

SUSTAINABILITY

CASE

Presented by



PEPSICO
CANADA

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Our Company

In 1965, Donald Kendall, the CEO of Pepsi-Cola, and Herman Lay, the CEO of Frito-Lay, recognized what they called “a marriage made in heaven,” a single company delivering perfectly-salty snacks served alongside the best cola on earth. Their vision led to what quickly became one of the world's leading food and beverage companies: PepsiCo.

PepsiCo products are enjoyed by consumers more than one billion times a day in more than 200 countries and territories around the world. PepsiCo generated more than \$67 billion in net revenue in 2019, driven by a complementary food and beverage portfolio that includes Frito-Lay, Gatorade, Pepsi-Cola, Quaker and Tropicana. PepsiCo's product portfolio includes a wide range of enjoyable foods and beverages, including 23 brands that generate more than \$1 billion each in estimated annual retail sales.

Guiding PepsiCo is our vision to Be the Global Leader in Convenient Foods and Beverages by Winning with Purpose. "Winning with Purpose" reflects our ambition to win sustainably in the marketplace and embed purpose into all aspects of the business.

Our company is made up of seven divisions: PepsiCo Beverages North America; Frito-Lay North America; Quaker Foods North America; Latin America; Europe; Africa, Middle East and South Asia; and Asia Pacific, Australia/New Zealand and China. Each of these divisions has its own unique history and way of doing business.

PepsiCo Canada is part of the North American divisions, with both a PepsiCo Beverages, PepsiCo Foods, and Quaker division in Canada.



Sustainability at PepsiCo

At PepsiCo, we believe that there is an opportunity to change how the world produces, distributes, consumes, and disposes of foods and beverages in order to tackle the shared challenges we face.

We aim to use our scale, reach, and expertise to help build a more sustainable food system; one that can meet human needs for nutrition and enjoyment, and continue to drive economic and social development, without exceeding the natural boundaries of the planet.

As well as being good for our business, working to realize this purpose is also the right thing to do. Where our food system may be operating in an unsustainable way, it can create supply chain, operational, and financial risks for our company. By contrast, addressing risks within our value chain and the wider food system effectively can create new opportunities for competitive advantage and future market growth, while also supporting the communities in which we operate.

PepsiCo's sustainability agenda focuses on six overlapping priorities within our food system. Our priorities meet three important criteria: They relate to the most pressing sustainability challenges, risks, and opportunities facing PepsiCo and our food system; they matter most to PepsiCo's key external stakeholders; and they offer the opportunity for PepsiCo to make a positive difference at a systemic level, within and beyond our own value chain.

This first focus area of PepsiCo is sustainable sourcing. By 2025, PepsiCo is committed to sustainably source priority raw materials. Also, by 2021, the company aims to source 100% of its Palm Oil and 100% its cane sugar. Needless to say, that the company is well on its way, as the latest report indicates an 82% and an 86% increase respectively in sustainable agriculture compared to 2015.

The second focus area is to have a positive water impact. Some of the objectives fixed by the company regards the agricultural supply chain, where water efficiency needs to be increased by 15% by 2025. PepsiCo's last report indicates that the company is now at a 3% improvement after 5 years. As well as trying to reduce the usage of water, PepsiCo is doing a lot of work via the PepsiCo Foundation to provide safe water to 25 Million people. By 2020, The work of PepsiCo has made sure that the objective was already beaten as more than 44 Million people now have access to clean and fresh water compared to 2006.

The third focus area is on packaging. PepsiCo aims to have 100% of its products be packaged in recyclable, compostable or biodegradable bags/cans/bottles by 2025. The company also aims to



be zero waste. The latest report has showed that 88% of the product portfolio is now in line with these objectives

The fourth focus area is to improve PepsiCo's choices across the brand portfolio to promote healthier lifestyles. This is why the company wants the 2/3 of its beverages to have less than 100 calories, less sodium and saturated fats. Right now, 47% of the products are meeting these objectives.

The fifth focus area concerns the people and their prosperity. PepsiCo promotes equal human rights by training their providers with local groups on how to improve the quality of the workspace. As such, PepsiCo is conducting ongoing due diligence at every site to ensure that the entire supply chain and distribution at PepsiCo is ethical and is in respect with every human right out there. The company also aims for a very diverse management workforce. By 2019, 41% of the management roles worldwide were held by women, and both sexes were paid within 1% of each other.

The sixth focus area is about climate change mitigation, and this is where 80% of your mandate will be focusing on. PepsiCo's main objective is to reduce greenhouse gas (GHG) emissions by at least 20% by 2030. PepsiCo has only reached 9% of its goal in that regard so far. In Canada, a new project was put into place to help achieve this goal.

