



2021 Green Bond Report

October 2021



PepsiCo 2021 Green Bond Report

Use of Proceeds for our
first Green Bond issued
October 9, 2019



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Additional PepsiCo Sustainability Resources

[2020 Sustainability Report](#)

[2020 Sustainability
Performance Metrics Sheet](#)

[ESG Topics A-Z](#)

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Green Bond Report](#)

A Letter from our CFO and Chief Sustainability Officer

Dear friends,

Over the past year, we have met unprecedented global challenges with accelerated efforts to help make the food system more sustainable for the planet and its people.

From sourcing ingredients and making and selling our products in a more sustainable way; to inspiring consumers to make better choices for themselves and the environment; to supporting communities and improving livelihoods throughout our supply chain, we continue to strive to be a leader among our peers and in our communities.

As proud as we are of what we have achieved, there is much more to be done. To build the kind of food system that can feed a growing global population – expected to be nearly 10 billion people by 2050 – while regenerating the earth, mitigating climate change and meeting the needs of our stakeholders, we will have to take our efforts to a new level.

That's why in 2021, we introduced pep+ (PepsiCo Positive), the strategic end-to-end transformation of our company, with sustainability at the center of how we will create growth and value by operating within planetary boundaries and inspiring positive change for the planet and people.

pep+ is our roadmap for becoming the global leader in convenient foods and beverages and a leading actor in the transformation of the global food system. It includes efforts to spread regenerative farming practices across our entire agricultural footprint, reach net-zero emissions across our value chain by 2040, become net water positive by 2030, and cut virgin plastic per serving by 50% across our global food & beverage portfolio by 2030 – goals perfectly aligned to our Green Bond's objectives.



HUGH JOHNSTON,
Vice Chairman and
Chief Financial Officer

Since issuing our first Green Bond in 2019, we have used the net proceeds to support Eligible Green Projects across the world. Not only is this the right thing for the planet, it is also helping our company win in an increasingly dynamic, competitive marketplace, where consumers are becoming more aware of the companies behind brands and their impact on the environment. With this heightened awareness rightly comes greater expectations. Through our Green Bond, we are building a more sustainable future and a more resilient business, one that is responsive to stakeholder expectations, new regulations in the environment, social and governance (ESG) space, and new opportunities for operational efficiencies and business growth.

With \$858 million allocated as of December 31, 2020, the proceeds of our Green Bond have helped PepsiCo to:

- Avoid nearly 400,000 metric tons of greenhouse gas (GHG) emissions from virgin plastic packaging through the procurement of recycled PET (rPET)
- Avoid use of approximately 5 billion liters of water and nearly 210,000 metric tons GHG emissions in our operations annually through investment in more efficient manufacturing equipment and technologies
- Put more low- or zero-emissions vehicles on the road through a nearly \$200 million investment in greening our company-owned distribution fleet



JIM ANDREW,
Chief Sustainability
Officer; EVP, Beyond the
Bottle businesses

And we know that our Green Bond will be even more important going forward as we as we double down to achieve our pep+ ambitions.

With \$116 million in net proceeds remaining to be allocated, we are looking for opportunities to advance pep+ and deliver maximum impact for our stakeholders and shareholders. As a company that does business in more than 200 countries and territories and uses more than 25 crops sourced from over 7 million acres in 60 different countries, we have an opportunity to use our scale to help build a more sustainable food system – a system that preserves the planet and positively impacts the people and communities we work with and serve. We recognize that by becoming better ourselves, we can not only meet their needs and position ourselves for long-term growth – we can also help build a stronger, more sustainable future for us all. Amidst these efforts, we remain confident that purpose-driven financing mechanisms like our Green Bond can help to create meaningful change.

