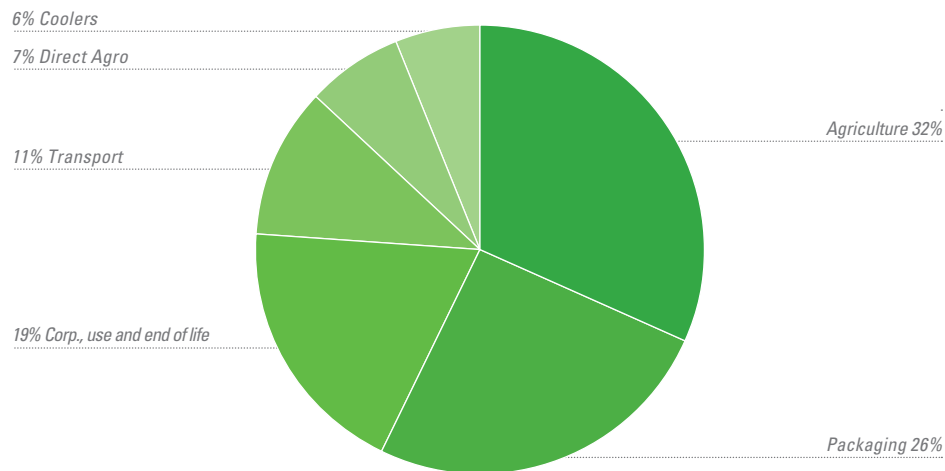




REDUCING EMISSIONS IN OUR SUPPLY CHAIN

While we remain committed to ongoing energy efficiency in our own operations, we know that the biggest impact we can have on reducing GHG emissions is by working with our suppliers to address “hot spots” in our value chain. In 2015, we worked with Carbon Trust to better understand our Scope 3 emissions and our greatest opportunities for reductions.

PEPSICO GHG EMISSIONS



Key Scope 3 emissions include those from the farms that supply the raw materials for our products, such as potatoes, oats, corn and sunflower oil, and from the packaging materials for our products, as well as emissions associated with the storage and sale of our products further down the value chain by our customers and consumers. We are also a member of the CDP Supply Chain, which demonstrates to our suppliers how important we feel predicted climate change is to business decision-making and our desire to

work collaboratively to find solutions. In 2015, 69 percent of the 135 suppliers invited to complete the CDP Supply Chain survey responded. Key findings from the 2015 survey included:

- 72 is the average disclosure score of participating suppliers, above the global average; and
- D is the average performance band for participating suppliers, on par with the global average.

BEVERAGE COOLERS

PepsiCo provides refrigeration equipment at the point of sale, including coolers and vending machines, to our retail partners around the world. The beverage coolers that our customers use to store our products for sale to consumers are an important contributor to our Scope 3 emissions and approximately 6 percent of total PepsiCo emissions (including Scopes 1, 2 and 3). Historically, cooling equipment has consumed significant amounts of energy. We continue to improve the energy efficiency of these units while also investing in sustainable refrigerants worldwide.

PepsiCo improved the average energy efficiency by 52 percent for vending machines and by 65 percent for coolers in 2015, as compared to models available in 2004. As a result, per-unit emissions from these coolers are on the decline. In 2015, absolute emissions from this equipment totaled 3,971,000 mT, a decrease of 256,000 mT from 2014.

As part of an industry initiative working with the Obama administration in the U.S., PepsiCo announced, in September 2014, a goal that all future point-of-sale equipment (coolers, vending machines and fountain dispensers) purchased in the U.S. will be hydrofluorocarbon (HFC)-free by 2020.



PACKAGING

Our packaging policy addresses the climate change impacts of packaging, which is responsible for approximately 26 percent of our total greenhouse gas emissions (including Scopes 1, 2 and 3), and seeks to reduce them through material selection, including recycled materials; lightweighting; energy efficiency throughout the manufacturing process; and encouraging consumers to reuse and recycle packaging where possible. Our approach is set out in more detail on page 40. While we seek to minimize the climate change impacts of packaging, it also plays an important role in minimizing food waste by protecting the product through the manufacturing, distribution and retail process and by adding shelf life to the product.

AGRICULTURE

As well as being a significant source of greenhouse gas emissions (about 32 percent of PepsiCo's total Scope 1, 2 and 3 emissions), agriculture is particularly vulnerable to the impacts of climate change. We, therefore, prioritize efforts that support the ability of our growers to reduce climate impacts associated with farming. Among the approaches we have invested in and worked with our growers to roll out are:

- Creating new potato varieties for our snack products that deliver higher yields and need fewer inputs such as water and fertilizer to grow;
- Working with fertilizer companies to develop natural and other lower-carbon fertilizers; and
- Providing energy-measurement technology to enable growers to better identify and reduce energy use and, therefore, costs, while maintaining yields.

NEXT STEPS

OUR 2025 PLANET AGENDA: SIGNIFICANTLY LOWER CARBON EMISSIONS:

In support of the United Nation's 2030 Agenda for Sustainable Development and call to combat climate change and its impacts, work to reduce absolute greenhouse gas emissions across our value chain by at least 20 percent to do our part to limit global temperature increase to below 2° Celsius by 2030.

To drive greater progress, our 2025 goals extend well beyond our direct manufacturing operations. For instance, by formally including the full spectrum of our greenhouse gas emissions (Scopes 1, 2 and 3) in our reduction targets, we will now be tackling the vast majority of our total emissions, over 90 percent of which occur outside of our direct operations, by positively influencing thousands of processes and business partners.





Sustainable Sourcing

Our products depend on a reliable, safe, high-quality and affordable supply of agricultural raw materials to meet the demands of our business, as well as the expectations of our consumers, customers and stakeholders. These raw materials are sourced within a complex, global supply chain involving independent farmers, large agri-businesses, intermediaries and company-owned farms. Increasing pressure on global food supplies from a growing population, the impacts of climate change and a depleting natural resource base creates challenges and opportunities for our business. In addition, forests are critical in managing climate and biodiversity issues. By addressing these issues head on and working with our growers, other businesses and experts, we believe we can sustainably source our core ingredients, gain a strategic and competitive agricultural advantage, and be recognized as a global leader.

Our approach to managing compliance with our codes, policies and commitments is based on our:

- Sustainable Sourcing Program (SSP) — a formal risk assessment, third-party audit and mitigation process for first tier suppliers who have gone through our Business Continuity Planning (see pages 81–84 for more information on SSP).
- Sustainable Farming Initiative — a continuous improvement program on environmental, social and economic indicators for farms that ultimately source products for PepsiCo within specific commodities.
- Global Supplier Code of Conduct (SCoC) — all suppliers receive awareness and training on our SCoC which is included in all new contracts, and ongoing training for suppliers is conducted through webinars and in-person meetings.

- Specific Programs — targeted programs are used to improve knowledge, awareness and outcomes on new and priority issues. For example, we are in the process of conducting third-party audits on social and environmental issues with a focus on land rights in Brazil, Thailand, Mexico and the Philippines.

SUSTAINABLE AGRICULTURE POLICY

Our Sustainable Agriculture Policy reflects our principles and objectives for improving the sustainability and resilience of our agricultural supply chain. The policy is designed to be globally applicable and adaptable for all agricultural crops and all sizes of farms. It comprises five key components: the policy itself, objectives and goals, governance, communication, and reporting and verification. Our Sustainable Agriculture Policy document has also been expanded to include reference to animal care from our work in building the Dairy Sustainable Farming Initiative (DSFI).

PepsiCo's Sustainable Agriculture Council (SAgC) operates within our sustainability governance framework and coordinates priorities and activities related to Sustainable Agriculture, reporting to PepsiCo's Sustainability Council. The SAgC contains cross-functional representation of members responsible for public policy, legal, procurement and operational excellence within PepsiCo Agriculture.

SUSTAINABLE FARMING INITIATIVE (SFI)

Our SFI provides a comprehensive framework to help us meet the goals set out in our Sustainable Agriculture Policy. The SFI was officially launched in 2013 following peer review by external experts, including Business for Social Responsibility, Ceres, Cornell University and Columbia University after global pilots conducted in 2011 and 2012. In 2015, the SFI continued to expand its coverage globally and was implemented across 15 countries, with active programs representing over 28,000 growers in our supply chain (up from 600



in 2014) and we are on track to engage with all traceable core crop growers by the end of 2017.

SFI is managed through the SFI Steering Committee and reports to the SAgC for the management and application of the SFI for PepsiCo's agricultural supply chains. The Steering Committee, in turn, has responsibility for technical committees and an advisory board that is staffed with internal and external experts.

The SFI framework contains nine environmental, four social and three economic sustainability indicators, with detailed criteria and global standards completed for each, as well as a Farm Foundation pillar that contains those activities found in common across the three sustainability pillars. Since multiple crops are often grown on the same farm, it is critical that sustainable practices are deployed at the farm level, not only at the individual crop level.

ENVIRONMENTAL PILLAR	SOCIAL PILLAR	ECONOMIC PILLAR
Energy	Health, wellness and safety	Management practices
Greenhouse gases (GHG)	Employment conditions	Efficiency
Water	Employment practices	Commercial relationships
Agrochemicals	Community	
Soil		
Nutrients		
Waste		
Biodiversity		
Air		

**FARM FOUNDATION PILLAR:
FARM MANAGEMENT SYSTEMS AND FARM PROFILE**

SFI is unique in that it has broad applicability across global crops, is adaptable for all sizes and maturity of growers in developed or developing countries, is based on continuous improvement against a measured baseline, and is flexible and expandable. Individual markets and regions pursue programs and initiatives in alignment with the SFI indicators.

SOURCING OUR KEY COMMODITIES SUSTAINABLY

In addition to our ongoing work across a wide range of directly and indirectly sourced commodities through our SFI program, we have stated additional goals for commodities associated with environmental and social issues. Specifically, we aim to sustainably source 100 percent of palm oil and cane sugar by 2020.

PALM OIL

PepsiCo recognizes itself as a high user of palm oil, despite the fact that we source less than one percent of the world's palm oil supply. Given the environmental and social issues associated with palm oil, including deforestation, we believe it is important that we source palm oil sustainably. Relevant policies and commitments include our global [Forestry Stewardship](#) and [Land Use](#) policies and specific [Palm Oil Commitments](#). These apply to our entire value chain, including joint ventures, franchise bottlers and suppliers. During 2015 and 2016, we have made progress in a number of areas including:

- *Traceability:* 72 percent of our palm oil has been traced to the mill as of July 2016, an increase from 65 percent since our first action plan. Over the next six months, we will be working to support our suppliers to achieve full traceability and to plan for independent verification.
- *Risk assessment:* Using the information collected to date on mill traceability, an external partner, Proforest, has undertaken an initial supplier-level risk assessment of the PepsiCo supply base. Specific interventions are being planned to engage with mills where there is a high risk of non-compliance



with PepsiCo's policies in the second half of the year. Five assessment visits are planned for the second half of 2016, starting in July and including mills in Mexico and Indonesia.

- *Common standards:* A protocol has been developed for mill engagement visits using the checklist developed by the Traceability Working Group (TWG) coordinated by the Sustainable Trade Initiative (IDH). This checklist has been developed with input from a wide range of companies and other stakeholders and provides a common template to make it easier to share information and results between different users.
- *Contracts:* Our SCoC clarifies our global expectations in the areas of business integrity, labor practices, associate health and safety and environmental management. To further reinforce our expectations, we are endeavoring to include in all new PepsiCo contracts for the direct procurement of palm oil a specific reference to PepsiCo's Forestry Stewardship and Land Use Policies, as well as the principles contained within PepsiCo's Palm Oil Commitments, which require that a supplier not knowingly source material in violation of the aforementioned policies and develop and maintain a process to ensure that its supply chain understands and adheres to similar principles.
- *Sourcing:* PepsiCo increased our use of mass balance physically certified palm oil in 2015 to 8 percent of our volume, as compared to 5 percent in 2014. We are developing our plan to ramp up the physically certified volume to achieve our goal of 100 percent by 2020. In addition, PepsiCo has begun work on our Chain of Custody Certification for palm oil, including a pilot market exercise this year. 91 percent of PepsiCo's direct suppliers are members of the Roundtable on Sustainable Palm Oil (RSPO), accounting for 96 percent of our palm oil volume.
- *Collaboration:* In 2016, PepsiCo joined the Palm Oil Working Group of the Consumer Goods Forum to collaborate with industry peers to accelerate sustainable palm oil. Additionally, we met on multiple occasions with Greenpeace, Oxfam, World Wildlife Fund, RAN and other NGOs to discuss palm oil concerns, exchange information and consider ways to collaborate on our shared objectives.

PepsiCo's palm oil policy and commitments apply to all of its brands and products worldwide. Our contracts with suppliers provide a basis to verify compliance with our policies, such as the ability to request on-site audits. However, as joint venture (JV) relationships vary, PepsiCo is developing an approach on how to work most effectively with our JV partners. For example, in 2015, PepsiCo started this work with IFL, its snack food JV in Indonesia. IFL has committed that all PepsiCo snack foods produced by the JV will be made with 100 percent certified sustainable palm oil by the end of 2016.

We are aware of allegations of human and labor rights violations brought against some of the palm oil plantations under the ownership of Indofood, our partner in the IFL JV. A letter from PepsiCo's chairman and CEO conveyed PepsiCo's concerns to Indofood and expressed her expectation that Indofood is taking such allegations as seriously as PepsiCo does. We have had significant engagement with IFL and IndoAgri Resources (IndoAgri), the palm oil subsidiary of Indofood, on multiple occasions to review our Palm Oil Action Plan, as well as the palm oil commitments made by IndoAgri and considered specific areas for alignment. Since beginning this work, IndoAgri has further developed its policy commitments and program on palm oil. We are committed to continuing this engagement to address any outstanding issues.

SUGAR

PepsiCo is also committed to 100 percent sustainably sourced cane sugar by 2020. We are working in industry groups including Bonsucro to establish common standards and increase the supply of sustainable sources where there are currently few, for example in India. During 2015, PepsiCo also conducted assessments at mills and farms in Brazil to assess whether environmental and social issues requiring remediation existed. In consultation with NGOs including Oxfam, there was a particular focus on land rights, which is a significant issue in the country. Although our first round of assessments did not find significant issues, we conducted a second round of assessments



later in the year following feedback about the way in which the first round of audits were conducted. Specifically, we:

- increased the number of mills and farms that were assessed;
- consulted with representatives from the local community such as NGOs and governments to understand their views on any issues with the mill and potential land rights issues; and
- strengthened the audit questions relating to land rights.

Some non-conformities were found, and we are working with the supplier to address these through action plans setting out specific next steps and a timeline. There were no significant issues relating to land rights or other significant human rights or environmental compliance issues. We will conduct a further assessment covering our full sugar supply chain in Brazil to determine whether concerns exist elsewhere.