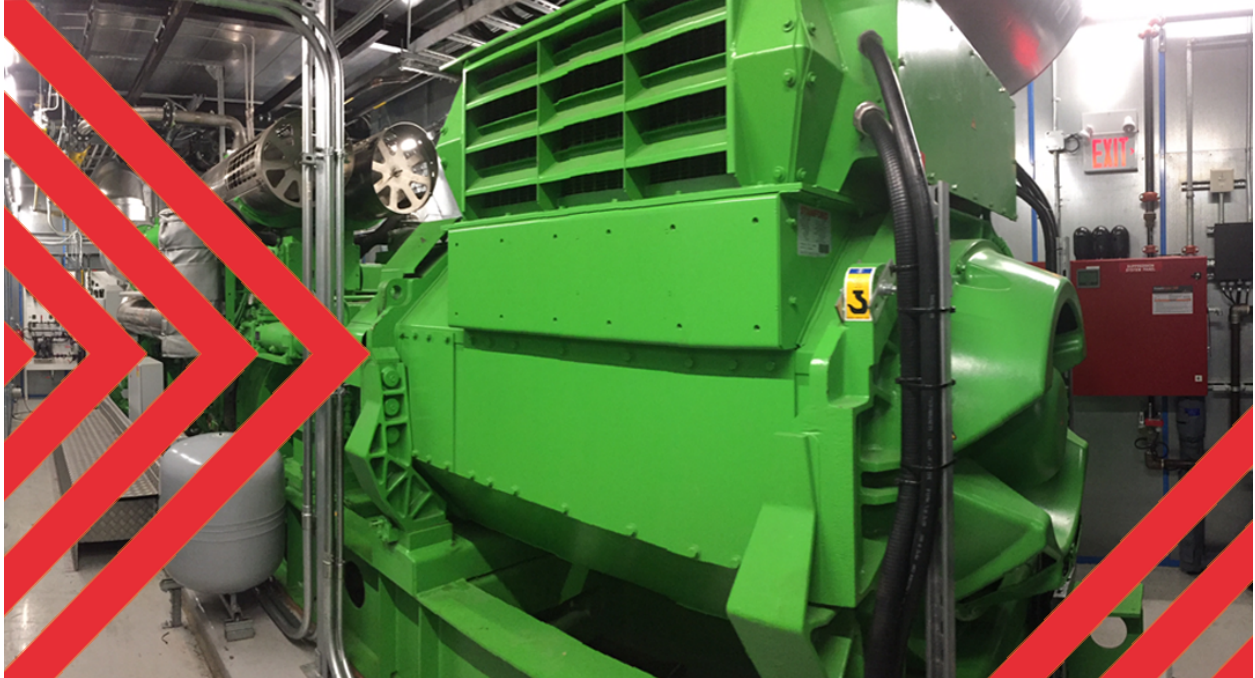
The Project - Cogen

Our Toronto location installed a 2-megawatt cogeneration (cogen) unit at the North America Beverages Mississauga manufacturing location. The cogen unit captures waste heat energy from the combustion of fuel and beneficially uses the excess heat to support existing production processes, such as heating the "can warmers" that prevent packaging from being ruined by condensation. The cogen technology is reducing the site's reliance on the electrical grid, as well as reducing annual carbon emissions and the plant's operating costs.

This installation in North America represents a significant design and integration accomplishment. The plant team worked diligently with local utility providers, local government and multiple service providers to coordinate the complex integration of this state-of-the-art infrastructure into both key plant processes and local electrical grid.



This cogen unit produces electricity, decreases the reliance on the grid and reduces the carbon footprint of PepsiCo. This results in saving 8 million tons of greenhouse gas emissions annually – that's like removing 397 passenger vehicles each year!



The beverage manufacturing facility in Mississauga is not the only PepsiCo facility to use the cogeneration technology in the world. The Gatorade facility in Pennsylvania has been doing it for years now and the annual savings in electricity top around 1 000 000\$ each year. Taking the price of the machine in consideration and the operations fees such as maintenance, an average of 600 000\$ net are saved in energy each year in each facility that uses this technology.

The Challenges

Implementing systems such as the cogeneration unit is a very big challenge. Managers from facilities such as the one in Lévis, Quebec, have to deal with an increasing consumer demand right now due to the COVID-19 pandemic as well as an increasing portfolio of products, this means they need to reprioritize their focus solely on production and meeting consumer demand. However, the facility is looking for solutions to balance high demands while still meeting sustainability goals.

While keeping the productivity goals private, you can consider that generally, a growth between 2 to 8% in sales (depending on the region) is an annual objective.



How can PepsiCo focus on its productivity goals while also making sustainable changes and progress against sustainability goals?

The Customers vs. the Consumers

PepsiCo's activities focus on a B2B2C distribution channel. PepsiCo's costumers are mainly wholesaling stores like Costco, grocery stores such as Loblaws & Wal Mart, pharmacies, convenience stores and other small clients (Canadian Tire, bars, hotels, trains, etc.). Over the years, PepsiCo built a great partnership with the costumers, mainly because of our frontline workforce.

The consumers are the people buying the products from our customers. They are the demand and that demand is highly impacted the brand image of our products. The PepsiCo customers are very diverse because of our vast portfolio. Here is shortlist of some of our customers and the products that appeal to them:

- Athletes can be satisfied by our Gatorade brand as well as our Spitz sunflower seeds;
- Gamers find themselves to be the perfect target for Mountain Dew and Doritos;
- Adrenalin junky motorsports people can count on Rockstar and its social currency;
- Families see a perfect fit with Lays, Cheetos, Pepsi, bubbly and even more brands;
- Professionals can count on Montellier and our ready to drink Starbuck drinks;
- The older generation and more fancy people can count Miss Vickies;
- Group of friends can count on Tostitos for lasting memories;
- People looking for a bio option can find PepsiCo withing our Simpli line and our Bare brand.

