Why is a sustainable supply chain so important to PepsiCo?
Performance With Purpose Underpins Our Goal To Deliver Long-Term, Sustainable Financial Performance.

--Indra K. Nooyi
Chair & CEO
PepsiCo, Inc.
More than 3,000 products offer convenient, nutritious & affordable choices around the world…

Global Beverages
Global Snacks
Global Nutrition

Performance

Brands

Scale

People

More than $66 billion revenue

22 billion-dollar brands

>200 countries & territories

~300,000 employees
One of the largest agricultural enterprises in the world

Grows or sources 4 million tons of potatoes for Frito-Lay

Uses 600,000 tons of oats for Quaker

Sources 3 million tons of oranges and other fruits & vegetables for Tropicana, Naked, and SoBe

Conducts agricultural operations in more than 30 countries
In case these **GLOBAL REALITIES** aren’t compelling enough…
WATER/FOOD INSECURITY, AGRO volatility, rising GHG, FAILURE TO ADAPT to climate change are among RISKS with the HIGHEST IMPACT over the next five years.

Top 5 Global Risks in Terms of Impact

<table>
<thead>
<tr>
<th>Year</th>
<th>1st Risk</th>
<th>2nd Risk</th>
<th>3rd Risk</th>
<th>4th Risk</th>
<th>5th Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>Asset price collapse</td>
<td>Retrenchment from globalization</td>
<td>Interstate and civil wars</td>
<td>Pandemics</td>
<td>Oil price shock</td>
</tr>
<tr>
<td>2008</td>
<td>Asset price collapse</td>
<td>Retrenchment from globalization (developed)</td>
<td>Slowing Chinese economy (&lt;6%)</td>
<td>Oil and gas price spike</td>
<td>Pandemics</td>
</tr>
<tr>
<td>2009</td>
<td>Asset price collapse</td>
<td>Retrenchment from globalization (developed)</td>
<td>Oil and gas price spike</td>
<td>Chronic disease</td>
<td>Fiscal crises</td>
</tr>
<tr>
<td>2010</td>
<td>Asset price collapse</td>
<td>Retrenchment from globalization (developed)</td>
<td>Oil price spikes</td>
<td>Chronic disease</td>
<td>Fiscal crises</td>
</tr>
<tr>
<td>2011</td>
<td>Fiscal crises</td>
<td>Climatological catastrophes</td>
<td>Geopolitical conflict</td>
<td>Asset price collapse</td>
<td>Extreme energy price volatility</td>
</tr>
<tr>
<td>2012*</td>
<td>Major systemic financial failure</td>
<td>Water supply crises</td>
<td>Food shortage crises</td>
<td>Chronic fiscal imbalances</td>
<td>Extreme volatility in energy and agriculture prices</td>
</tr>
<tr>
<td>2013*</td>
<td>Major systemic financial failure</td>
<td>Water supply crises</td>
<td>Chronic fiscal imbalances</td>
<td>Diffusion of weapons of mass destruction</td>
<td>Failure of climate change adaptation</td>
</tr>
</tbody>
</table>

Source: World Economic Forum
1600 EXPERTS across 117 countries identify supply-related areas as the HIGHEST-PRIORITY issues for focus

Important Sustainability Issues to Prioritize
Sustainability Experts, 2012

- Ensuring access to adequate water supplies: 44
- Creating more equitable societies: 43
- Improving resource efficiency: 43
- Reducing greenhouse gas emissions: 42
- Ensuring food security: 41
- Protecting biodiversity: 38
- Preparing for climate change: 34
- Improving citizen participation in governance of sustainable development issues: 30
- Increasing corporate responsibility: 27
- Improving economic wellbeing: 25
- Ensuring access to adequate energy: 24
- Improving human health: 22
- Empowering women: 21
- Mobilizing youth to address sustainable development: 21
- Sustainable transportation of goods and commodities: 12
- Sustainable personal transportation: 10
- Educating the population on climate change: 1