We continue to engage with Oxfam and others on potential issues, our approach to assessing land rights issues and specific sites of concern. Specifically, we are engaging with them on a long running dispute involving a supplier in the North East of Brazil. In October 2015, we joined a meeting near the site involving ourselves, Coca-Cola (another significant customer), a local NGO, local community representatives and Oxfam. We continue to engage with them and the supplier in question to seek a satisfactory outcome for all stakeholders.

During 2016, we will be conducting a similar assessment in our sugar supply chain in Thailand, another significant source of sugar for PepsiCo.

Dairy Centers of Excellence Program

In 2015, the PepsiCo Foundation partnered with the Institute of International Education to implement two Dairy Centers of Excellence designed to develop the skills of underserved dairy farmers in Russia and create a network to connect and exchange knowledge. The Centers will help farmers increase productivity, improve cow-raise efficiency and increase milk quality. By the end of 2015, the Centers of Excellence trained more than 1,000 farmers. Training programs included conferences with Russian and international experts and tutorials from dairy farm representatives.

NEXT STEPS

OUR 2020 AND 2025 PLANET AGENDA: SOURCE SUSTAINABLY:

- Through PepsiCo's Sustainable Farming Initiative (SFI) or equivalent industry programs, strive to sustainably source our direct agricultural raw materials by 2020; and seek to sustainably source our non-direct major agricultural raw material ingredients by 2025.
- Building on our earlier goal, continue to invest in the necessary measures to complete our plans to sustainably source 100 percent of palm oil and cane sugar by 2020.



Packaging and Waste

The increasing global demand for resources is putting a spotlight on how much waste companies produce and what they do with it. For fast-moving consumer goods companies, the use of packaging is also under scrutiny. 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 much of the packaging is recyclable, recycling rates remain lower than desired. Packaging materials represent a significant portion of our supply chain spend and our carbon footprint. Reducing the amount of packaging used for PepsiCo products helps to reduce the amount of waste sent to landfills, reduces supply chain greenhouse gas emissions, and reduces costs for the company. We are constantly working to design more recyclable packaging to increase recycling rates globally.

PepsiCo's Global Sustainable Packaging Policy outlines our focus on reducing the environmental footprint of our packaging while still meeting the value, cost and performance criteria expected by consumers and customers, and managing other environmental issues such as food waste. As stated in our policy, our principles and programs aim to Remove, Reduce, Recycle, Renew and Reuse packaging where possible and commercially viable. The policy provides the framework through which we aspire to:

- Increase the use of recycled content or materials from renewable sources;
- Optimize packaging design to use only the materials necessary;
- Promote the use of materials that can be recycled (beverage containers, cereal cartons, etc.);

- Reduce post-industrial waste; and
- Achieve 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 Packaging Committee, a multidisciplinary team that includes leaders from R&D, Innovation, Procurement, Sales and Marketing, and Public Policy & Government Affairs to support our packaging strategy, policy and commitments.

Our global packaging goal, to "innovate our packaging to make it increasingly sustainable, minimizing our impact on the environment," is supported by three commitments:

1. We continue to increase the post-consumer recycled content in our packaging globally.
2. We are working to help increase U.S. recycling rates by partnering with Walmart on several packaging initiatives, including the Southeast Recycling Development Council.
3. Our R&D teams are actively looking for ways to improve our packaging through design for recycling, lightweighting and alternative materials with a lower environmental impact.



PACKAGING

In 2015, we reduced packaging by nearly 45,000 metric tons versus prior year from various packaging optimization and redesign initiatives. These efforts generated \$25 million of cost savings.

2015 PepsiCo packaging materials by weight

CATEGORY	WEIGHT (MILLIONS OF LBS.)	PERCENT OF TOTAL PACKAGING
Plastic (rigid)	1,735.0	28.7
Aluminum	539.6	8.9
Glass	751.6	12.5
Paper	2,431.5	40.3
Films (flexible)	578.1	9.6



REDUCING OUR PACKAGING

Initiatives to reduce packaging include lightweighting, film down-gauging, bag optimization, carton size reduction and much more. In 2015, we eliminated over 2 million pounds of film packaging and over 12 million pounds of corrugated packaging from our global food and snacks packaging by down-gauging, reducing seal widths and right-sizing both primary and secondary packaging, delivering a combined cost savings of nearly \$7 million. On the beverage side of the business, PepsiCo eliminated almost 72 million pounds of packaging (nearly 10 million fewer pounds of plastic, over 60 million pounds of paper-based packaging, and more than 1 million fewer pounds of aluminum) versus 2013, through container lightweighting, packaging optimization and improved design for beverages globally, delivering combined cost savings of over \$18 million.

RECYCLING

To minimize the environmental impact of our products' packaging, we focus our efforts in two key areas: increasing the recycled content used in the packaging and helping consumers to recycle packaging after use.

INCREASING RECYCLED CONTENT

We strive to increase the content of post-consumer or post-industrial 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 increasing supplier capacity, advancing new technologies to make recycling easier and more efficient, and increasing 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. We are the only major beverage Company consistently using rPET in its containers in the U.S.

In 2015, we used 139 million pounds of food-grade rPET, an increase of approximately 4 percent, or 5 million pounds, versus 2014. In North America, our beverage packaging included 114 million pounds of rPET in the U.S., which is 30 percent of the food-grade rPET that was available in 2014. In Germany, we incorporated 17.9 million pounds of rPET into our bottles, approximately 40 percent of the total resin usage, with up to 50 percent content in individual product lines. Our France market sector used 6.9 million pounds of rPET, about 31 percent of their total PET packaging in 2015.

HELPING CONSUMERS TO RECYCLE

In the U.S., PepsiCo is working to increase the national recycling rate. To this end, PepsiCo has created over 2,600 partnerships with municipalities, schools, non-profit organizations, industry coalitions, event organizers and retail partners. For example, PepsiCo partners with The Nature Conservancy through its "Recycle for Nature" program and has committed to contribute funding in support of watershed protection and clean drinking water for every 0.25 percent point increase in the American Beverage Association's national recycling rate. Partnering with Walmart and other corporate partners, PepsiCo and the PepsiCo Foundation have been founding members of the Closed Loop Fund, a social impact investment fund set up to help finance recycling programs which divert valuable raw materials from landfill.

According to a PepsiCo national survey, 94 percent of Americans say they would recycle beverage containers at a retail location if proper bins were available. We are, therefore, working with our partners to put bins in busy locations where they aren't currently available. Since launching our recycling program in 2010, we have placed recycling solutions at almost 9,000 locations.

¹⁶ <http://innovationnaturally.org/resource/recycling-packaging/>

In 2015, PepsiCo's on-the-go recycling program unit collections grew by 125 percent, compared to 2014. 15.7 million containers were collected from a range of on-the-go locations, K-12 schools, colleges and universities, and events. For example, working with the NFL, the City of Phoenix and Keep Phoenix Beautiful during the 2015 Super Bowl, PepsiCo placed 500 specially designed recycling bins in the stadium and surrounding area. Additionally, hundreds of PepsiCo volunteers hit the streets to help make the Super Bowl clean and green.

As of 2013, the U.S. beverage container recycling rate had reached 40 percent, up eight percentage points in the last seven years,¹⁶ according to an American Beverage Association report.

WASTE MANAGEMENT

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. PepsiCo strives to reduce waste generation, 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 waste impact of our company's operations on our local communities, reduces cost, increases revenue and supports PepsiCo's sustainability vision of eliminating waste sent to landfill.

In 2015, 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. Put another way, we aimed to send only 10 percent of the total solid waste generated by our operations to landfills. In 2015, we sent approximately 6 percent of our total solid waste to landfill, which equates to an estimated savings of \$4.3 million compared to our landfill waste generation rates of nearly 19 percent when we started our waste reduction tracking program in 2009.

*Total waste generated that was sent offsite for beneficial use, such as recycling*

	2011	2012	2013	2014	2015
Total waste generated (mT)	1,400,000	1,341,000	1,396,000	1,440,000	1,571,000
Total waste sent offsite for beneficial use (mT)	1,260,000	1,231,000	1,287,000	1,336,000	1,474,000
Percentage of total waste sent offsite for beneficial use, including recycled/reused	90.0	91.8	92.2	92.8	93.8

NEXT STEPS

As part of our 2025 goals, we will strive to achieve zero waste to landfill across all of our direct operations through efficient and responsible waste management. We will strive to reduce the food waste in our direct operations by 50 percent. In addition, we will strive to design 100 percent of our packaging to be recoverable or recyclable, and we will partner to increase packaging recovery and recycling rates by targeting investments in local infrastructure and education, and by partnering with associations and governments globally.

OUR 2025 PLANET AGENDA: REDUCE AND ELIMINATE WASTE

- Strive to achieve zero waste to landfill across all of our direct operations through efficient and responsible waste management
- Work to reduce the food waste we generate in our direct operations by 50 percent
- Strive to design 100 percent of our packaging to be recoverable or recyclable, and partner to increase packaging recovery and recycling rates

CLOSING THE LOOP*ADDRESSING THE WASTE ECOSYSTEM*

PACKAGING DESIGN



CONSUMER BEHAVIOR



PUBLIC RECOVERY INFRASTRUCTURE



PEOPLE

LAYING THE GROUNDWORK
FOR A HEALTHIER FUTURE

La Linea Rosa:
The first all-women production line at PepsiCo's Vallejo, Mexico, plant is still run by women, including packagers, operators and palletizers.



PEOPLE

2015 marks the culmination of our reporting on PepsiCo's Talent Sustainability goals. These are now evolving into our People goals for 2025, which substantively extend our efforts in the areas in which we believe we can have the greatest impact while building on our achievements to date.

PWP GOAL		2015 PROGRESS AGAINST GOAL
Create a safe, healthy, diverse and inclusive workplace that reflects the global communities in which we operate	<p>30%</p> <p>reduction in employee LTIR</p>	<ul style="list-style-type: none"> • More than a dozen Employee Resource Groups provide networking and leadership development opportunities for our associates. • PepsiCo is among 28 companies who have signed the White House Equal Pay Pledge to promote practices that reduce bias and promote equality within their organization. • We reduced our total lost-time incident rate by 11 percent compared with 2013 and we have reduced employee LTIR by 30 percent since 2013.
Respect human rights in the workplace and across the supply chain	<p>88%</p> <p>of our top targeted key suppliers completed the Supplier Conduct training</p>	<ul style="list-style-type: none"> • Approximately 88 percent of our top targeted key suppliers completed the Supplier Code of Conduct training. • 209 audits were conducted with first tier suppliers through our Sustainable Sourcing Program.

To be a successful, sustainable company, it is critical that we have a high-performing talent base of associates that are passionate about their work. Our People (formerly referred to as Talent Sustainability) objective is to create a diverse and engaging culture inside PepsiCo and develop the next generation of talent by investing in the advancement of women, and promoting safe and ethical practices across our operations and value chain. We believe

that by engaging our associates with opportunities for personal development and promoting ethics in the workplace we can enhance productivity, spur innovation and increase retention rates.



Why does it matter?

Today, billions of people live in poverty, and significant economic disparities and gender inequalities persist around the world. Unemployment, particularly among youth, remains a key global economic challenge.¹⁷ For example, the Organization for Economic Cooperation and Development found that youth unemployment was more than 11 percent in 2015.¹⁸

Despite these and other social challenges, it is also a time of immense opportunity. The SDGs aim to address societal issues such as reducing poverty, improving work environments and increasing economic growth. Access to work can provide sustainable solutions to help tackle poverty, foster community development and provide individuals with a sense of dignity and inclusion. Human labor can also be subject to human rights abuse in the form of forced labor, child labor and human trafficking, thus threatening freedom and shattering dignity.¹⁹

These same issues are of importance to our business. To be a successful, sustainable company, it is critical that we create a safe, healthy, diverse and inclusive workplace and support those in our supply chain to do the same. With the private sector increasingly impacted by global social challenges that no single company, industry, government or nongovernmental organization can address alone, collaborative solutions hold the key to meaningful and lasting progress. As such, we are committed to engaging partners who seek progress on our shared challenges and we continue to align the needs of our business with the needs of the world around us.

17. Resolution adopted by the General Assembly on 25 September 2015 Transforming our world: the 2030 Agenda for Sustainable Development, page 5

18. Organization for Economic Cooperation and Development (OECD) Data, Youth Unemployment Rate, <https://data.oecd.org/unemp/youth-unemployment-rate.htm#indicator-chart>

19. UNDP Human Development Report 2015, https://sustainabledevelopment.un.org/content/documents/22212015_human_development_report.pdf

What is our strategy?

People (formerly referred to as Talent Sustainability) seeks to address societal issues through a variety of strategies, including creating jobs, providing a safe and inclusive workplace and respecting the human rights of our associates. We focus our efforts on the following areas:

- **Talent Attraction, Engagement and Growth:** Develop and maintain an exceptional talent base to grow the business and deliver superior long-term performance
- **Diversity & Engagement:** Create a workforce that reflects the diversity of our consumers and local communities and encourage our associates to incorporate their individual perspectives into their work
- **Workplace Safety:** Ensure the safety of our workplaces to sustain superior performance
- **Human Rights:** Respect human rights throughout our value chain

Our People strategy is focused both on the people in our own business and increasingly on our supply chain and the local communities in which we and our suppliers operate. For example, in 2014, our Sustainable Sourcing Council was created to communicate with and educate our suppliers, evaluate compliance and facilitate continuous improvements within our supply chain against the requirements set out in our Supplier Code of Conduct (SCoC).

Alongside PepsiCo's activities, the PepsiCo Foundation helps communities build and secure growth opportunities through programs aimed at improving youth employability and empowering women economically. The PepsiCo Foundation also supports associate participation through a variety of community engagement programs.



What are we doing about it?

People is led by a leadership team that includes representation by PepsiCo's Executive Vice President, Human Resources, and Chief Human Resources Officer (CHRO) and from various internal groups, including Global and Divisional Human Resource departments, Talent Acquisition, Compensation and Benefits, Organization and Management Development, and Diversity and Engagement. The Leadership Team is tasked with overseeing the strategy, driving implementation and identifying and addressing talent-related issues. Additional information on the management approach, programs and policies related to People is discussed separately in each subsection below.

Talent Attraction, Engagement and Growth

Global trends such as urbanization, demographic changes, and technology developments are changing the talent landscape. These trends are contributing to a shift in the supply of talent at a time when demand for skills is increasing sharply.²⁰ In such an economic environment, we need to continuously reevaluate and reimagine every aspect of our business — pushing ourselves to out-innovate our competitors today so we can out-perform them tomorrow. We will also need to empower our associates to meet their own individual responsibilities while also embracing a collective responsibility for the success or failure of our Company as a whole.

One of the biggest challenges facing corporations today is attracting and retaining highly talented leaders. PepsiCo aims to engage creative and

innovative employees who can fuel short-term success, while simultaneously fostering growth of the next generation of leaders whose skills, experiences and understanding of new technology will help drive our long-term success.

To attract the best talent, we strive to maintain our reputation as a great place to work. We do this by raising awareness about PepsiCo's unique, high-performance culture and highlighting PepsiCo's traditional benefits — including comprehensive compensation, health care, and savings and retirement programs — and emphasize our diverse culture and commitment to learning and development. The future of PepsiCo will be shaped by our commitment to hiring and developing the most talented associates by building strong, diverse teams through offering rewarding and challenging careers.