Our consumers are present worldwide, in more than 200 countries and territories and they are influenced by their peers and by the action one company takes. Consumers are very informed and are more and more inclined to buy products from a brand they can identify their values with.

The Stakeholders

When implementing a sustainable solution, many stakeholders come into play. First of all, the big decision makers in the company have the power to influence such projects. These include the CEO, the VPs of all the divisions and the facility managers. Governments of federal, provincial



and municipal jurisdiction are major stakeholders because they are establishing guidelines and best practices. Governments can also provide funding for green projects, but first, they need to be convinced. Employees are another major stakeholder to help guide through major change projects, such as new technology implementations. Other stakeholders include suppliers and consumers, who are demanding that organizations become more sustainable.

Mandate

As business consultants, you have been mandated to help PepsiCo achieve its goals in terms of sustainability. As mentioned before, 80% of your presentation must focus on Climate Change Mitigation and the other 20% on various ways PepsiCo can thrive in the 5 additional focus areas mentioned previously.

You now have four hours to **develop an internal strategic plan to convince the different stakeholders about the necessity to implement the cogen technology and/or an alternative solution to help with climate change mitigation.** Your strategic plan must include:

- A great analysis of the pros and cons of the cogen technology and a few alternatives to the cogen technology to reduce the use of energy and gas emissions along with criteria to select the proper method for meeting the climate change mitigation objectives.
- An internal communication plan to convince the stakeholders of the benefits of the cogen technology (and/or the alternatives if you chose to go somewhere else)
- A complete integration plan and timeline to introduce the new best practices to the facility

PepsiCo is giving you a budget of 10 million dollars over a 10 years sustainability plan where the first 1-2 years must focus on convincing the stakeholders, the 3rd to 5th year on implementation, the 6th to 8th on audit and improvement while the last few years must focus on the legacy for future years of your strategy

Other considerations

PepsiCo wants you to think of a few tactics to appeal to the consumers to increase the amount of sales and consumer loyalty.



PepsiCo also wants to hear about other potential ideas that could accelerate the achievement of the other focus areas.

Additional information

To read more about the objectives of the different focus areas, please refer yourself to appendix A.

To read more about the COGEN technology, refer yourself to appendix B.

You are also free to use all the useful data from appendix C.



2019 PERFORMANCE METRICS

Our Sustainability Reporting Suite includes multiple resources available online that explain our approach to help build a more sustainable food system. This document reflects progress against our sustainability goals, as they were structured in 2019. For detail on how we measure performance against these goals, see the Calculation Methodology page on our [ESG Topics A-Z](#).



AGRICULTURE



Goal	2016	2017	2018	2019	2020 Target	2019 Comments
Agriculture Advance environmental, social, and economic benefits to communities around the world by supporting practices and technologies that promote improved farmer livelihoods and agricultural resiliency.						
Achieve 100% sustainably sourced ¹ potato, whole corn, oats, and oranges by 2020	0%	24%	51%	Nearly 80%	100%	Percentage of volume sustainably sourced and verified by a third party.
Achieve 100% sustainably sourced ¹ palm oil by 2020	16%	32%	52%	82%	100%	Progress based on volume of certified sustainable palm oil meeting RSPO standard.
Achieve 100% sustainably sourced ¹ cane sugar by 2020	0%	34%	58%	86%	100%	Progress based on volume of certified sustainable cane sugar meeting Bonsucro or equivalent standard.
Achieve sustainably sourced ¹ priority raw materials based on business needs by 2025	– ²	15%	23%	12% ³	100% (2025 Target)	

¹ "Sustainably sourced" refers to meeting the independently verified environmental, social, and economic principles of PepsiCo's Sustainable Farming Program, enabling continuous improvement, best practices, and positive outcomes for farmers, communities, and the planet

² Data for this time period not available

³ Scope of goal was expanded in 2019 to include additional raw materials identified through a materiality assessment



Goal	2016	2017	2018	2019	2025 Target	2019 Comments
Water Drive water security to assure business continuity while positively contributing to communities.						
Improve water-use efficiency by 15% in our agricultural supply chain (focused on corn and potatoes) in high water-risk areas by 2025 ¹	– ²	– ²	3%	– ³	15%	High water-risk locations defined by WRI's Aqueduct tool.
Improve operational water-use efficiency by 25% in high water-risk areas by 2025 ⁴	1% ⁵	2% ⁵	4% ⁵	9%	25%	Between 2006–2015, water-use efficiency improved by 25.8% in all global legacy operations.
Replenish 100% of the water we use in manufacturing operations in high water-risk areas by 2025	9% ⁶	11% ⁶	8% ⁶	10%	100%	Replenishment benefits claimed for local activities are capped at 100% to prevent overachieving projects from inflating global progress measurements.
Adopt the Alliance for Water Stewardship Standard as our vehicle for water advocacy in high water-risk areas by 2025	Our actions include: <ul style="list-style-type: none"> Advocating for the adoption of smart water policies and regulations Sharing information and best practices with water stakeholders Supporting public education and training for consumers and communities 					At the end of 2019, we had 3 high water-risk facilities in progress of adopting the Alliance for Water Stewardship Standard.
Deliver safe water access to 25 million people by 2025	11 million	16 million	22 million	44 million	25 million	Metric counts the cumulative number of people provided with access to safe water since 2006.