Many are areas where PepsiCo can have significant POSITIVE IMPACT

• “In thinking about making progress globally on sustainable development, please choose the five issues that are most important to prioritize over the next five years.”
The GENERAL POPULACE also SEES SUPPLY-related topics as SERIOUS societal problems— all OPPORTUNITIES for PepsiCo

Seriousness of Challenges to Society

“Very Serious,” Average of 22 Countries,* 2012

- Water pollution: 62
- Crime/violence: 59
- Shortages of fresh water: 59
- Unemployment: 59
- Depletion of natural resources: 57
- Economic problems/uncertainty: 54
- Poverty/homelessness: 53
- Loss of plant/animal species: 51
- Climate change: 49
- Education: 48
- Health care: 47
- Human rights: 43
- Animal welfare: 33

*I includes Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Japan, Kenya, Malaysia, Mexico, Nigeria, Pakistan, Panama, Peru, Poland, South Korea, Spain, Turkey, UK, and USA
For the globally conscious CONSUMER, ENVIRONMENT tops the list of important CAUSES for COMPANIES to SUPPORT.
When given **ONE CHOICE** for how **COMPANIES** should **CHANGE**, **global CONSUMERS** SAY they should **SOURCE** materials more **RESPONSIBLY**

- **DONATE** the time and expertise of their employees
- **MAKE** donations in the form of cash or products/services
- **APPLY** their unique business assets, such as technology and research, to speed solutions to social and environmental problems
- **RAISE** awareness for an issue and educate their consumers and employees
- **CHANGE** the way they operate, for example sourcing materials more responsibly or reducing the environmental impact of their factories
- **DEVELOP** a new product or service (or enhance an existing one) that can help solve a social issue or is less harmful to the environment (2013) / help solve a social or environmental need (2011)
- **SEEK** feedback from or develop partnerships with key stakeholders around social and environmental issues, for example with government agencies, nonprofits or other companies
And, while still a gap between INTENT and BEHAVIOR, consumers ARE ACTING based on a company’s CONSCIENCE.

<table>
<thead>
<tr>
<th>Intent</th>
<th>Behavior</th>
</tr>
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<tbody>
<tr>
<td>Consumers want to get engaged with corporate social responsibility efforts:</td>
<td>In the past 12 months, consumers indicate they have:</td>
</tr>
<tr>
<td>If given the opportunity, I would buy a product with a social and/or environmental benefit</td>
<td>If (purchase) a company’s products/services upon learning it behaved irresponsibly</td>
</tr>
<tr>
<td>92%</td>
<td>67%</td>
</tr>
<tr>
<td>If I learned of a company’s irresponsible or deceptive business practices, I would stop buying its products</td>
<td>About a company’s corporate responsibility efforts</td>
</tr>
<tr>
<td>90%</td>
<td>55%</td>
</tr>
<tr>
<td>I would tell my friends and family about a company’s CSR efforts</td>
<td>About a company’s corporate responsibility efforts directly to the company</td>
</tr>
<tr>
<td>84%</td>
<td>50%</td>
</tr>
<tr>
<td>If given the opportunity, I would donate to a charity supported by a company I trust</td>
<td>88%</td>
</tr>
<tr>
<td>78%</td>
<td>68%</td>
</tr>
<tr>
<td>If given the opportunity, I would voice my opinion to a company about its corporate social responsibility efforts (e.g., provide comments on the company’s website or blog, review products)</td>
<td>Feedback about a company’s responsibility efforts directly to the company</td>
</tr>
<tr>
<td>78%</td>
<td>32%</td>
</tr>
<tr>
<td>If given the opportunity, I would volunteer for a cause that a company I trust supports</td>
<td>37%</td>
</tr>
<tr>
<td>77%</td>
<td>77%</td>
</tr>
</tbody>
</table>
If you take away only one thing:

A SUSTAINABLE SUPPLY CHAIN is NOT OPTIONAL, and the level of RIGOR, METRICS, and VERIFICATION required will only increase!