TALENT ATTRACTION

Competition for top talent is intensifying and, in 2015, we continued to invest in attracting and retaining a diverse and engaged workforce. We employ several strategies for attracting talent, including traditional recruiting methods, such as campus recruiting, attractive benefits and healthy living programs. PepsiCo's global Talent Acquisition teams have also created new digital opportunities to reach potential talent by embracing the growth of social media and mobile technology through an active presence on LinkedIn, Facebook, Google+ and Twitter.

CAMPUS RECRUITING

At PepsiCo, we are constantly connecting with students around the country in our effort to identify tomorrow's leaders. We expanded our U.S. Campus Recruiting Program in 2015, and attended over 300 student career fairs and information sessions. In addition, we continued to build upon our partnerships with external organizations focused on developing diverse undergraduate and graduate students, such as Management Leadership for Tomorrow, The Consortium and The National Black MBA Association.

20. The Talent Challenge Adapting to Growth <http://www.pwc.com/gx/en/hr-management-services/publications/assets/ceosurvey-talent-challenge.pdf>



Fair Chance Business Pledge

In an effort to eliminate barriers for those with a criminal record, PepsiCo has adopted the White House Fair Chance Business Pledge. The Pledge aims to help individuals with a criminal record to secure employment and increase their chances of successfully re-entering society while strengthening the communities we all share. We previously eliminated criminal history questions on our employment applications and delay a background check until after a conditional offer of employment has been made. In cases of a criminal background, we individually review each case to understand the relevancy of the conviction, time passed, evidence of rehabilitation and other factors. All candidates have the opportunity to tell their unique story and will not be eliminated from consideration based solely on a criminal conviction. We will also seek to create opportunities for formerly incarcerated Americans by working with community partners to provide job readiness training and support.

These activities yielded over 2,100 job offers with almost 1,500 acceptances, equaling a 69 percent acceptance rate. The nearly 1,500 acceptances included approximately 740 full-time employees and 760 intern hires.

GLOBAL BENEFITS

Our mission is to help employees and their families live better — physically, financially and socially — in order to drive better individual and professional success. PepsiCo's benefit programs vary based on local regulations, government provided benefits and marketplace realities in the countries in which we operate. PepsiCo policy is to follow all applicable laws regarding the provision of insurance or equivalent, disability insurance in the case of complete incapacity, access to medical care for employees, employee assistance programs and access to retirement provision.

PepsiCo provides a variety of wellness, work life quality and financial counseling programs to help our associates and their families. By establishing a partnership between well-being and health benefits programs, we deliver a higher return on investment by mitigating medical risks and claims.

HEALTHY LIVING

PepsiCo's global well-being program, Healthy Living, encourages employees and their families to engage in healthy lifestyles in an effort to "be a little bit better every day." Healthy Living focuses on three key areas:

- Find Balance (resilience, financial wellness and work life quality)
- Get Involved (community and social connection)
- Be Well (nutrition, physical activity and prevention)

Healthy Living programs are based on these three pillars and offer various benefits including; personal health assessments (PHAs); on-site wellness programs such as free biometric screenings and flu shots; fitness and nutrition programs; weight management; healthy decisions (including access to nurses, expert doctors for outside consulting, condition assessments and a healthy topics library); and other benefits such as wellness coaching, a healthy pregnancy program, a smoking cessation program, stress and sleep management programs, back care programs, disease management programs and preventive care coverage.

Additionally, PepsiCo offers Employee Assistance Programs (EAPs) to support our employees' mental wellbeing. Our EAP provides professional counseling, work/life assistance and a robust array of educational resources to more than 175,000 employees across 30 countries. PepsiCo also works to empower employees to improve their financial well-being. Our Healthy Money program provides the tools and resources, including telephonic counseling and on-site seminars to help individuals achieve their financial goals.



In 2015, PepsiCo introduced four global employee education campaigns that featured a variety of topics including the EAP, Get Moving, Find Balance and Cancer Awareness. In the U.S., PepsiCo added a new on-site clinic in Dallas, Texas, expanding our Employee Health and Wellness Center footprint to 47 clinics. In addition, PepsiCo offered free on-site wellness screenings, including blood pressure, glucose, body mass index and cholesterol to 27,000 associates in more than 500 locations. In total, more than 40,000 employees and spouses received wellness screenings in 2015.

In recognition of our efforts this year, PepsiCo was pleased to receive an Honorable Mention for the C. Everett Koop National Health Award, recognizing outstanding worksite health promotion and improvement programs.

TALENT ENGAGEMENT AND GROWTH

In 2015, we continued to take a holistic approach to associate growth by employing traditional methods of engagement, as well as seeking opportunities to enhance associates' commitment to a career at PepsiCo. We incorporate performance objectives related to increasing associate engagement and employee satisfaction into the annual objectives for human resources associates and other key executives. By using the results of our annual and mid-year reviews, career conversations and regularly scheduled organization-wide surveys, we can adopt the necessary changes at the work-group level to drive large-scale cultural initiatives.

PepsiCo conducted our biannual Organizational Health Survey in 2015. As part of the survey, we ask all PepsiCo employees to share their opinions and insights on a variety of work-related issues. The survey revealed that PepsiCo associates care about PepsiCo's success, are passionate about career growth and believe that senior leadership is aligning associates' work efforts with that of PepsiCo's future success.

As a result of the feedback we received from associates, our Global Strategic Action Planning is leveraging our strength in leadership to set future direction, equipping our leaders to engage in critical conversations about the kinds of career opportunities and resources that are available at all levels of the Company and helping associates navigate through PepsiCo's transformational change.

LEARNING AND DEVELOPMENT

We offer our employees learning and development opportunities designed to develop their skills and grow their careers. This is accomplished through a variety of innovative solutions, including MyLearning, an enterprise-wide Learning Management System; functional learning; leadership development; and exposure to new professional "critical experiences." In 2015, PepsiCo launched a new, global portal for PepsiCo University designed to help associates learn based on their unique needs and interests. Through the portal, associates can access functional college content, information on leadership programs, a wide range of professional skills resources and connections to PepsiCo career tools.



As PepsiCo's internal global learning resource, PepsiCo University promotes a culture of continuous learning and development. Through our Global Development Council, PepsiCo University sets priorities for global classroom and online curriculum needs. There are nine colleges within PepsiCo University:

1. Finance College
2. Procurement College
3. Sales College
4. R&D College
5. HR College
6. Strategy College
7. Business Information Solutions (BIS) College
8. Marketing College
9. Supply Chain College

More than 62 percent of associates in the target audiences completed courses through one or more of these colleges in 2015. In 2015, we also continued to support the global application of three internal learning offerings to accelerate leadership development for high potential associates around the world. Additionally, PepsiCo University provides core leadership programs for all leaders from the first transition into a management role, then the transition to leading other managers, and ultimately, the transition to Senior Management.

ASSOCIATE RETENTION

An important benefit of having engaged associates is that it reduces turnover. High turnover rates may lead to a loss of institutional knowledge, decreased employee morale and costs associated with recruiting suitable replacements.

In 2015, 7 percent of PepsiCo employees received promotions and our global retention rate of full-time permanent associates was 84 percent.

Global Employment Rates (%)^{(a)(b)}

	% TOTAL POPULATION	% TOTAL FEMALE POPULATION	% TOTAL MALE POPULATION
Hire	12%	13%	12%
Promotions	7%	11%	6%
Terms	16%	16%	16%
Retention	84%	84%	84%

(a) Reflects full-time, permanent associates.

(b) Note that due to personnel system changes, approximately 35,000 employees in Russia and Mexico are not captured in these results.

NEXT STEPS

PepsiCo's initiatives related to Talent Attraction, Engagement and growth are founded on continuous improvement. In 2015, we worked toward enhancing our reputation as a great place to work, with particular attention on harnessing the next generation of talent. Moving forward, we will continue to seek new opportunities for learning and development to empower mobility for our associates.



PepsiCo Foundation Promotes PwP among Associates

The PepsiCo Foundation is also working to progress the professional development of our associates. For example, PepsiCorps is an international business experience that aims to promote PwP. Since 2011, PepsiCorps teams have donated their time and talent to local communities around the globe, including in Ghana, India, Brazil, South Africa, the Philippines and the U.S. Through this month-long experience, program participants gain on-the-ground insights into social challenges and develop the business skills needed to manage a diverse workforce in challenging macroeconomic circumstances. In the fall of 2015, PepsiCorps hosted its first all-female team. This group of eight female PepsiCorps volunteers teamed up with two nonprofit organizations; Ahon Sa Hirap Inc., and Gifts and Graces Fair Trade Foundation Inc., to help them develop strategic recommendations on how to improve initiatives directed toward underserved communities in the Philippines.

Diversity & Engagement

Diversity is fundamental to PepsiCo's heritage. In the 1940s, we broke the color barrier in the U.S. by hiring African-American salespeople. In the 1950s, we were the first major Company to appoint a woman to our Board. We made history again in 1962, when we named Harvey C. Russell the first African-American vice president of any major company in the country.

Today, we continue to build on our legacy of diversity by harnessing the increasing demographic shifts occurring throughout the world. According to recent research, 90 percent of the global talent pool is made up of diverse individuals and only 10 percent are white men (Center for Talent Innovation,

2014). Additionally, women have made significant gains in educational attainment and labor force participation, resulting in their increasingly important role in the economy as both consumers and employees. As a market, women will account for \$5 trillion of consumer spending and more than two thirds of global disposable income over the next decade (World Economic Forum, Future of Jobs, 2016). Thus, the unique perspectives of our associates have never been more essential. With their collective intelligence, we are better able to understand and meet the ever-evolving needs of our global consumers.

We live our core Values (see page 91) of diversity and engagement every day. Our Values contain two guiding principles that emulate our commitment to diversity and engagement (D&E):

*“Win with diversity and inclusion.”
“Respect others and succeed together.”*

Additionally, diversity and engagement (D&E) is a key driver of our 2025 agenda, PepsiCo's re-commitment to Performance with Purpose. People, one of three core pillars of our 2025 agenda, articulates our ambition to maintain a workforce that is representative of local demographics where we do business and our aim to spur social and economic development in communities where we work. We believe that when diverse perspectives are celebrated and encouraged, people are more engaged, leading to more innovation and growth in our business.



Performance

D&E is an integral part of our approach to human capital management, from attracting and recruiting diverse talent into our workforce to driving employee and community engagement.

To inspire and empower a diverse workforce at PepsiCo, we leverage a variety of resources, including diversity councils, leadership engagement and mentoring, career and professional development, as well as flexible work arrangements and recognition programs. Our network of global D&E councils focuses on the development of locally relevant D&E strategies. Each of our local business units designs local plans and targets to address the opportunities in their locations.

Our commitment to developing and maintaining a workforce that represents the communities where we work will enable our business to meet the current and future needs of our diverse consumer base. For this reason, we adopted our 2025 Goal to maintain a workforce that is representative of local demographics where we do business and aspire to achieve gender parity throughout our management hierarchy.

RECRUITING AND ADVANCING A DIVERSE AND TALENTED WORKFORCE

Through partnerships, mentoring programs, employee resource groups and other internal initiatives, we aim to recruit and advance a diverse workforce. In the U.S., from 2014 to 2015, people of color executives increased from 22 percent to 23 percent. Additionally, people of color managers increased from 27 percent to 28 percent; while for the same period overall, the total number of associates who are people of color increased by two percent to 37 percent. The percentage of executive officers who are people of color stayed the same.

Although overall female representation decreased by one percent in 2015, the number of female managers increased from 33 percent to 34 percent. Meanwhile, female executive officers and executives remained steady at 27 percent and 32 percent, respectively. While women represent 29 percent of our Board, we added a new director to our Board in 2015, which resulted in the decrease of our female representation among Board members from 2014, from 38 percent to 29 percent.

*U.S. diversity statistics*

2015	2015 TOTAL	2014 TOTAL	PERCENT 2015 WOMEN	PERCENT 2014 WOMEN	PERCENT 2015 PEOPLE OF COLOR ^(a)	PERCENT 2014 PEOPLE OF COLOR ^(a)
Board of Directors	14	13	29	38	29	31
Executive Officers^(b)	11	11	27	27	36	36
Executives (U.S.)	2,807	2,781	32	32	23	22
All Managers (U.S.)	18,595	18,125	34	33	28	27
All Associates (U.S.)	101,342	99,305	18	19	37	35

The data in this chart are as of December 31, 2015, and do not give effect to changes to the Board after that date. Other than the Board, this chart reflects full-time associates only.

(a) U.S. only; primarily based on completed self-identification forms.

(b) Composed of PepsiCo Executive Officers subject to Section 16 of the Securities Exchange Act of 1934.



PepsiACT

Pepsi ACT (Achieving Change Together) is a joint partnership between Pepsi Beverages and Disability Solutions @Ability Beyond to enhance the recruiting, sourcing, hiring, and training for people with disabilities, including veterans with disabilities, throughout our U.S. business.

Since 2014, Pepsi ACT has helped nearly 150 people with disabilities across the country find meaningful, competitive employment at Pepsi Beverages. Among those 150 people with disabilities, over 20 percent are veterans and over 15 percent are women. As part of the program, Pepsi ACT utilizes real-time data analysis to demonstrate the value people with disabilities can bring to a large global corporation, including higher retention rates and meeting or exceeding productivity levels.

Additionally, PepsiCo, in partnership with Disability Solutions @Ability Beyond, is investing in the disabled community by providing interview and job training in nine U.S. cities to help people with disabilities prepare for all levels of employment, including entry level, sales, technical and management positions. In 2015, 287 jobseekers with disabilities received training designed to improve soft skills.

ENGAGING WOMEN

At PepsiCo, we are seeking solutions to engage our female employees throughout the countries where we work. We are committed to investing in and strengthening workplace programs and policies that support the professional development of women. Each market poses unique challenges and opportunities that we address locally to ensure we are effectively meeting the needs of women.

Five years ago, we launched the Pinnacle Group in the U.S. as a way to increase retention of female sales talent, and strengthen and diversify our next generation of leaders. Sales associates with strong performance records take part in career development, leadership training and mentoring opportunities with senior sales leaders. The women participate in panel discussions, roundtables and networking sessions. What makes the program really unique is the level of transparency and candor the women have with one another and, more importantly, with senior leadership. Since its inception in 2011, the program has helped strengthen and diversify our sales leadership teams.

In Romania, men hold most of the senior management positions throughout the local business. In 2014, PepsiCo Romania, along with five companies from different industries, developed the "Cross Company Women's Mentoring Program" to improve women's access to senior positions. Through this program, business leaders from PepsiCo Romania have begun to lead the charge to increase female representation in leadership positions and greatly influenced the quality of opportunities available to them. The six-month program provides women with intensive mentoring, leadership development and direct feedback on real-life workplace challenges. Emerging female talent immerse themselves in this broad range of experiences while working with a mentor from a different industry. The majority of the participants had positive feedback about their participation in the program.