¹ 15% improvement target measured versus a 2015 baseline

² Data for this time period not available

³ To focus efforts on implementing sustainable practices, we currently intend to collect and publish agricultural water-use efficiency data every three years

⁴ 25% improvement target measured versus a 2015 baseline

⁵ Prior period results for this metric have been adjusted to reflect calculations for high water-risk sites only

⁶ Prior period results for this metric have been expanded to measure volume of water used in previous year; previously measured volume of water consumed



PACKAGING



Goal	2016	2017	2018	2019	2025 Target	2019 Comments
Packaging Fundamentally change the way the world interacts with our packaging to deliver our vision of a world where plastics need never become waste.						
Design 100% of packaging to be recyclable, compostable, or biodegradable by 2025	– ¹	87% ²	88% ²	88%	100%	
Increase recycled content in our plastics packaging to 25% by 2025	– ³	3%	3%	4%	25%	
Reduce 35% of virgin plastic content across our beverage portfolio by 2025	– ⁴	– ⁴	– ⁴	1%	35%	
Invest to increase recycling rates in key markets by 2025	Our actions include: <ul style="list-style-type: none"> • Educating and encouraging consumers to recycle • Partnering to increase and improve recycling infrastructure and building solutions for current and future material streams 				Further information on partnerships, including with The Recycling Partnership, the Alliance to End Plastic Waste, and Circulate Capital, are detailed on the Packaging page of our ESG Topics A-Z .	

¹ All data for this time period is not available

² Prior period results for this metric have been adjusted to reflect enhanced calculation methodology and data availability

³ Target established in 2017

⁴ Target established in 2019



PRODUCTS



Goal	2016	2017	2018	2019	2025 Target	2019 Comments
Products Reduce added sugars, sodium, and saturated fats.						
≥ 67% of beverage portfolio volume will have ≤100 Calories from added sugars per 12oz. serving by 2025	40% ¹	40% ²	44% ³	47% ⁴	67%	Our global progress is based on our Top 26 Beverage markets, which represent 79% of our global beverage volume as of 2019.
≥ 75% of foods portfolio volume will not exceed 1.3 milligrams of sodium per Calorie by 2025	54% ¹	56% ²	58% ³	61%	75%	Our global progress is based on our Top 23 Foods markets, which represent 90% of our global foods volume as of 2019.
≥ 75% of foods portfolio volume will not exceed 1.1 grams of saturated fat per 100 Calories by 2025	66% ¹	61% ²	61% ³	62%	75%	Our global progress is based on our Top 23 Foods markets, which represent 90% of our global foods volume as of 2019.

¹ Represents Top 10 markets. Top 10 markets represent 63% of beverages volume and 79% of foods volume as of 2016.

² As of 2017, Top 26 Beverage markets represent 80% of our global beverages volume and Top 23 Foods markets represents 90% of our global foods volume

³ As of 2018, Top 26 Beverage markets represent 80% of our global beverages volume and Top 23 Foods markets represents 89% of our global foods volume

⁴ 2019 results reflect the inclusion of the SodaStream portfolio



CLIMATE



Goal	2016	2017	2018	2019	2030 Target	2019 Comments
Climate Do our part to curb climate change by reducing greenhouse gas (GHG) emissions across our value chain.						
Scope 1 & 2: Reduce absolute greenhouse gas (GHG) emissions by at least 20% by 2030 ¹	1%	2%	7%	9%	20%	
Scope 3: Reduce absolute greenhouse gas (GHG) emissions by at least 20% by 2030 ¹	-2	-2	3%	5% ³	20%	
Total Emissions: Reduce absolute greenhouse gas (GHG) emissions by at least 20% by 2030 ¹	-2	-2	3%	6% ³	20%	

¹ 20% improvement target measured versus a 2015 baseline

² All data for this time period is not available

³ Beginning in 2019, we enhanced our calculation methodology. For baseline years 2015 and 2018, data has been recalculated utilizing this enhanced methodology. Where 2019 transport data was not available, we used 2018 data as a proxy.



PEOPLE



Goal	2016	2017	2018	2019	2025 Target	2019 Comments
Human Rights Advance respect for human rights by using PepsiCo's capabilities and scale.						
Drive fair and safe working conditions throughout our value chain by addressing our most salient human rights issues	Our actions include: <ul style="list-style-type: none">• Embedding respect for human rights throughout our business and value chain• Conducting ongoing due diligence• Engaging with our stakeholders and driving collaborative action• Providing effective grievance mechanisms and access to remedy		Our actions include: <ul style="list-style-type: none">• Embedding respect for human rights throughout our business and value chain• Conducting ongoing due diligence• Engaging with our stakeholders and driving collaborative action• Providing effective grievance mechanisms and access to remedy		Please see our <u>2019 Human Rights Report</u> for detailed information on our approach, ongoing initiatives, and progress in addressing our salient human rights issues.	
Extend the principles of our Supplier Code of Conduct to all of our franchisees and joint ventures by 2025	Our actions include: <ul style="list-style-type: none">• Establishing a formal program to engage our franchisees and joint ventures• Engaging our franchisees and joint ventures on our human rights agenda		Our actions include: <ul style="list-style-type: none">• Establishing a formal program to engage our franchisees and joint ventures• Engaging our franchisees and joint ventures on our human rights agenda		Please see the Policy Framework Section of our <u>2019 Human Rights Report</u> for detailed information on our work to extend the principles of our Supplier Code of Conduct to our franchisee and joint ventures.	
Diversity Promote a diverse and inclusive workplace.						
Achieve gender parity by 2025 in management roles	38%	39%	40%	41%	50%	% of women in management roles.
Sustain our pay equity program	Women and men are paid within 1% of each other (base compensation) ¹		100%		U.S. and U.K. included in 2016 analysis. 21 countries included in 2017 analysis. 33 countries included in 2018 analysis. 69 countries included in 2019 analysis, representing 99% of salaried population.	
Prosperity Increase the earnings potential of women to drive economic growth and increase food security.						
Invest \$100 million by 2025 to provide 12.5 million women with essential resources for workforce readiness and in programs that empower women in the food system and farming	\$6.7 million	\$14.3 million	\$27.3 million	\$38.5 million	\$100 million	Cumulative investments. These are funded by both PepsiCo and the PepsiCo Foundation.