In most of the countries where we work, we take a holistic approach by engaging women both at work and in our local communities. For example, in Pakistan, we have established several engagement initiatives for our female associates. In 2010, we launched the Pakistan Women's Forum, a quarterly event where female associates meet and network with senior leaders. They discuss how to create a culture conducive to growing and developing female talent and connect with senior leaders, who also serve as mentors and sponsors. One outcome of these forums was the creation of an onsite child-care center in Lahore, in 2011. To date, more than 50 families have benefited from the service. In late 2012, we opened a second childcare center at our Foods Plant at the Sundar Industrial Estate in Lahore. Providing onsite child-care supports female associates who wish to advance their careers without sacrificing their family responsibilities.

Overall, Pakistan ranks second to last (144) on the World Economic Forum's 2015 Global Gender Parity Index. Girls' education is even condemned in some quarters. PepsiCo is investing in young women and girls to create a path to entering the workforce. For instance, in 2014, we started the "I am PepsiCo" mentoring and scholarship program for secondary school girls in Lahore. To date, this program helped PepsiCo associates connect with 800 underserved female students in local secondary schools. Additionally, as part of a new partnership with the U.S.-Pakistan Women's Council, over 25 female students from top universities participated in our food safety internship program in 2016.

New Future Fund

Women continue to face major hurdles to achieving gender parity in the workforce. In 2016, PepsiCo Chairman and CEO Indra Nooyi accepted the role of co-chair of the Network of Executive Women's New Future Fund. By funding technology that delivers industry specific data, insights and training, the initiative aims to increase the representation of women in leadership positions, ultimately aiming to achieve gender parity in the U.S.

EQUAL PAY

PepsiCo is committed to pay equity for equal work regardless of race, color, religion, sex, sexual orientation, gender identity, age, national origin, disability or veteran status or any other protected category under applicable law. To affirm our commitment, PepsiCo is a proud signatory of the White House Equal Pay Pledge.

Ratio of average women's salaries to men's salaries

Average Executive Base Salary	100
Average Management-Level Base Salary	99
Average Management-Level Remuneration (base salary + other cash incentives such as bonus)	99
Average Non-Management-Level Base Salary	99
Average Hourly Frontline Salary	100



EMPLOYEE RESOURCE GROUPS MAKE A DIFFERENCE AT WORK AND IN THE COMMUNITY

PepsiCo's Employee Resource Groups (ERGs) provide opportunities for leadership development, connection and support for associates while also driving employee engagement. They advance our commitment to world-class performance as strategic business partners committed to driving an engaging culture, while also fostering innovation and growth.

Each PepsiCo division has the following core ERGs:

- Mosaic (African Americans);
- PAN (PepsiCo Asian Network);
- Equal (Gay, Lesbian, Bisexual & Transgender);
- Adelante (Latinos/Hispanics);
- EnAble (People with Different Abilities); and
- Women's Inclusion Network (WIN).

Some divisions have additional groups such as Women of Color (WOC) Multicultural Alliance, Aspire (administrative professionals), Rise (Native Americans), Valor (U.S. veterans) and CONN3CT (young professionals).

We see diverse associates taking leadership roles in the ERGs, and leveraging those opportunities to improve their skills and develop internal networks. The ERGs also help bring our associates together to serve the communities where they live and work.

WIN and WOC have been publicly recognized for their efforts that advance the professional development of multicultural women. Through their initiatives, women are connected with executives to explore career-defining skills and gain access to opportunities and networks to help them thrive in the workplace. Similarly, through Mosaic, our African-American employee resource group, associates partner with senior mentors to discuss professional

and personal development topics to assist the associates in navigating their careers at PepsiCo.

Adelante, an award-winning employee resource group within PepsiCo, created the Adelante Resource Group (ARG) in 2014 to provide insights into targeting the Hispanic consumer. Uniquely positioned to provide fast, actionable and low-cost feedback, members of ARG contribute to marketing content, television commercial translations and product innovation ideas. They also serve as thought partners for sales and marketing teams of both Frito-Lay North America (FLNA) and North America Beverages (NAB). Their contribution strengthens PepsiCo's position in the Hispanic market and to date, ARG has generated ideas and translated product and marketing materials resulting in an estimated \$1.6 million in innovation and commercialization cost savings.

In October 2015, the Equal ERG rallied together to lead PepsiCo's Global Ally Day to raise associates' awareness on the importance of being an "Ally" to the Lesbian, Gay, Bisexual and Transgender (LGBT) community. Thousands of PepsiCo associates across five continents convened at various sites to demonstrate their belief that all colleagues should experience full equality at work. As part of the event, participants learned the many ways to demonstrate support for LGBT colleagues in the workplace. The powerful campaign focused on three areas: Sign Up, Join In and Speak Out. Associates received helpful tips, Ally cards and badges they could visibly and proudly place at their desks. Additionally, they created an "I'm an Ally" video that included PepsiCo Chairman and CEO, Indra Nooyi and members of the PepsiCo Executive Committee demonstrating their support for this important effort. The launch was so well received at PepsiCo, the Company plans to make this an annual event.

We believe that employee resource groups have the ability to engage our associates and communities in meaningful ways. In the face of on-going water shortage issues in the western U.S., our Tolleson, Arizona Gatorade



Employee Resource Group Site Council organized all of the plant ERGs to drive the responsibility of water stewardship. Together, PAN, Rise, Adelante, Valor, Equal, Mosaic, EnAble and WIN helped to conserve water at work, at home and throughout their surrounding communities. They helped associates secure water-saving equipment for their homes and analyzed bills for potential savings, optimized plant water usage and trained employees on how to repair leaks. They also leveraged PepsiCo's Lean Six Sigma training to resolve outstanding conservation related projects using Kaizen principles.

Due to their successful campaign, the site achieved an aggressive 10 percent water reduction goal, saving more than 42 million gallons of water and delivering approximately \$300,000 in annual productivity.

Developing the Next Generation of Talent

The PepsiCo Foundation is working to promote diversity and engagement in the communities we serve. To help develop the next generation of talent, the PepsiCo Foundation has supported initiatives designed to help at-risk youth graduate high school.

For example, the Johns Hopkins University, Communities In Schools and City Year's "Diplomas Now" program is working to improve the lowest-performing middle and high schools in the U.S. As the Founding Partner, the PepsiCo Foundation has committed over \$16 million since 2008, and our employees provide mentoring to students at high schools in our New York and Chicago headquarter locations. Presently, the program has helped 32 schools in 14 cities, reaching approximately 26,000 students. Early results show a 59 percent decrease in suspended students, a 56 percent decrease in students failing English and a 58 percent decrease in students failing mathematics.

PepsiCo is also partnering with Human Rights Campaign (HRC) to support lesbian, gay, bisexual and transgender (LGBT) youth. LGBT youth face disproportionately high rates of harassment and bullying in school and studies show that, as a result, they are at a higher risk of failing academically. A 3 year grant from the PepsiCo Foundation is helping HRC pilot an online curriculum and training program with the American Counseling Association (ACA) to help its members improve their engagement strategies with LGBT youth. The long-term goal is to scale up the program so other youth-serving agencies and professionals can use the platform to help LGBT youth stay in school and pursue career development opportunities.



NEXT STEPS

We are dedicated to have a diverse, inclusive and engaged workforce that reflects the global communities where we do business.

OUR 2025 PEOPLE AGENDA:

- **Support Diversity, Women's Advancement & Working Caregivers:** Continue to develop a diverse, inclusive and engaged workforce that reflects the global communities where we do business; achieve gender parity in our management roles and pay equity for women; and support working caregivers
- **Spur Prosperity:** In partnership with the PepsiCo Foundation, invest \$100 million to support initiatives to benefit at least 12.5 million women and girls around the world in communities near where we work

PepsiCo Foundation: Empowering Women in our Communities

At PepsiCo, diversity is an important part of who we are as a company. We seek to play an active role in empowering women, minorities and youth in our communities. As an endorser of the United Nations Women's Empowerment Principles, we believe economically empowering women is critical to enhancing local economic development around the world. Not only do women regularly invest in their children and communities, women also tend to help propel other women forward; creating a powerful multiplier effect that benefits society as a whole.²¹ While the PepsiCo Foundation engages in several initiatives to promote economic opportunities for women, we are especially proud of our work with the New York Academy of Sciences and Kiva.

New York Academy of Sciences

Countries around the world are currently experiencing a well-documented skills shortage caused by an education gap in science, technology, engineering and math (STEM). Students are opting out of STEM subjects at alarming rates due to a range of issues that includes poor teacher training and a lack of interest, access or encouragement. Women are especially underrepresented in STEM fields.

To increase the number of students, specifically girls, who enter STEM fields of study and ultimately pursue STEM careers, PepsiCo and the PepsiCo Foundation are partnering with the New York Academy of Sciences (NYAS). In 2015, the PepsiCo Foundation provided a three-year grant to NYAS to develop, pilot and scale Junior Academy (JA), an invitation-only, next-generation social learning platform. JA seeks to identify, engage, educate and inspire secondary school students with high levels of STEM aptitude in underserved populations. JA functions as a primary destination for the best STEM learning resources, programming and talent, and provides students access to unique and inspirational content, curricula and mentoring opportunities with adults, including PepsiCo employees in STEM fields.

During the 2015 school year, NYAS conducted an initial pilot with 280 students from 41 countries enrolled in JA, of whom 75 percent were girls. Moving forward, the program will expand the total number of participating students, enhance mentoring opportunities and make curriculum refinements. A key experience for JA students is to compete in an Innovation Challenge, working against a question scoped by PepsiCo functional teams, guided by PepsiCo mentors and evaluated by a PepsiCo executive judge.

21. 2014 World Bank Gender at Work report, http://www.worldbank.org/content/dam/Worldbank/document/Gender/GenderAtWork_web.pdf



PepsiCo's work with JA further establishes the PepsiCo Foundation as a founding member of the Global STEM Alliance, which brings together international government officials, educators, scientists and industry members to address the global STEM crisis by supporting educational programs that encourage students to pursue STEM fields of study, of which JA is the first significant program.

Kiva

Recognizing that the needs of women vary from country to country, PepsiCo works to address region-specific issues that impact the advancement of women in each market. We invest in programs designed to provide the skills and resources needed to increase women's economic development. Around the globe, individuals living in high-poverty communities without access to traditional banking systems are in need of resources and capital to start their own business and earn an income.

Kiva is an online micro lending platform that connects people through lending to alleviate poverty. Individual lenders can make loans starting at \$25, through the kiva.org site, to a borrower of their choice, who then repays the loan directly to the lender in under a year. Since Kiva's inception in 2005, over \$860 million in loans have been made by over 1.4 million lenders from over 80 countries, with an average loan repayment rate of 98 percent.

To help empower women in high-poverty communities and engage PepsiCo employees in PwP, the PepsiCo Foundation teamed up with Kiva in 2014 to create Spark a Future, a five-year global partnership that enables PepsiCo employees to make a microloan to entrepreneurs in a developing country on behalf of the PepsiCo Foundation at no cost to them using a credit from the PepsiCo Foundation. This unique program enables the PepsiCo Foundation to reach women in small, remote communities around the globe. PepsiCo

employees have an opportunity to make a \$25 loan of PepsiCo Foundation funds to help provide individuals with resources to build a business and support their families. Since the global launch in February 2016, over 5,300 loans have been directed by PepsiCo employees on behalf of the PepsiCo Foundation in 61 countries to borrowers in 60 countries. Nearly 80 percent of these borrowers have been women, and in support of PwP goals, almost 50 percent of borrowers work in food and agriculture, with another 12 percent seeking education loans. In addition, \$800,000 of the \$1 million grant was allocated through matching loans on International Women's Day and Mother's Day to women working in food and agriculture.



Workplace Safety

Protecting the safety, health and well-being of our associates around the world is one of our top priorities. We use many methods to integrate health and safety values into the collective consciousness at PepsiCo and ensure the continual improvement of our health and safety culture and performance. Our strategy is called the “Five Pillar” strategy:

1. Lead & Commit
2. Manage Risk
3. Build Capability
4. Perform & Measure
5. Engage

LEAD AND COMMIT	MANAGE RISK	BUILD CAPABILITY	PERFORM AND MEASURE	ENGAGE
<ul style="list-style-type: none"> • Drive accountability • Govern • Invest 	<ul style="list-style-type: none"> • Standardize risk control • Comply with legislation • Focus on risk analysis • Identify and implement solutions • Design out risk 	<ul style="list-style-type: none"> • Establish organizational requirements • Develop EHS professional competence • Build EHS field capability and careers 	<ul style="list-style-type: none"> • Evolve comprehensive KPI set • Global reporting • Aggregate goals and track results 	<ul style="list-style-type: none"> • Involve front-line leadership • Build front-line capability • Engage with communities

We rely on this strategy to support and sustain a culture of safety within PepsiCo, with the aspiration of achieving an incident-free workplace. This aim underpins our core values and helps us deliver on our PwP commitments.

Indra Nooyi, our CEO and Chairman, has encouraged health and safety leaders from around the world to:

- Go beyond their businesses to think and act like a global function, recognizing that environmental incidents or unsafe practices reverberate throughout the entire company;
- Go beyond compliance with local regulations, because simply complying with the law will not make us best-in-class; and
- Go beyond their teams by making everyone accountable for PepsiCo being a safe and responsible company.

There are inherent risks in any business operation. At PepsiCo, we believe that effective systems of risk reduction can be put in place to help prevent environmental incidents and occupational injuries. Our Environmental, Health and Safety (EHS) Policy formally establishes our commitment to environmental protection and occupational health and safety at every level.

In order to ensure compliance with our EHS Policy throughout our global operations, each PepsiCo business develops an annual health and safety plan that includes site-specific strategies and targets. The implementation of these plans is administered by designated health and safety professionals within each business. These leaders have specific health and safety objectives within their Performance Development Reviews. Additionally, safety committees or coordinators are present and active in all company-owned manufacturing plants.

PepsiCo’s Global Environmental, Health and Safety Leadership Team (EHSLT) is responsible for governing environmental compliance and occupational health and safety throughout the company. The EHSLT reports through the Vice



President of Global EHS to the PepsiCo Risk Committee, who is tasked with implementing our Global Roadmap to Health and Safety Excellence.

In 2015, the EHSLT established nine Centers of Expertise (COEs), each focused on a specific EHS risk area:

- Communication/Engagement
- Ergonomics
- Leadership/Capability
- Machinery Safety
- Powered Industrial Truck
- Vehicle Safety
- Walking and Working Surfaces
- Working at Height
- Wastewater

Each COE is sponsored by a senior leader from the EHSLT, and members include technical specialists in EHS and engineering fields throughout the company. The mission of the COEs is to develop technical, organizational and capability building risk control strategies and best practices that will be replicated across all PepsiCo operations and prioritized based on global and local risk profiles. The COE categories represent risks that are high both in severity and frequency, allowing PepsiCo to address multiple dimensions of safety.

The implementation of our EHS Policy is further supported by the PepsiCo Global Environmental, Health and Safety Management System (GEHSMS), which sets global standards for risk areas across our business. During a GEHSMS assessment, a site is evaluated on the implementation of each of our 42 EHS Standards. Assessment answers are scored as Red, Amber or Green according to specific evidence requirements. If a site scores Red or Amber on a question, it generates a “nonconformance” finding, against which corrective actions are created and executed. Our review of health and safety programs

emphasized performance in our “Top 6” health and safety areas for which there is high-severity risk:

- Confined spaces
- Contractor management
- Hazardous energy
- Machinery safety
- Vehicle safety
- Working at height

PepsiCo’s global EHS information system, myEHS, allows us to record and track incidents in real time, conduct audits on mobile devices and tablets, automate our metric reporting, track corrective and preventative actions, share safety alerts and best practices, and set performance goals and objectives.

LOST-TIME INCIDENT RATE

With the help of these EHS initiatives, we aim to achieve world-class health and safety performance. In 2015, the total lost-time incident rate (LTIR) across PepsiCo was 10 percent lower than in 2014. PepsiCo has reduced employee LTIR by 30 percent since 2013 and 62 percent since 2011.



Total Global LTIR

YEAR	2011	2012	2013	2014	2015
Global LTIR (per 1 million hours)	8.99	5.80	4.80	3.68	3.31

Our scope of LTIR reporting, based on total hours worked, consists of 49 percent operations (manufacturing plants) and 51 percent sales (sales-people, drivers and warehouses not attached to plants). It is important to note that the health and safety risk profile of our sales force differs from that of our operations force. The nature of work in the sales sector has inherently greater ergonomic risks presented by stocking shelves and lifting products, as well as additional challenges from implementing alternative duties after an incident. We set intentionally aggressive goals for improving our health and safety performance within this sector to help mitigate these risks.

In 2015, our sales force LTIR was 4.73, while our operations LTIR was 1.85. We reduced our sales force LTIR by 11 percent compared with our 2014 performance and 62 percent compared with our 2011 performance. Looking forward, we will work to maintain our health and safety performance in our operations and increase our focus on safety in our sales force.

Global LTIR by Employment Type

	2011	2012	2013	2014	2015
Employees	10.15	6.65	5.55	4.29	3.86
Contractors	2.85	1.51	1.03	1.00	0.75

Improving Driver Safety

The majority of the fatalities that occurred in 2015 were the result of motor vehicle accidents and security-related incidents. At PepsiCo, one of the greatest risks to the health and safety of our associates is motor vehicle accidents. Road traffic injuries claim more than 1.2 million lives around the world each year. The adoption of the 2030 Agenda for Sustainable Development illuminates the increased urgency for improved road safety by setting a goal of reducing road traffic deaths and injuries by 50 percent by 2020.²²

In response to these incidents, we will continue to actively implement mandatory defensive driver training in accordance with our global EHS Standard for Commercial Vehicle Safety. We train our drivers using either Smith System defensive driver training or our in-house training called "TEST Drive," which stands for Ten Easy Safety Tips. In high-risk countries, we have implemented state-of-the-art behavior-monitoring devices to provide drivers with feedback on their speed, harsh accelerations or decelerations, use of seatbelts and other safety factors.

In 2015, to reduce the number of injuries resulting from vehicle collisions, PepsiCo began the global implementation of black boxes and reverse cameras on all PepsiCo owned commercial vehicles. Black boxes collect general telematics information including routes and location, speed, acceleration, hard cornering and harsh breaking. We have implemented almost 15,000 Global Positioning System (GPS) black boxes in 2016, a 55 percent completion rate year to date, with the goal of equipping all

22. Global Status Report of Road Safety 2015 http://www.who.int/violence_injury_prevention/road_safety_status/2015/en/



vehicles with black boxes by the end of 2017. Additionally, over 14,000 reverse cameras have been installed, a 74 percent completion rate year to date, and we are on schedule for all vehicles to be equipped with reverse cameras by end of 2017.

As a founding member of the Together for Safer Roads (TSR) Coalition, PepsiCo collaborates with industry leaders, including Anheuser-Busch InBev, American International Group (AIG), AT&T, Chevron Corporation, Ericsson, Facebook, International Business Machines Corporation (IBM), iHeartMedia and Walmart. TSR supports the goals of the United Nations Decade of Action for Road Safety and aims to improve road safety; enhance vehicles and systems; reduce deaths and injuries from road traffic; and promote safer road users, advocacy and thought leadership.

NEXT STEPS

To continue improving our health and safety performance, we plan to focus our attention on sales associates, while not losing momentum in manufacturing plant operations. We will use proactive approaches based on behavioral science and technology to support positive behavioral changes and drive performance improvement.

We will also continue to standardize and replicate best practices across sectors, including vehicle design and black box technology, capability building, training, employee and community engagement, wellness and occupational health.

Human Rights

INTRODUCTION

PepsiCo's commitment to respecting the human rights of workers throughout our value chain, as well as the local communities in which we operate, is articulated in our Human Rights Policy, our Code, SCoC and relevant policies including those on land rights, deforestation, and sustainable agriculture. These policies are publicly available on our [website](#), and are communicated internally through annual training and on-boarding, and to suppliers as they join the PepsiCo value chain and through ongoing engagement.

Our aim is to ensure that all rights holders that might be affected by PepsiCo directly and through our value chain can enjoy the human rights described in the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. This can be a challenge for a company with a global footprint, making products directly and through franchise bottlers, joint ventures and co-manufacturers and utilizing thousands of suppliers for ingredients and products that can range from a single supplier to many tiers of suppliers between the raw material and finished products.

Initially, our focus has been on our own operations, our direct suppliers, and agricultural partners which were identified because this is both where our leverage to prevent and respond to human rights challenges is greatest and where our own analysis, as well as feedback from stakeholders tells us that the risks to rights' holders is highest. This is particularly true for agriculture. We have in place programs to assess risk, independently audit sites and remediate problems found at each of the tiers in our value chain. Our internal human rights assessments cover all of our nearly 300 company-owned manufacturing sites. Our Sustainable Sourcing Program (SSP) assesses risk and



drives our independent audit program for direct suppliers. To further advance HR in the supply chain. We are expanding SFI, which will help us identify human rights issues, to include more farms in our efforts to advance human rights in our value chain.

GOVERNANCE

Day-to-day responsibility for Human Rights at PepsiCo sits with our Chief Human Rights Officer (CHRO) and SVP, Chief Counsel, Global Human Resources. Our CHRO chairs our Human Rights Operating Council (HROC), which is made up of senior representatives from relevant corporate and sector functions (HR, PPGA, Legal, Global Procurement, Operations, Global Risk Management, R&D, Sales, Global Compliance and Ethics, Global Sustainability and Communications). The HROC reports to the Sustainability Council.

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

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

During 2015, the HROC highlighted several topics to senior management, including specific human rights allegations connected to land rights in Brazil and deforestation in Indonesia, feedback from NGOs and other human rights experts that greater transparency will be required under the new reporting standards and benchmarks on human rights such as the Corporate Human Rights Benchmark and the UN Guiding Principles on Human Rights Reporting Framework. Our reporting on human rights in PepsiCo's 2015 GRI Report aims to follow this framework.

In early 2016, the Council engaged a respected external organization to help it take a step back and review PepsiCo's overall approach on human rights and to identify future priorities. As a result of a two day workshop, the Council committed to review and update PepsiCo's human rights policy, which was originally drafted in 2009, to reflect the many changes in our approach and in external expectations that have developed since then. We expect to deliver the new policy by the end of 2016.

SALIENT ISSUES

In 2013, the HROC identified the following human rights issues as the most important to the business:

- Impacts on migrant/temporary workers
- Child labor
- Freedom of association and collective bargaining
- Land-related impacts
- Workplace safety
- Working hours (wages, hours, forced overtime)
- Water



The analysis was based on input from Council members, data from existing audit and assessment programs, feedback from external organizations that PepsiCo engaged with including business groups, NGOs, human rights bodies, and socially responsible investors and issues highlighted in reports and other documents. The Council reviewed these issues in 2014 and 2015 and agreed that these continued to be the most important for PepsiCo.

During 2016, we are undertaking a more detailed review of the issues with the help of an external organization to review whether these remain the most salient issues to rights' holders, to ascertain exactly how and where they manifest themselves in our value chain and what specific actions will improve our ability to manage them. We expect this review process to be refreshed annually.

We consult regularly with external stakeholders on our overall approach on human rights, on specific allegations and on our salient issues. We also participate in conferences and business group initiatives to improve our knowledge of specific issues and management approaches and to encourage industry wide progress where it is needed. For example, following feedback from several stakeholders including the Interfaith Center on Corporate Responsibility (ICCR) and the UN Global Compact, we are taking an active role in the Consumer Goods Forum's initiative to fight forced labor. The initiative will seek to establish common standards amongst its large retail and consumer goods company members for key issues such as document retention and fees for our own companies and those in our value chains, as well as seeking other ways to collaboratively tackle forced labor. In addition, we are focusing on improving our engagement with local stakeholders on a regular basis and in response to specific issues raised. This was highlighted as an area for improvement by Oxfam in particular.

During 2015, human rights related issues were raised by external organizations in Brazil (land related impacts), Indonesia (working hours, workplace safety and child labor) and India (freedom of association). In each of these situations, we have conducted a thorough investigation into the allegations, and when necessary, have engaged in mitigating actions. As an example, we agreed to voluntary mediation under OECD with the IUF and our supplier in India. Although we were not able to resolve the dispute in mediation, we are working on the single recommendation made by the U.S. State Department at the conclusion of mediation — that PepsiCo update its Human Rights Policy to fully address the supply chain impact. That policy update was already under way as acknowledged by the State Department.

We have also committed to conduct audits during 2015 and 2016 in Thailand, Mexico and the Philippines that would look at land related impacts, as well as labor issues more generally. As part of delivering more specific work plans, we may identify further geographic priorities, but given the complexity of many of these issues and the breadth of PepsiCo's value chain, we are also seeking to make progress wherever it is needed.

MANAGEMENT OF SALIENT ISSUES

Policies

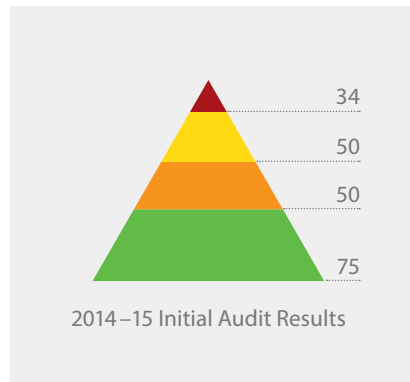
The policies that address our key human rights issues can be found in our Human Rights Workplace Policy, Code and SCoC, as well as related policies such as on land rights, forestry management, and sustainable agriculture. Additional information on our Code and SCoC can be found on pages 92–94.



Assessing impacts and taking action

One of our key deliverables was to roll out our Sustainable Sourcing Program and SFI programs to significantly more suppliers and farms. This increased scope allowed us to identify more key issues, remediate them through corrective action plans developed by the supplier and verified by third-party auditors, and understand where systemic issues exist that require collaboration with others. This rollout is a multi-year program.

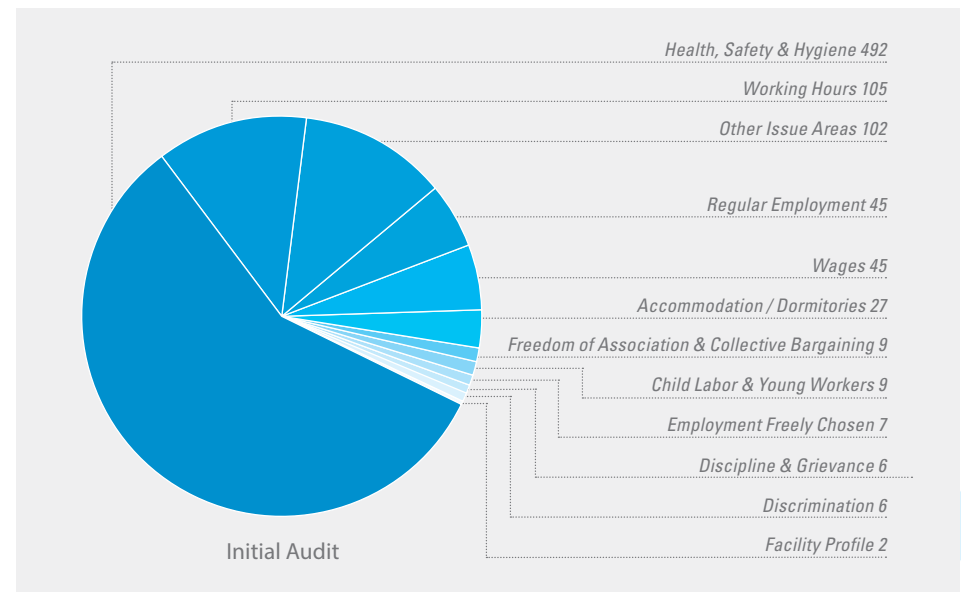
In 2014 and 2015, 209 SMETA 4-Pillar on-site audits were conducted with first tier suppliers through our SSP. Following the on-site audit, sites are scored based on the non-compliances that are reported by the auditor with the site scored from red to green based on the severity and number of non-compliances found on-site. The results are illustrated below.



Overall, the largest number of non-compliances from these audits came in the areas of health, safety and hygiene and working hours. "Health, safety and hygiene" is a very large portion of the on-site audit so the top non-compliances are further broken out below. "Other Issue Areas" includes a variety of non-compliances, including management systems and business integrity, and is combined for SMETA 4-Pillar Audit reporting.

The overall breakdown of non-compliances is illustrated below.

Non-compliances for the 209 initial audits conducted in 2014-15



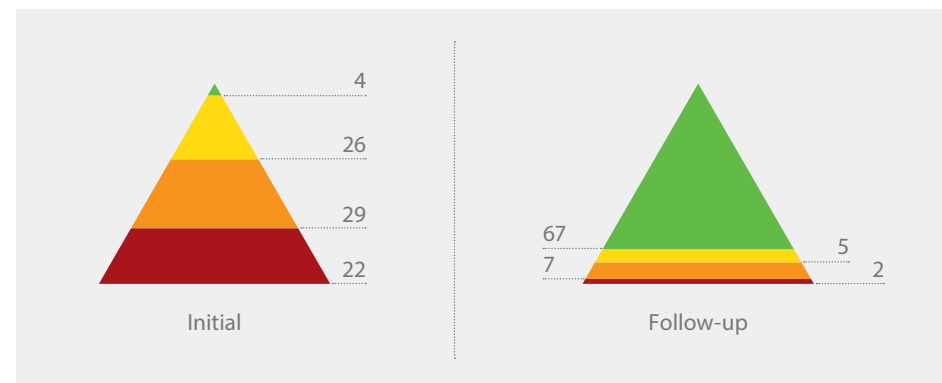


Description of top 10 Health, Safety & Hygiene non-compliances for the 209 initial audits conducted in 2014-15

Fire Safety	200
Health & Safety Management	55
Chemicals	47
Worker Health / First Aid / Accidents	43
Building / Site Maintenance	39
Machinery	38
Health & Safety Training	22
Personal Protective Equipment	20
Hygiene Facilities	12
Housekeeping	9

In 2014 and 2015, there were 81 follow-up audits conducted against initial on-site audits. Of the initial audit results for these 81 sites, 22 were rated red — due to higher risk findings or a larger cumulative number of total non-compliances, with only four sites rated green. Upon completion of the follow-up for these sites, this improved to 67 green sites with only two remaining with red areas of non-compliance for further action. The improved results are illustrated below.