¹ After controlling for legitimate drivers of pay; analysis excludes frontline

Organizational changes (e.g. acquisitions, mergers, divestitures) are evaluated to determine if they have a statistically significant impact to sustainability metric performance. As data becomes available, all reported years for impacted metrics are recast to consistently reflect organizational changes.



HARNESSING THE POWER

CHP PLAYS KEY ROLE IN PEPSICO'S GREEN INITIATIVE

In 2006, PepsiCo made a full-on commitment to sustainability when it unveiled its Performance with Purpose initiative. Harnessing the power of its global scale, the iconic food and beverage company outlined far-reaching goals to make healthier food and curb its environmental footprint, resulting in savings of \$600 million between 2011 and 2015.

Two years ago, PepsiCo re-upped its sustainability goals, which include improving water use efficiency by 25 percent by 2025 and reducing greenhouse gas emissions by 20 percent by 2030.

As Director of Sustainability for PepsiCo's North American beverage operations, Andy Lempera oversees environmental programs in 65 manufacturing facilities in North America that make Gatorade, Tropicana and Pepsi.

"We provide a lot of manufacturing jobs, and some of these facilities are in water-stressed areas, so we're very sensitive to the fact that we're using water for our product, and we want to use it as efficiently as possible," Lempera said from PepsiCo's office in downtown Chicago, which features first-floor public displays that demonstrate the company's sustainability efforts.

Generation next

Utilizing cogeneration within its manufacturing facilities is a key piece of PepsiCo's efforts to reduce greenhouse gas emissions.

According to the U.S. Energy Information Administration, a typical power plant, no matter what the fuel—whether it's nuclear, coal or natural gas—operates at about 30 percent net

efficiency. Most of that wasted energy dissipates in the atmosphere.

Continued on page 10

CUSTOMER PROFILE

PepsiCo Gatorade facility

Location: Mountain Top, Pa.

Application: Cogeneration (CHP) for beverage plant

Cat® Equipment: G3516H gas generator set



PEPSICO

“With cogeneration, we generate electricity onsite where we can capture the heat, which means we can operate at increased net efficiencies of more than 70 percent,” Lempera says. “In the course of making Gatorade, we have a very high thermal demand, so we’re able to recover that heat from the generator set and put it to good use, offsetting our consumption of natural gas.”

At the Gatorade facility in Mountain Top, Pa., a Cat® G3516H gas generator set drives a combined heat and power (CHP) system for a beverage-making operation that produces 140 million gallons of the popular sports drink annually.

The CHP project was developed in late 2015 by Cat dealer Cleveland Brothers Power Systems, with construction taking place throughout most of 2016 and final commissioning in January 2017. The project scope included upgrading the facility’s medium-voltage switchgear and heat recovery systems.

The power produced by the generator is used throughout the Mountain Top facility for everything from air conditioning to process control of Gatorade production.

The facility uses a peak of 3 MW of power in the summertime. The Cat generator produces 2 MW, meaning that two-thirds of the facility’s peak energy needs are supplied by the CHP system.

“This CHP system is well suited for the application because we use a lot of heat in our manufacturing process in addition to electric power,” says Hank Bastemeyer, a controls resource engineer at the Gatorade plant.

Driven by the Cat genset, the CHP system makes about 2,800 lbs./hr. of 100 psi steam, and provides roughly five to six million BTU per hour of hot water. The Mountain Top facility uses three different heat sources from the cogeneration system:

- Exhaust gas is used to generate steam that is used in the beverage-making process.
- Jacket water used for cooling the engine is utilized in a heat recovery loop.



Steam and hot water from the CHP plant are utilized in the production of Gatorade

- Aftercooler water is used for preheating Gatorade prior to the pasteurization process.

“One thing we’ve instituted that wasn’t part of the original design is taking the crankcase vent gases and recirculating them back into the engine,” Bastemeyer adds. “So that provides us with a much greener footprint for the engine.”

Dealer support

Cleveland Brothers Power Systems provided a turnkey proposal for the generator installation, serving as construction manager for the entire project, as well as the vendor for the generator. Cleveland Brothers also provides all maintenance of the CHP system through a 10-year Customer Support Agreement.

Facilities staff at the Gatorade plant conduct a daily inspection of the G3516H genset.