Results for the 81 follow-up audits conducted in 2014-15 compared to their previous initial audit



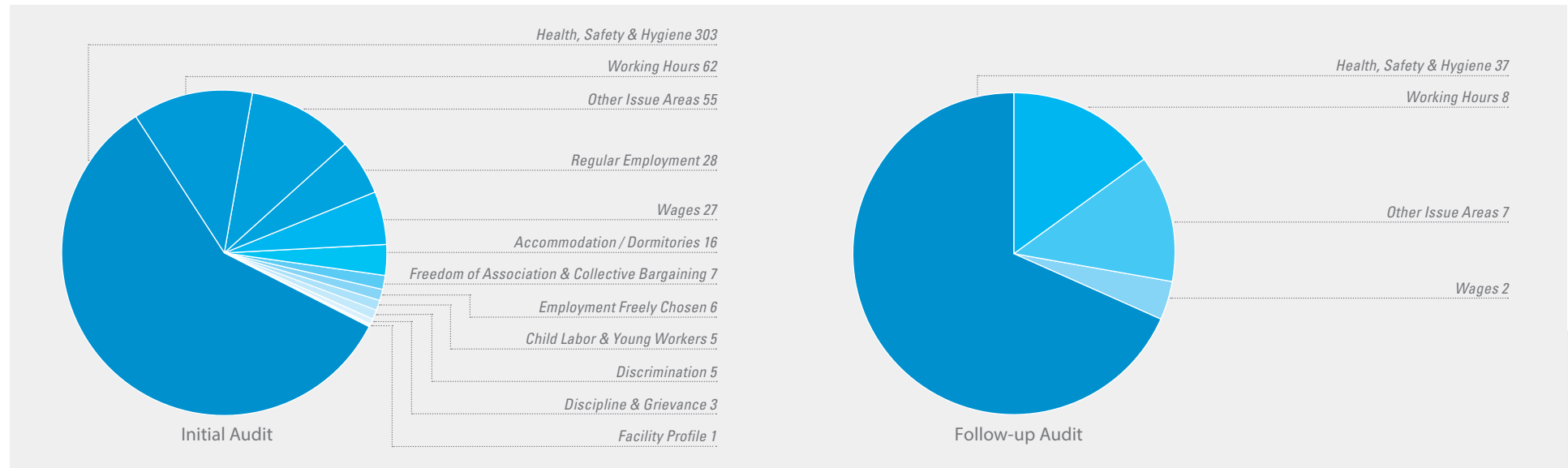
Wherever non-compliances are found, a corrective action plan with a timeline for remediation is put in place by the supplier site and verification of closure is conducted through follow-up review by an approved third party auditing firm. This data will be used to measure improvement over time in our third party supply chain and is also informing the development of our salient issues and the actions we intend to take to address them.



Within the initial on-site audits in 2014 and 2015, there were over 500 non-conformities found across a range of issues. In the follow-up audits during

2014 and 2015, sites demonstrated their corrective actions and the total number of non-compliances had dropped to 54.

Non-compliances for the 81 follow-up audits conducted in 2014-15 compared to their previous initial audit





Description of top 10 Health, Safety & Hygiene non-compliances for the 81 follow-up audits conducted in 2014-15 compared to their previous initial audit

	Initial Audit	Follow-up Audit
Fire Safety	123	12
Health & Safety Management	32	8
Chemicals	26	4
Machinery	24	4
Worker Health / First Aid / Accidents	24	3
Building / Site Maintenance	20	4
Personal Protective Equipment	17	1
Health & Safety Training	15	1
Hygiene Facilities	10	2
Kitchen	6	1

PepsiCo's Own Operations

We have also continued our internal human rights assessment program for our operations, conducting audits at 51 sites in 2015. The most recurring issues identified from these audits are related to working hours due in part to the seasonality of our business. We are taking steps to better understand and address the root cause of the issue.

Grievance Mechanism

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, our policies or applicable law. Our employees have several avenues for reporting issues and seeking advice, including their manager, HR, 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. Additional information on Systems for Reporting Violations can be found on page 94.

NEXT STEPS

PepsiCo will roll out our new human rights policy, and focus on delivering the identified actions to strengthen management of our salient issues.

OUR 2025 PEOPLE AGENDA: ADVANCE RESPECT HUMAN RIGHTS:

- Continue to advance respect for human rights in our operations and with third-party suppliers consistent with the UN Guiding Principles on Business and Human Rights, and extend the principles of our Supplier Code of Conduct (SCoC) to all franchisees and joint venture partners
- Work to expand our Sustainable Farming Initiative (SFI) across approximately 7 million acres to increase environmentally responsible agricultural practices, improve crop yields and growers' livelihoods, and advance respect for workers' fundamental human rights; the expanded SFI includes action in crops that collectively represent approximately 75 percent of PepsiCo's current agricultural-based spend

GLOBAL CITIZENSHIP

We believe in respecting, supporting and investing in the people and communities that we serve. Our goal is to improve the livelihoods of women and families in local communities around the world by focusing our investments in education, employment, sustainable agriculture, safe water access, nutrition and infrastructure.

Why does it matter?

Many communities around the world continue to struggle to address fundamental societal and systemic challenges. By strengthening our communities, we strengthen our business and build a strong reputation, allowing us to safeguard our long-term success. We believe that by aligning our Global Citizenship strategy with PwP, we can help address these challenges for people and communities around the world.

What is our strategy?

The PepsiCo Global Citizenship strategy focuses on pursuing internal and external efforts that can create a positive impact for the communities in which we live and work. We align our strategy with our PwP priority areas (formerly referred to as Human, Environment and Talent Sustainability), which are centered on Products, Planet and People to ensure we are addressing issues of importance to our stakeholders, communities and business. In 2015, we focused on five strategic imperatives to help communities build and secure strong futures:

Products

- Encourage Healthy Lifestyles
- Improve Availability of Affordable Nutrition

Planet

- Provide Access to Safe Water

People

- Improve Youth Employability
- Empower Women Economically

What are we doing about it?

Our Global Citizenship vision helps guide the philanthropic efforts of PepsiCo, the PepsiCo Foundation and our employees. We implement our Global Citizenship strategy through the PepsiCo Foundation, which is committed to developing sustainable partnerships and programs that provide opportunities for improved health, environment and education. The PepsiCo Foundation engages employees through Matching Gift programs, Employee Giving Campaigns and post-secondary education assistance. PepsiCo also encourages associate volunteerism and community involvement. Key elements of PepsiCo's philanthropic activities can be divided into three main categories:

- **Employee Engagement Programs:** We actively encourage our employees to give back to their local communities by participating in PepsiCo's community programs. We have a variety of programs and incentives to amplify employee financial giving and volunteering. One such opportunity

is the PepsiCorps program, which has received White House recognition. PepsiCorps offers a month-long, international, skill-based volunteering experience that gives PepsiCo employees insights into societal challenges and leverages their business skills to make a positive impact on the world. For additional information on employee engagement activities related to PepsiCo's philanthropic giving, see pages 85–88 in the People section of this report.

- **Commercial Initiatives and In-Kind Giving:** Our initiatives are most impactful when we can bring the strength of our brands to our Citizenship efforts and demonstrate the spirit of PwP to our customers and consumers. We seek to integrate our philanthropic and business initiatives where possible, helping communities while growing our business. We also leverage PepsiCo's products, assets and expertise to further the Citizenship agenda. Our approach ranges from cause marketing programs that build consumer loyalty to programs that grow the capability of smallholder farmers to produce ingredients required for our products.
- **Strategic Partnerships:** The PepsiCo Foundation collaborates with and awards grants to organizations that can help advance progress in our Products, Planet and People priority areas. PepsiCo recognizes that we can realize an even greater impact on critical social issues by offering not only funding solutions through the PepsiCo Foundation, but also our own best resource — professional expertise. Our Community Consult Program provides professional expertise to nonprofit organizations to help them improve their operations. We seek to focus our employee giving and commercial/in-kind efforts on our grant partners wherever possible.

Philanthropy and Volunteerism

Financial giving is an important element of our Global Citizenship strategy. To maximize our impact, we seek out organizations that align with our strategy and provide financial support to develop programs, enhance capabilities and build project resilience. In 2015, PepsiCo's combined corporate and Foundation giving totaled more than \$110 million. Our associates also dedicated over 120,000 volunteer hours to various nonprofit causes, which is likely only a small portion of the actual total due to limited tracking mechanisms. In an effort to better capture our employee volunteer contributions, we are working to improve our network, processes and tools.

2015 PEPSICO CITIZENSHIP	CONTRIBUTIONS (IN MILLIONS)
PepsiCo Foundation	\$37.1
Corporate*	8.2
Divisions	11.5
Division Estimated In-Kind	53.7
Total	\$110.5

*Corporate contributions include estimated in-kind donations of \$0.4 million.

Our financial contributions and volunteer efforts have helped make an impact across PwP. For additional information and examples that demonstrate our Global Citizenship strategy in action, see the Products, Planet and People chapters of this report.

EMPLOYEE VOLUNTEERISM IN OUR COMMUNITIES

In commemoration of PepsiCo's 50th anniversary, we started the "50 for 50 Community Give Back" initiative. As part of the program, employees got the opportunity to choose where PepsiCo Foundation grants were allocated. Nearly 55,000 associates from around the world voted to give 82 grants totaling \$5 million globally to charitable organizations in 46 countries.

The 50 for 50 initiative gives back to communities through strategic grants and volunteer events. In addition to voting for grants, PepsiCo employees in 35 countries volunteered their time for local charities as part of the initiative. The following examples illustrate the positive impacts of the PepsiCo Foundation's grants and PepsiCo employees' volunteer efforts and the impact our people have made in their communities and the communities of others.

EMERGENCY RESPONSE EFFORTS IN NEPAL

On April 25, 2015, an earthquake shook Nepal, devastating parts of Barpak, Gorkha and its surrounding areas. In response, PepsiCo India and the PepsiCo Foundation worked with relief partners to get much-needed supplies, water and food to the people of Nepal. PepsiCo and our local bottling partner in Nepal donated more than one million liters of Aquafina water and one metric ton of Quaker Oats to impacted communities in the days immediately following the earthquake. The PepsiCo Foundation provided \$250,000 to the American Red Cross and \$250,000 to the World Food Program to support victims of the earthquake. In addition, the PepsiCo Foundation matched more than \$50,000 in employee donations for Nepal disaster relief, and provided a combined \$100,000 to the Red Cross and Mercy Corps based on the votes of PepsiCo employees in the 50 for 50 Community Give Back program.

"MEALS FOR ALL" PROGRAM IN RUSSIA

As part of the 50 for 50 volunteer initiative, more than 500 PepsiCo Russia associates donated their time and talent during the month of October to

package and deliver approximately 45,000 meals for 1,800 Russian families as part of the "Meals for All" program. The program, in collaboration with the Food Bank Rus Foundation, began on World Food Day, October 16th, and continued through the month of October. In total, volunteers delivered humanitarian support to families in 15 locations across Russia. Silviu Popovich, President of PepsiCo Russia and Nigel Richardson, Vice President of Business Information Solutions, joined the volunteers in Russia to show their support for the initiative.

COMMUNITY ENGAGEMENT IN DUBAI

50 for 50 initiative volunteers in Dubai packaged more than 3,000 handkerchiefs and Aquafina water bottles and personally distributed them throughout the city on an exceptionally hot day in December. The program, known as "Water for Workers," is not just about donating water. Instead, the idea behind the program is to use water as an opportunity for PepsiCo employees to engage with and truly connect with individuals living in Dubai.

SUPPORTING ELEMENTARY SCHOOLS IN SOUTHERN OHIO AND CHICAGO

PepsiCo leadership from southern Ohio volunteered their time to work alongside the Cincinnati Bengals in the Hometown Huddle event, a National Football League and United Way initiative that promotes volunteerism in local communities. This year's Hometown Huddle occurred at William Howard Taft Elementary School in October. The main focus of the event was to build a playground, create a community garden and paint several benches and planters so Taft Elementary students could get outside and enjoy physical activity. Additionally, more than 300 PepsiCo volunteers attended the Chicago Cares Serve-a-thon in June. As part of the program, volunteers for the 50 for 50 initiative spent the day at Barton and Brighton Park Elementary Schools, where they painted classrooms and hallways, built bookcases and cubby benches, and painted maps and games on blacktop play areas.

NEXT STEPS

We remain committed to being the best neighbors we can be. PepsiCo will continue to find ways for the Company and our employees to respect support and invest in the communities where we live and work. Moving forward, the PepsiCo Foundation will continue the “Dollars for Doers” program through which U.S.-based employees can earn money for a charity of their choice by volunteering their time.

As part of our 2025 goals:

- We will improve the lives of more than 12.5 million women and girls through our investments in water, education, employment, nutrition, sustainable agriculture and infrastructure. Specifically, PepsiCo and the PepsiCo Foundation will focus our expertise, resources and strategic partnerships in communities around the world to enable 1.5 million young women to progress through school and be successful in the workforce, creating social and economic opportunities that will benefit their broader communities.
- PepsiCo and the PepsiCo Foundation believes a comprehensive and holistic approach will help these young women achieve success, who in turn will have the power to transform and build sustainable communities. As such, we will provide women and their families with education and market-relevant workforce training, as well as support for nutrition, safe water access, infrastructure and sustainable agriculture. We will support skills development in specialized disciplines such as science, technology, engineering and math (STEM) in order to further prepare them for active roles in our global economy.



CORPORATE GOVERNANCE, RISK MANAGEMENT & COMPLIANCE

A strong focus on corporate governance, risk management, ethical conduct and legal compliance is essential to ensuring the long-term viability of our business while simultaneously promoting economic development in the communities where we work. Guided by PwP and driven by our solid corporate governance and compliance framework, we continue to make complying with applicable laws and upholding the highest standards of ethical conduct a top business priority.

Corporate Governance

Why does it matter?

The importance of strong corporate governance has been amplified in recent years by the rise of digital technology and increased access to information. Strong corporate governance is, and has been a long-standing priority at PepsiCo. We believe our resilient governance structure serves as the foundation for financial integrity, investor confidence and superior performance by creating long-term value for our shareholders while allowing us to prioritize ethical business practices.