“If plant personnel identify a concern, they call Cleveland Brothers, and being local, they’re able to respond very quickly—their technicians are near the Mountain Top facility, and a short drive

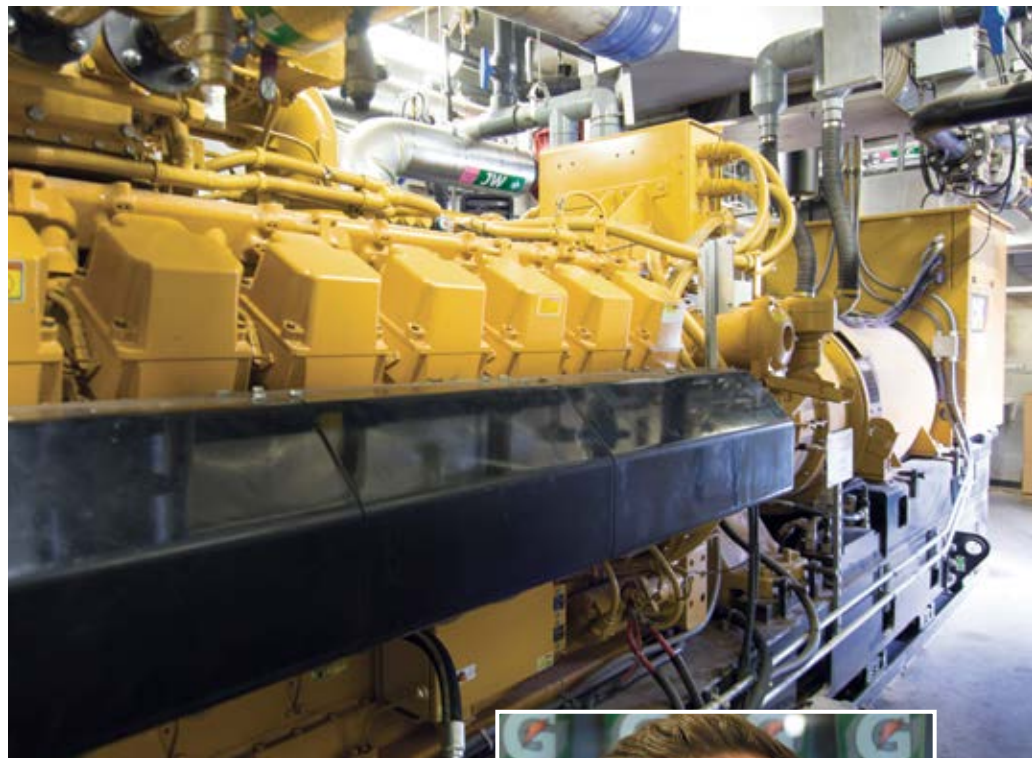


away—so they arrive typically within a half hour, but surely within the same day,” Lempera says.

Bastemeyer has developed a software monitoring system that provides live, comprehensive information about the CHP system, including performance of the Cat engine.

“We also have a cell signal that’s being connected to the engine, so that Cleveland Brothers can remotely monitor the system, as well,” he says. “We have email and text messages when there’s an alert. So both myself and Cleveland Brothers receive information from the engine 24/7.”

The staff at the Mountain Top plant is also evaluating the possibility



of utilizing biogas derived from its wastewater treatment system as an additional fuel source for the Cat genset, Bastemeyer says.

“We have a good relationship with Cleveland Brothers,” he says. “It’s the expectation of PepsiCo that the genset runs 90 percent of the time or better, and we are working with them to achieve that goal.”

Green = Big savings

Since it began operating in late January with full heat recovery, Lempera says the CHP system will save the Gatorade facility about \$1 million in annual electric utility costs. That savings is offset by added use of natural gas to run the generator, as well as regular maintenance performed by Cleveland Brothers. Annual net savings with the CHP system is expected to total about \$600,000, he says.


“PepsiCo is looking to reduce costs as any other company would, but we also have a very green incentive,” Bastemeyer says. “By installing a cogeneration system and generating power onsite, we are reducing our greenhouse emissions, so it’s better for

the environment, as well as saving us money in energy costs.”

When selecting a generator, PepsiCo bases its decision on price, local support, and also operating experience with the engines.

“We have several Cat generators in our fleet, and we’ve had good experience with them,” Lempera says. “The entire project was turnkey, and Cleveland Brothers was in the right ballpark for what we expect on price. So at the end of the day, pricing and our experience with Caterpillar helped us make our decision.”

Currently, PepsiCo is nearing completion of a 3.6 MW cogeneration system consisting of three Cat 3512E generator sets at its Indianapolis Gatorade facility. Lempera says there is more to come.

“Based on the success we’ve had at the Mountain Top facility and our ongoing project at Indianapolis, we have more opportunities for cogeneration systems, and we’ll continue to work on developing additional projects that serve our needs and help us meet our sustainability goals.” 



“In the course of making Gatorade, we have a very high thermal demand, so we’re able to recover that heat from the generator set and put it to good use, offsetting our consumption of natural gas.”

ANDY LEMPERA

Director of Sustainability
PepsiCo North America
Beverage Operations



2019

**Sustainability
Report
Summary**

Helping to
build a more
sustainable
food system

June 2020



PEPSICO

Message from Our CEO

Even before the COVID-19 pandemic profoundly transformed how we work, parent, shop, learn, and socialize, the food system was under tremendous stress.

Around the world, topsoil is degrading, packaging waste is piling up, more regions are experiencing water scarcity, and climate change is dangerously accelerating. These pressures threaten the long-term ability to feed a growing global population.