As part of our commitment to good governance, we believe that it is our responsibility to incorporate our corporate Values and the principles of our Code into every aspect of our business and every decision that we make. To that end, we maintain open channels of communication between stakeholders and PepsiCo senior leaders, which enables us to respond to the issues that matter most. This integration of value-based decision-making is embedded into our governance structure, sets us apart from our competitors and helps to safeguard our integrity as a sound corporate citizen.

What is our strategy?

Our reputation depends on strong leadership and the superior management of all aspects of our business. To accomplish our aspiration of best-in-class corporate governance, we have adopted comprehensive corporate standards and policies to governing our operations and to ensure accountability for our actions.

Setting the strategic course for PepsiCo involves a high level of constructive engagement between management and our Board. Our entire Board acts as a strategy committee and meets regularly to discuss the strategic priorities of our company, taking into consideration global economic, consumer and other significant trends, as well as changes in the food and beverage industry. In addition, each year, the Board holds a multi-day meeting with senior management dedicated to an extensive review of the company's strategic plans. We also regularly discuss and review feedback from our shareholders and stakeholders.

What are we doing about it?

At PepsiCo, sustainability is not viewed as tangential to the business, or a program solely owned by a dedicated team. Instead, sustainability matters are integrated into PepsiCo's entire business. In response, the full Board considers sustainability issues an integral part of its business oversight and has delegated day-to-day responsibility for sustainability to senior management of the company.

PepsiCo, guided by PwP, seeks to deliver top-tier financial performance while creating sustainable growth and shareholder value. As such, we approach Board succession planning with the same rigor that we apply to our business strategy. The Board is particularly focused on identifying individuals whose skills and experiences will enable them to make meaningful contributions to the shaping of our business strategy and who will bring diverse and balanced

perspectives to the boardroom. Our Board's involvement in leadership development and succession planning is systematic and ongoing, and the Board provides input on important decisions in each of these areas.

For additional information on the following topics, please see PepsiCo's 2016 Proxy Statement and [Corporate Governance website](#).

- Corporate governance policies
- Board leadership structure
- Board diversity
- Shareholder engagement
- Communications with the Board
- Executive compensation

Please see Sustainability Governance on page 7 and our [2016 Proxy Statement](#).

Risk Management

As with any business, achieving our strategic and operating objectives involves managing potential and actual risks. To identify, assess, prioritize, address, monitor and communicate these risks across the company's operations, PepsiCo leverages an integrated enterprise risk management (ERM) framework. Our integrated risk management framework helps us align risks and opportunities to our strategic objectives.

PepsiCo's Board has oversight responsibility for PepsiCo's integrated risk management framework and designated Board Committees (including the Audit Committee and Compensation Committee of the Board) to assist with oversight of certain categories of risk management. We employ several internal Committees, including the PepsiCo Risk Committee (PRC), and Division Risk Key Country Committees which are comprised of cross-functional senior management teams, to identify, assess, prioritize and address the top risks facing the company. Additionally, PepsiCo's Global Risk Management Office helps manage the overall risk management process and supports the PRC and other internal risk committees by identifying and assessing potential risks and facilitating ongoing communication between the parties, as well as with PepsiCo's Board and the Audit Committee of the Board.

We continue to enhance the integration of our risk management framework into our strategic planning process to enhance the linkage of our key business risks and global business strategies. Integrating risk with strategy helps protect the organization from future uncertainty and exploit opportunities, thereby increasing the probability of success in achieving our corporate goals and driving improved decision-making across the organization. It is also an important element in driving a risk-aware culture across the organization. By integrating risk and strategy, we can help ensure our senior leaders are focusing on the appropriate risks and priorities for the organization as a whole.

Our strategies are designed to address our key challenges, including, uncertain macroeconomic conditions; evolving consumer tastes and preferences, changes in the legal and regulatory environment, imposition of new or increased taxes or other measures that impact our products; and changes in customer channels; and resource scarcity. We believe that many of these challenges create new growth opportunities for us. Please refer to our [Form 10-K "Item IA. Risk Factors"](#) and [2016 Proxy Statement](#) for additional information.

Compliance

MISSION, VALUES AND GLOBAL CODE OF CONDUCT

Our Values and our Code are the cornerstone of our governance strategy and guide the way we do business. They define our commitment to ethical behavior and legal compliance. 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" by acting ethically and being consistent with our Values, our Code, our policies and the law.

PepsiCo's Values are our compass, guiding us as the socially and environmentally responsible Company we aspire to be. Our Values commitment is to deliver sustained growth through empowered people, acting with responsibility and building trust. We uphold our Values with six guiding principles:

- 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; and
- Respect others and succeed together.

Our Code is our road map to acting ethically and in compliance with all applicable laws. It was updated in 2012 to address changes in laws and evolving risk areas, and undergoes minor edits each year to reflect new processes and policies. Our Code is organized around four principles:

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

Our Code applies to all PepsiCo employees (including employees of our subsidiaries), members of the PepsiCo Board 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 over 25 languages on our internal and external websites and is promoted annually through our global Training Program and Awareness Campaign. The full text of our Code is publicly available on our [website](#).

CODE OF CONDUCT TRAINING AND AWARENESS

In everything we do, we strive for honesty, fairness and integrity. PepsiCo's Chief Compliance and Ethics Officer, supported by the Global Compliance and Ethics Department, maintains responsibility for overseeing the promotion, monitoring and enforcement of our Code. Each year, we conduct an annual worldwide Code of Conduct Training and Awareness program to ensure our employees understand their obligation to comply with the Code and to provide specific guidance on behaviors that are expected under the Code.

In our 2015 training program, over 66,280 salaried employees completed a Web-based Code of Conduct training and certification course. Our

custom-written training course featured the theme of “Make Ethics Part of Your Daily Routine” and was designed to help employees make ethical business decisions. This interactive, scenario-based training was available in 24 languages and mandatory for all salaried employees who met our eligibility criteria. In addition, more than 178,000 frontline employees in our plants and warehouses received in-person training on the principles of our Code and our Values through training workshops. In many areas, the front-line training sessions were manager-led and included a custom-written training video.

Each year, our training is accompanied by our annual Code Awareness Campaign that promotes the Code message throughout all levels of the organization. The Awareness Campaign is kicked off by a series of broadcast email messages from our CEO and other senior leaders to set an example for making a personal commitment to follow our Code. Awareness activities may vary in different sectors across the globe, but often include a series of Code and Speak Up posters, hallway screen monitors, video vignettes, ethical leadership manager toolkits, trainee participation games and decision-making learning aids. In connection with the Awareness program, our Code is distributed in some form to all employees via training or other means. All Awareness activities conducted in each sector and region are reported to Global Compliance and Ethics for tracking purposes.

In addition to our annual Code Training and Awareness campaign, the Code message is continually reinforced throughout the year on our internal websites through dedicated online resource centers where employees can access materials to learn more about our Values, our Code and policies. We also occasionally publish articles in our PepLine employee newsletter to promote topics related to Code compliance.

Each year, we also conduct additional subject-matter training to address specific compliance risk areas. In 2015, the additional subject-matter training included the following:

- Over 66,280 employees completed an online anti-bribery training course

- Over 12,600 U.S. beverage employees completed a course for compliance with a Federal Trade Commission Consent Order relating to our 2010 bottler acquisition, and
- Over 24,900 employees completed an online “Living Our Values” course available in three languages.

SUPPLIER CODE OF CONDUCT TRAINING

At PepsiCo, our commitment to ethics and integrity extends beyond our Company fence line to our suppliers. Our SCoC is based on the ILO, UN Global Compact and other internationally recognized standards. Its 13 principles include basic compliance with applicable law; respect for human rights and prohibition of all forms of forced or compulsory labor, ensuring no child labor is used; prohibitions on corruption and bribery, and cooperation with reasonable assessment processes requested by PepsiCo. The SCoC is available in 25 different languages, and we endeavor to reference the SCoC in all new procurement contracts globally.

Our SCoC e-learning training module is publicly available in six languages on www.pepsico.com to ensure understanding of our SCoC. We use our supplier SSP to communicate and educate our suppliers, evaluate compliance and facilitate continuous improvements within our supply chain, including self-assessment and third-party on-site Sedex Members Ethical Trade Audit (SMETA) audits on Human Rights and Labor Practices, Health & Safety, Environment, and Business Integrity to measure compliance with our SCoC. In 2015, approximately 88 percent of our top targeted key suppliers completed the SCoC training. The SCoC e-learning module was also made available to over 1,100 outsourced contract workers who also certified compliance to our SCoC. This training helps to ensure suppliers understand and comply with the principles of the SCoC and support our goal of long-term sustainable supply by addressing known social risks and building management capability in their operations. Additionally, we have controls in place to ensure policy compliance.

SYSTEMS FOR REPORTING VIOLATIONS

Speaking up and communicating honestly is an integral part of our ethical culture at PepsiCo. As such, we encourage all employees to ask questions and raise concerns. Every employee has an obligation to report suspected violations of our Values, our Code, our policies or the law.

We provide several avenues for our employees to share their concerns and report suspected misconduct. For example, employees can contact their managers, their HR representative, the PepsiCo Law Department, the Global Compliance and Ethics Department or our Speak Up hotline.

Our Speak Up hotline is operated by an independent third-party vendor to provide employees, consumers, business partners, community members and other third parties with a 24/7 anonymous and confidential means of seeking guidance and reporting potential violations of our Values, our Code, our policies or applicable law. As part of the Speak Up program, reports can be made via dedicated toll-free phone lines in 61 countries and 38 languages or by using the Speak Up Weblines available in 25 languages. We ensure that all of our employees are aware of and know how to use our Speak Up hotline by promoting it at facilities and office locations, on Company internal and external websites, and in various training programs.

We take reports of suspected violations seriously at PepsiCo. When reports are received, our Global Compliance and Ethics team reviews the issue in accordance with an incident management process and our Escalation Policy. Global Compliance and Ethics works closely with and provides oversight to investigators assigned to each case within each Sector/ Region to foster consistency of the investigative process, discipline and appropriate corrective actions.

PepsiCo protects our employees who raise concerns and report suspected misconduct so that they may do so without fear of retaliation. Our Code

and Non-Retaliation Policy prohibit 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 or
- Reports a violation of law to government authorities

ANTI-CORRUPTION

As part of our commitment to operating in compliance with all applicable laws and regulations, PepsiCo maintains a robust Anti-Bribery program and related policies that reflect our strong commitment to anti-corruption in all aspects of our operations and supply chain.

At the core of our Anti-Bribery and anti-corruption program is our Code and our Anti-Bribery Compliance Policy. Our Code prohibits unethical business practices such as corruption, bribery, extortion, kickbacks and money laundering, and 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. Our commitment to Anti-Bribery extends into our supply chain as well. All of our suppliers and contractors are required to abide by our SCoC, 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 2015, over 66,280 salaried, email-enabled employees with Internet access completed an online training course on

Anti-Bribery and certified compliance with our updated Global Anti-Bribery Compliance Policy. The course is available in 25 languages and custom written to address issues specific to PepsiCo business. We require 100 percent completion among all employees who meet our eligibility criteria for online training. In addition, over 7,430 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 anti-corruption also extends to our Worldwide Gifts Policy and Travel & Entertainment Policies. 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 Code training.

GRI INDEX

This report was developed “in accordance” with the Global Reporting Initiative’s (GRI) G4 Guidelines at the core level. Through our materiality determination process, we have identified aspects that reflect PepsiCo’s economic, environmental and social performance. Each aspect is specific to PepsiCo business operations and may cover multiple topics as defined by GRI. Unless otherwise noted, we use GRI-defined indicators to demonstrate performance for each aspect. Indicators with “FP” correspond to the G4 Food Processing Sector Disclosures. Note that not all indicators represented in the GRI Index are disclosed fully — in some cases, only partial information is included in the report based on availability of information. Omission statements are provided where required based on the GRI G4 Core Report guidelines. For more information on the Global Reporting Initiative, please visit globalreporting.org.

		PAGE #	OMISSION STATEMENT IF APPLICABLE
FINANCIAL AND CORPORATE GOVERNANCE PERFORMANCE			
Strategy and Analysis	G4-1 CEO Letter	3	
Company Profile	G4-3 Name of the organization	6	
	G4-4 Primary brands, products and/or services	6	
	G4-5 Location of organization’s headquarters	6	
	G4-6 Number of countries where the organization operates	6	
	G4-7 Nature of ownership and legal information	6	
	G4-8 Markets served	6	
	G4-9 Scale of the reporting organization	6	
	G4-10 Report the total number of employees by employment contract and gender	6, 68	
	G4-12 Describe the organization’s supply chain	6	
	G4-EC1 Direct economic value generated and distributed	6	
Sustainability Governance	G4-35 Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	7–8	
	G4-36 Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	7	

		PAGE #	OMISSION STATEMENT IF APPLICABLE
	G4-45 Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks and opportunities.	7	
	G4-51 Report the remuneration policies for the highest governance body and senior executives	7	
Stakeholder Engagement	G4-DMA	10–11	
	G4-15 Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or endorses	14	
	G4-16 Membership in associations and/or national/international advocacy organizations	14	
	G4-24 Provide a list of stakeholder groups engaged by the organization	12–13	
	G4-25 Report the basis for identification and selection of stakeholders with whom to engage	10	
	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	12–13	
	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	12–13	
Material Aspects and Boundaries	G4-13 Significant changes during the reporting period regarding size, structure or ownership	17	
	G4-17 Scope of financial and nonfinancial reporting	17	
	G4-18 Process for defining report content	15–16	
	G4-19 List all material aspects	16	
	G4-20 Boundary of the report	17	

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G4-21 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities	17	
G4-22 Explanation of the effect of any restatements of information provided in earlier reports	17	
G4-23 Significant changes from previous reporting periods in the scope and aspect boundaries	17	
G4-28 Reporting period	17	
G4-29 Date of previous report	17	
G4-30 Reporting cycle	17	
G4-31 Sustainability contact point	17	
G4-32 GRI Index	95–103	
G4-33 Policy and current Practice with regard to seeking external assurance for the report	17	
Public Policy and Political Engagement		
G4-DMA	18	
G4-SO6 Total value of political contributions by country and recipient/beneficiary	19	

		PAGE #	OMISSION STATEMENT IF APPLICABLE
PRODUCT PILLAR			
	G4-DMA	22–23	
Renovating and Innovating Healthier Options	FP6 Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and added sugars	23–25	PepsiCo reports reductions in saturated fat, trans fats, sodium and added sugars at the enterprise-wide level. However, at this time, PepsiCo does not report this data as a percentage of total sales volume.
	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	25–26	PepsiCo reports increases in nutritious ingredients at the enterprise-wide level. However, at this time, PepsiCo is unable to separate increases in nutritious ingredients by category or as a percentage of total sales volume.
Responsibly Marketing Our Products	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	28–30	
	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	28–31	
PepsiCo Quality and Food Safety	FP5 Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards	35	