But we know that systemic problems require systemic solutions, and the pandemic has brought into sharp focus the larger need to address our long-term sustainability challenges. It is clearer than ever that organizations like PepsiCo and our partners need to take bold steps to catalyze positive change and bring about a stronger, more sustainable future for us all.

We've laid out an ambitious agenda, focusing on the areas where we believe we can have the most impact.



While we've made great progress, we know there's even more to be done and that we can't do it alone. Partnership is more important than ever before, and we'll continue to work with our peers, governments, NGOs, and the communities where we operate, leveraging all the tools at our disposal to advance progress. We also issued our first "Green Bond" in 2019, generating nearly \$1 billion to fund key sustainability initiatives.

With the help of partners and the leadership of our first-ever Chief Sustainability Officer, Simon Lowden, we will look to build on the tremendous progress we've made and double down on our efforts in the months and years ahead.

Only by working together can we emerge from the current crisis stronger than before, with a more sustainable food system and a brighter future for all.



A handwritten signature in black ink, reading "Ramon Laguarta".

RAMON LAGUARTA

PepsiCo Chairman of the Board of Directors and Chief Executive Officer
June 2020

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From the way we grow our crops to the transport of our products and the coolers that display our brands, PepsiCo has already made significant progress in reducing greenhouse gas emissions throughout our value chain—but we know tackling climate change will require even more, and we can't lose sight of that.

SIMON LOWDEN

PepsiCo Chief Sustainability Officer



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Read the full 2019 PepsiCo Sustainability Report
pepsico.com/sustainability/strategy

Forward-Looking Statements

This PepsiCo, Inc. Sustainability Report Summary 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," "anticipate," "believe," "drive," "estimate," "expect," "goal," "intend," "may," "plan," "project," "strategy," "target" and "will" or similar statements or variations of such terms and other similar expressions. Forward-looking statements inherently involve risks and uncertainties. For information on certain factors that could cause actual events or results to differ materially from our expectations, please see PepsiCo's filings with the Securities and Exchange Commission, including its 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.

Scale And Reach Across Our Value Chain

Across our value chain, PepsiCo is using our global reach and expertise to drive solutions at scale.



*23 brands that generate more than \$1 billion each in estimated annual retail sales

PepsiCo's sustainability strategy targets every stage of our complex value chain to use resources more efficiently, reduce GHG emissions, replenish water, improve our products, and recapture packaging materials.



Our Focus Areas

Agriculture

Making agriculture more intelligent, inclusive, and gentler on the earth:

- » We continue to expand our Sustainable Farming Program (SFP), reaching more than 40,000 farmers around the world with training in sustainable practices like more efficient use of fertilizer and water, plant protection techniques, and respect for workers' rights.
- » Our global network of more than 230 Demonstration Farms in 9 countries show farmers how to increase yields with sustainable techniques and encourage peer-to-peer learning with neighboring farms.
- » In India, our collaboration with the US Agency for International Development (USAID) is empowering women farmers and making agriculture more inclusive and productive.



Water

Using water more efficiently, replenishing water locally, and helping to ensure water security:

- » We've delivered safe water access to 44 million people since 2006, far surpassing our goal of 25 million people by 2025. We are now setting a new target to reach 100 million people by 2030.
- » We've adopted the globally recognized Alliance for Water Stewardship (AWS) best practice standard at our high water-risk facilities and completed four pilots around the world.

Packaging

Supporting a circular economy by reducing, recycling, and reinventing our packaging:

- » We are 88% of the way to our goal of 100% recyclable, compostable, or biodegradable packaging by 2025.
- » We are innovating to transform our packaging by testing 100% industrially compostable thin-film plant-based snack bags in the U.S., India, and Chile.
- » Through the growth of SodaStream, the #1 sparkling water brand in the world by volume*, we estimate that about 67 billion single-use plastic bottles will be avoided through 2025.



*Total global volumes taken from GlobalData's *Global Packaged Water Report 2018*, compared with SodaStream company information.

Our Focus Areas (continued)

Product

Improving choices across our portfolio and integrating purpose into our brands:

- » We're making progress against our goals to reduce added sugars, sodium, and saturated fat and expanding products like Pepsi Zero Sugar and Baked Lay's around the world.
- » We've made acquisitions like Pioneer Foods, BFY Brands (PopCorners), CytoSport (Muscle Milk), Be & Cheery, and Bare to offer more brands to help meet consumers' needs as part of a balanced diet.
- » Our brands are inspiring positive change, such as Stacy's Rise, a mentoring program for women entrepreneurs in the U.S., and Doritos Rainbow celebrating the LGBTQ community in partnership with the It Gets Better Project.



Climate

Reducing greenhouse gas (GHG) emissions across every part of our value chain:

- » We signed the UN Business Ambition for 1.5°C pledge, demonstrating our commitment to climate action and are developing a strategy for achieving net-zero emissions by 2050.
- » In 2020, we announced a transition to 100% renewable electricity through a range of solutions across all U.S. direct operations, building on progress we have made globally.
- » Our Sustainable from the Start program helps our product development teams project and consider the environmental impact, carbon and water footprint, and packaging recyclability of a product.

People

Advancing respect for human rights, promoting diverse and inclusive workplaces, and empowering women across our business and throughout our global value chain:

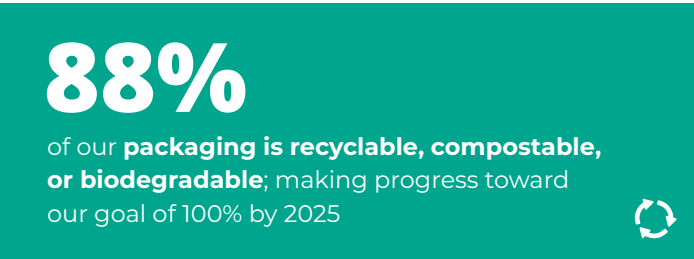
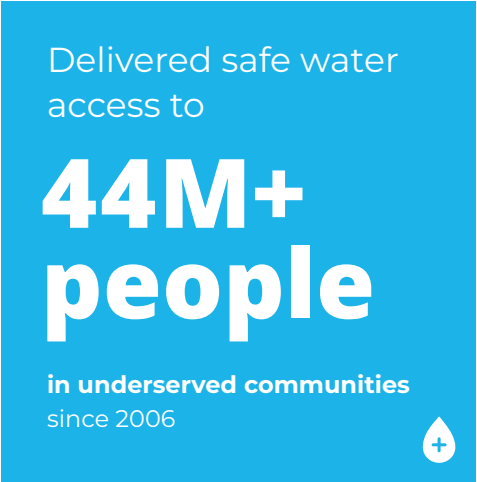
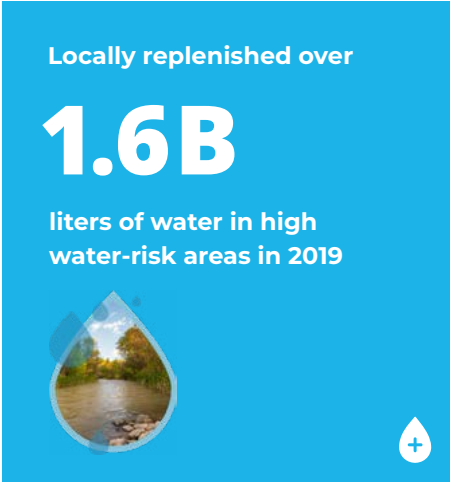
- » We respect the rights of our PepsiCo associates, suppliers, farmers, retail and franchise partners, and many others who make, move, and sell our products.
- » In 2019, more than 860 on-site audits of PepsiCo's first-tier suppliers were conducted or recognized to ensure compliance with our Sustainable Sourcing Program's rigorous standards.



Our Progress Highlights

PepsiCo is leveraging our scale, reach and expertise across the areas where we can have the greatest impact.

-  AGRICULTURE
-  WATER
-  PACKAGING
-  PRODUCT
-  CLIMATE
-  PEOPLE



Set new goal in 2019:

35% reduction

of virgin plastic content across our
beverage portfolio by 2025



47%

of our beverage portfolio volume in
our top 26 beverage markets **met our
2025 added sugars reduction target**,
progress toward our goal of **67%**



62%

of our food portfolio volume in our
top 23 foods markets **met our 2025
saturated fat reduction target**,
progress toward our goal of **75%**



61%

of our food portfolio volume in
our top 23 foods markets **met our
2025 sodium reduction target**,
progress toward our goal of **75%**



6%

**reduction in absolute GHG
emissions** across our value chain
in 2019, progress toward our goal
of 20% by 2030



12M

Over the life of our **Frito-Lay electric
vehicle fleet**, we will have driven
12 million **all-electric miles**



**PEPSICO IS EMBRACING RENEWABLE
ELECTRICITY AROUND THE WORLD:**



» Transitioning to **100% renewable electricity
in U.S. direct operations** in 2020

» Currently using **100% renewable electricity
in 9 European countries**

» Sourcing **65%** of electricity needs from
wind energy at PepsiCo Foods Mexico
in 2019



41%

of our **manager
positions were held
by women** in 2019,
progress toward our
goal of 50%



\$38.5M

invested since 2016 to **support
workforce readiness and
empower women**



Matching donations from
employees led to

\$11M

in **charitable
contributions**
in 2019



Milestones

In 2006, PepsiCo started on a journey to transform the way we do business with the fundamental belief that the success of our company is inextricably linked to the sustainability of the world around us, and each year we continue to make valuable progress.

2006

Launch of *Performance with Purpose* integrating sustainability into our daily business operations

2009



Naked Juice first U.S. brand to transition to 100% rPET bottles

2010

Our first all-electric delivery trucks hit the road



2012

PepsiCo wins prestigious *Stockholm Industry Water Award*



2017

1st *Demonstration Farm* opens in India. By 2020, over 230 farms are testing and sharing best practices around the world



2016

25% operational water-use efficiency goal achieved ahead of target date

2013

Sustainable Farming Program launches; as of 2019, the program engaged more than 40,000 farmers



2018

Acquisition of *SodaStream*, #1 sparkling water brand in the world by volume, with the potential to avoid 67 billion single-use plastic bottles by 2025



2019

PepsiCo receives *Climate Leadership Award*



2020

PepsiCo announces shift to 100% renewable electricity in U.S. direct operations, building on global efforts



PepsiCo exceeds safe water access goal 5 years early, delivering access to safe water to 44 million people since 2006