		PAGE #	OMISSION STATEMENT IF APPLICABLE
PLANET PILLAR			
	G4-DMA	38–56	
	G4-14 Explanation of whether and how the precautionary approach or principle is addressed by the organization	N/A	To protect our business and achieve positive returns year after year, 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.
Water	G4-EN8 Total water withdrawal by source	41	
	G4-EC7 Development and impact of infrastructure investments and services supported	42	
Climate Change*	G4-EN3 Energy consumption within the organization	48	
	G4-EN6 Reduction of energy consumption	46–48	
	G4-EN15 Direct Greenhouse Gas (GHG) emissions (Scope 1)	47	
	G4-EN16 Energy indirect Greenhouse Gas (GHG) emissions (Scope 2)	47	
	G4-EN17 Other indirect Greenhouse Gas (GHG) emissions (Scope 3)	49–50	
	G4-EN19 Reduction of Greenhouse Gas (GHG) emissions	46–48	
	G4-EN30 Significant environmental impacts of transporting products and other goods and materials for the organization’s operations, and transporting members of the workforce	48	

		PAGE #	OMISSION STATEMENT IF APPLICABLE
Sustainable Sourcing	G4-EN33 Significant actual and potential negative environmental impacts in the supply chain and action taken	51–54	PepsiCo suppliers to which this indicator applies (farmers) exercise due care and attention in their farming activities and practices. However, many do not commonly conduct formal impact assessments, therefore the information requested by GRI is currently unavailable.
	FP1 Percentage of purchased volume from suppliers compliant with company's sourcing policy	51–54	While PepsiCo maintains policies on supplier standards, we do not currently track the volume of purchases from compliant suppliers and therefore the information requested by GRI is unavailable.
Packaging and Waste	G4-EN1 Materials used by weight or volume	56	
	G4-EN2 Percentage of materials used that are recycled input materials	57	
	G4-EN23 Total weight of waste by type and disposal method	57	
	G4-EN28 Percentage of products sold and their packaging materials that are reclaimed by category	56	

		PAGE #	OMISSION STATEMENT IF APPLICABLE
PEOPLE PILLAR			
	G4-DMA	60–62	
Talent Attraction, Engagement & Growth	G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender, and region	65	PepsiCo reports rates of new employee hires, employee turnover and retention by gender. PepsiCo does not report age group or region.
	G4-LA10 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	64–65	
Diversity and Engagement	G4-10 Report the total number of employees by employment contract and gender	68	
	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	68	
	G4-LA13 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	70	
Workplace Safety	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	77	With more than 263,000 employees in over 200 countries and different safety requirements across facilities, we cannot tabulate safety incidents at the level of granularity required by GRI.
	G4-LA7 Workers with high incidence or high risk of diseases related to their occupation	77–78	
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	78–80	
	G4-HR9 Total number and percentage of operations that have been subject to human rights reviews or impact assessments	81	

	PAGE #	OMISSION STATEMENT IF APPLICABLE
GLOBAL CITIZENSHIP**		
G4-DMA	85–86	
CORPORATE GOVERNANCE, RISK MANAGEMENT & COMPLIANCE		
G4-DMA*	89–90	For additional information on our Corporate Governance, please refer to our website and 2016 Proxy Statement
G4-34 Governance structure of organization, including committees of highest governance body*		For additional information on our Corporate Governance, please refer to our website and 2016 Proxy Statement
G4-37 Process 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*		For additional information on our Corporate Governance, please refer to our website and 2016 Proxy Statement
G4-38 Report the composition of the highest governance body and its committees*		For additional information on our Corporate Governance, please refer to our website and 2016 Proxy Statement
G4-39 Report whether the chair of the highest governance body is also an executive officer*		For additional information on our Corporate Governance, please refer to our website and 2016 Proxy Statement
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*		For additional information on our Corporate Governance, please refer to our website and 2016 Proxy Statement
G4-49 Report the process for communicating critical concerns to the highest governance body*		For additional information on our Corporate Governance, please refer to our website and 2016 Proxy Statement

	PAGE #	OMISSION STATEMENT IF APPLICABLE
G4-51 Report the remuneration policies for the highest governance body and senior executives*		For additional information on our Corporate Governance, please refer to our <u>website</u> and <u>2016 Proxy Statement</u>
G4-56 Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	91–92	
G4-SO4 Communication and training on anti-corruption policies and procedures	92–95	

*For more information please visit: <http://www.pepsico.com/Company/Corporate-Governance>, http://www.pepsico.com/docs/album/Investor/297606_pepsico_webready_w8xpqzcnaxknax.pdf?sfvrsn=0

*For additional information regarding our climate strategy, please refer to our 2015 CDP response.

**At this time there are no relevant GRI indicators that directly correspond with PepsiCo's material aspect of Global Citizenship. PepsiCo monitors and reports on this aspect through the KPIs discussed in the Global Citizenship section.

VERIFICATION STATEMENTS



VERIFICATION STATEMENT GREENHOUSE GAS EMISSIONS

Bureau Veritas North America, Inc. (BVNA) was engaged to conduct an independent verification of the greenhouse gas (GHG) emissions reported by PepsiCo, Inc. (PepsiCo) for the period stated below. This Verification Statement applies to the related information included within the scope of work described below.

The determination of the GHG emissions is the sole responsibility of PepsiCo. BVNA's sole responsibility was to provide independent verification on the accuracy of the GHG emissions reported, and on the underlying systems and processes used to collect, analyze and review the information.

Boundaries of the reporting company GHG emissions covered by the verification:

- Operational Control
- Worldwide

Emissions data verified:

- **Scope 1:** 3720 thousands of metric tons of CO₂ equivalent
 - **Legacy:** 2737 thousands of metric tons of CO₂ equivalent
- **Scope 2 (location-based):** 1870 thousands of metric tons of CO₂ equivalent
 - **Legacy:** 1287 thousands of metric tons of CO₂ equivalent
- **Scope 3:** 3900 thousands of metric tons of CO₂ equivalent (Category 9: Downstream Transportation and Distribution)

Data and information supporting the Scope 1 and Scope 2 GHG emissions assertion were historical in nature.

Data and information supporting the Scope 3 GHG emissions assertion were in some cases estimated rather than historical in nature.

Period covered by GHG emissions verification:

- January 1, 2015 to December 31, 2015

GHG Reporting Protocols against which verification was conducted:

- World Resources Institute (WRI)/World Business Council for Sustainable Development (WBCSD) Greenhouse Gas Protocol (**Scope 1 and 2**)
- WRI/WBCSD Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (**Scope 3**)

GHG Verification Protocols used to conduct the verification:

- ISO 14064-3: Greenhouse gases -- Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions

Level of Assurance and Qualifications:

- Limited
- Qualifications: None

Bureau Veritas North America, Inc.

Health, Safety, and Environmental Services

520 South Main Street, Suite 2444

Akron, Ohio 44311-1087

Main: (330) 983-0850

Fax: (330) 252-5105

www.us.bureauveritas.com



PepsiCo, Inc.
May 3, 2016

Page 2

GHG Verification Methodology:

- Interviews with relevant personnel of PepsiCo;
- Review of documentary evidence produced by PepsiCo;
- Review of PepsiCo data and information systems and methodology for collection, aggregation, analysis and review of information used to determine GHG emissions at PepsiCo headquarters in Plano, Texas and during visits to thirteen (13) global locations for manufacturing, warehouse and distribution activities. The locations visited included: Aurangabad, India; Beijing, China; Carregado, Portugal; Cidra, Puerto Rico; Charlotte, North Carolina, USA; Columbia, Missouri, USA; Corlu, Turkey; Guadalajara, Mexico; Guatemala City, Guatemala; Kentville, Canada; Indianapolis, Indiana, USA; Murcia, Spain; Piscataway, New Jersey, USA ; and
- Audit of sample of data used by PepsiCo to determine GHG emissions.

Assurance Opinion:

Based on the process and procedures conducted, there is no evidence that the GHG emissions assertion shown above as emissions data verified:

- are not a fair representation of the GHG emissions data and information; and
- have not been prepared in accordance with the GHG Reporting Protocols against which verification was conducted

It is our opinion that PepsiCo has established appropriate systems for the collection, aggregation and analysis of quantitative data for determination of these GHG emissions for the stated period and boundaries.



PepsiCo, Inc.
May 3, 2016

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Statement of independence, impartiality and competence

The Bureau Veritas Group is an independent professional services company that specializes in Quality, Health, Safety, Social and Environmental management with over 185 years history in providing independent assurance services.

No member of the verification team has a business relationship with PepsiCo, its Directors or Managers beyond that required of this assignment. We conducted this verification independently and to our knowledge there has been no conflict of interest.

The Bureau Veritas Group has implemented a Code of Ethics across the business to maintain high ethical standards among staff in their day-to-day business activities.

The verification team has extensive experience in conducting assurance over environmental, social, ethical and health and safety information, systems and processes, has over 25 years combined experience in this field and an excellent understanding of The Bureau Veritas Group standard methodology for the verification of greenhouse gas emissions data.

Attestation:

John A. Stangline, Lead Verifier
HSE Director - Cleveland
Bureau Veritas North America, Inc.
Akron, Ohio

Lisa S. Barnes, Technical Reviewer
Practice Line Leader, Sustainability and Climate
Change Services.
Bureau Veritas North America, Inc.
Denver, Colorado, USA

May 3, 2016

This verification statement, including the opinion expressed herein, is provided to PepsiCo and is solely for the benefit of PepsiCo in accordance with the terms of our agreement. We consent to the release of this statement by you to the Carbon Disclosure Project (CDP) in order to satisfy the terms of CDP disclosure requirements but without accepting or assuming any responsibility or liability on our part to CDP or to any other party who may have access to this statement.



BUREAU VERITAS NORTH AMERICA INDEPENDENT ASSURANCE STATEMENT

Introduction and objectives of work

Bureau Veritas North America, Inc. (BVNA) was engaged by PepsiCo to conduct an independent assurance of select occupational health and safety data to be included in PepsiCo's Dow Jones Sustainability Index (DJSI) submission and corporate sustainability report. This Assurance Statement applies to the related information included within the scope of work described below for the time period of January 1, 2015 to December 31, 2015. The intended users of the assurance statement are the stakeholders of PepsiCo. The overall aim of this process is to provide assurance to PepsiCo's stakeholders on the accuracy, reliability and objectivity of select information included in the Report.

This information and its presentation in PepsiCo's Dow Jones Sustainability Index (DJSI) submission and corporate sustainability report (Reports) are the sole responsibility of the management of PepsiCo. BVNA was not involved in the drafting of the Reports. Our sole responsibility was to provide independent verification on the accuracy of information included in the scope of work. This is the fourth year in which we have provided verification over selected occupational health and safety data included in PepsiCo's Dow Jones Sustainability Index (DJSI) submission and corporate sustainability report.

Boundaries of the reporting company GHG emissions covered by the verification:

- Operational Control
- Worldwide Manufacturing, Warehouse, Distribution Centers, Offices, and Sales Operations

Scope of work

PepsiCo requested BVNA to include in its independent review the following:

- Verify the accuracy of the following data for the 2014 reporting period:
 - Occupational Fatalities for Employees, Dependent Contractors, Independent Contractors and Third Parties;
 - Number of Lost Time Incidents (Occupational Injuries and Illnesses) for Employees and Dependent Contractors
 - Number of Hours Worked for Employees and Dependent Contractors
 - Number of Recordable Incidents for Employees and Dependent Contractors (Occupational Injuries and Illnesses)
 - Environmental Compliance Fines paid (in local country currency)
- Appropriateness and robustness of underlying reporting systems and processes used to collect, analyze, and review the environmental information reported; and
- Evaluation of the reported data against PepsiCo's internal reporting procedures.

Bureau Veritas North America, Inc.

Health, Safety, and Environmental Services

520 South Main Street, Suite 2444

Akron, Ohio 44311-1087

Main: (330) 983-0850

Fax: (330) 252-5105

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Excluded from the scope of our work is any assurance of information relating to:

- Text or other written statements associated with PepsiCo submissions
- Activities outside the defined reporting period

Methodology

BVNA undertook the following activities:

1. Interviews with relevant personnel of PepsiCo (including individuals at the plant, regional and corporate levels);
2. Review of internal and external documentary evidence produced by PepsiCo;
3. Review of PepsiCo performance data by conducting site visits to PepsiCo headquarters in Plano, Texas and during visits to sample source data to thirteen (13) global locations for manufacturing, warehouse and distribution activities. The locations visited included: Aurangabad, India; Beijing, China; Carregado, Portugal; Cidra, Puerto Rico; Charlotte, North Carolina, USA; Columbia, Missouri, USA; Corlu, Turkey; Guadalajara, Mexico; Guatemala City, Guatemala; Kentville, Canada; Indianapolis, Indiana, USA; Murcia, Spain; Piscataway, New Jersey, USA ; and
4. Review of PepsiCo information systems for collection, aggregation, analysis and internal verification and review of environmental data.

Our work was conducted against the Bureau Veritas Group's standard procedures and guidelines for external Verification of Sustainability Reports based on current best practice in independent assurance and the assurance standard the International Standard on Assurance Engagements (ISAE) 3000. The work was planned and carried out to provide limited, rather than absolute, assurance and we believe it provides an appropriate basis for our conclusions. The materiality threshold for this verification was 5%.

Our findings

On the basis of our methodology and the activities described above, it is BVNA's opinion that:

- Nothing has come to our attention to indicate that the reviewed information within the scope of our verification is not materially correct.
- Nothing has come to our attention to indicate that the reviewed information is not a fair representation of the actual data for calendar year 2015.
- It is our opinion that PepsiCo has established appropriate systems for the collection, aggregation and analysis of quantitative data within the boundaries of the reporting for determination of the following for PepsiCo employees, dependent and independent contractors and third parties: Number of fatalities.
- It is our opinion that PepsiCo has established appropriate systems for the collection, aggregation and analysis of quantitative data within the boundaries of the reporting for determination of the following:



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- For PepsiCo employees and dependent contractors: Lost Time Injuries, Occupational Illnesses, and Working Hours. *Occupational illnesses are determined based on the definition by SAM "any abnormal condition or disorder - other than one resulting directly from an accident - caused by, or mainly caused by, work-related factors and recognized during the year as part of national schemes or regulations."*
- For PepsiCo employees, dependent contractors, independent contractors, and third parties: occupational fatalities.

Statement of independence, impartiality and competence

The Bureau Veritas Group is an independent professional services company that specializes in Quality, Health, Safety, Social and Environmental management with over 185 years history in providing independent assurance services, and an annual 2015 revenue of 4.6 billion Euros.

No member of the assurance team has a business relationship with PepsiCo, its Directors or Managers beyond that of verification and assurance of sustainability data and reporting. We have conducted this verification independently and we believe there to have been no conflict of interest. BVNA has implemented a Code of Ethics across the business to maintain high ethical standards among staff in their day-to-day business activities.

The assurance team has extensive experience in conducting assurance over environmental, social, ethical and health and safety information, systems and processes, has over 20 years combined experience in this field and an excellent understanding of BVNA standard methodology for the Assurance of Sustainability Reports.



Bureau Veritas North America, Inc.
Cleveland, Ohio
June 13, 2016