Our Sustainability Journey

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



2017

1st Demonstration Farm opens in India; More than 350 farms are now testing and sharing best practices around the world



2013

Sustainable Farming Program (SFP) launches; as of 2020, nearly 87% of direct crops are sustainably sourced¹ worldwide through SFP



2012

PepsiCo wins prestigious Stockholm Industry Water Award



2010

Our first all-electric delivery trucks hit the road



2018

PepsiCo acquires SodaStream, #1 sparkling water brand in the world by volume, with the potential to avoid more than 200 billion single-use plastic bottles by 2030



2019

PepsiCo receives Climate Leadership Award
PepsiCo issues first Green Bond



2020

PepsiCo achieves shift to 100% renewable electricity in U.S. direct operations
PepsiCo exceeds safe water access goal 5 years early, delivering access to safe water to more than 55 million people to date since 2006



2021

PepsiCo announces pep+, its strategic end-to-end transformation. It includes a series of ambitious goals, including striving to spread regenerative agriculture practices across 7 million acres by 2030, achieve net-zero emissions by 2040, and become water positive in our operations by 2030

¹"Sustainably sourced" refers to meeting the independently verified environmental, social and economic principles of PepsiCo's Sustainable Farming Program, enabling continuous improvement for farmers, communities and the planet.
pepsico.com/sustainability-report/strategy

Striving for PepsiCo Positive



Strategic end-to-end transformation, with sustainability at the center, of how PepsiCo will create growth and value by operating within planetary boundaries and inspiring positive change for the planet and people



POSITIVE AGRICULTURE

SOURCE crops and ingredients in a way that accelerates regenerative agriculture and strengthens farming communities

*Regenerative Practices
Sustainably Sourced Ingredients
Strengthened Livelihoods*



POSITIVE VALUE CHAIN

MAKE products in a way that builds a circular, inclusive economy

*Net Zero Emissions
Net Water Positive
Sustainable Packaging
Meaningful Jobs and Opportunities
Diversity, Equity and Inclusion*



POSITIVE CHOICES

INSPIRE people through our brands to make choices that create more smiles for them and the planet

*Innovative Packaging Solutions
Expanded Portfolio Offerings
Planet + People Brands*

About the Green Bond



In October 2019, PepsiCo issued its first Green Bond, a 30-year, \$1 billion senior notes offering with a fixed rate coupon of 2.875% per annum.

The net proceeds from this offering have been and will continue to be allocated to investments in Eligible Green Projects (as defined below), giving further momentum to our sustainability agenda. As of December 31, 2020, we had allocated more than 80% of the Green Bond proceeds, well ahead of our original expectation of allocating a majority of the proceeds within three years of the date of issuance.

This report describes PepsiCo's use of proceeds to date, and the expected sustainability impact of these investments.

Our Green Bond Framework

PepsiCo's Green Bond prospectus defines "Eligible Green Projects" as new and existing investments¹ made by PepsiCo during the period from three years prior to the date of issuance of the notes through the maturity date of the notes, in three categories:

- Sustainable plastics and packaging;
- Decarbonization of our operations and supply chain; and
- Water sustainability.

We are focusing on these categories to make a lasting impact on environmental priorities within our sustainability agenda.

Green Bond Details	
Issuer	PepsiCo
Issue Date	October 9, 2019
Currency	USD
Tenor	2019 – 2049
Issued Amount	\$1 billion
Net Proceeds	Approximately \$974 million
Use of Proceeds	An amount equal to the net proceeds from the issuance of the Green Bond will be allocated to fund, in whole or in part, "Eligible Green Projects," which is defined in the prospectus for the Green Bond and which generally refers to projects that meet our Green Bond Eligibility Criteria in accordance with PepsiCo's Green Bond Framework.
Fixed Coupon Rate	2.875% per annum

¹Investments include expenditures on capital projects and other sustainability-related spend.

About the Green Bond



Eligible Green Projects

Proceeds from the bond have been and will be allocated across three categories: Sustainable plastics and packaging; decarbonization of our operations and supply chain; and water sustainability. Within these categories are specific types of projects eligible for Green Bond investment¹, described below.



Sustainable plastics and packaging

- Purchases, either directly or via our intermediary suppliers, of:
 - Recycled PET ("rPET") for use in product packaging;
 - Bio-based PET ("Bio-PET") for use in product packaging;
 - Compostable, biodegradable, and/or recyclable material for use in product packaging
- Investments¹ in projects driving more sustainable project packaging.



Decarbonization of our operations and supply chain

- Improving the energy efficiency and/or reducing greenhouse gas emissions of our operations;
- Procurement of project-specific renewable energy;
- Cleaner transportation, such as replacement of fossil-fuel powered vehicles with electric vehicles;
- Green buildings that receive a third-party verified certification;
- Investments¹ toward reducing the greenhouse gas footprints of our agricultural supply chain.



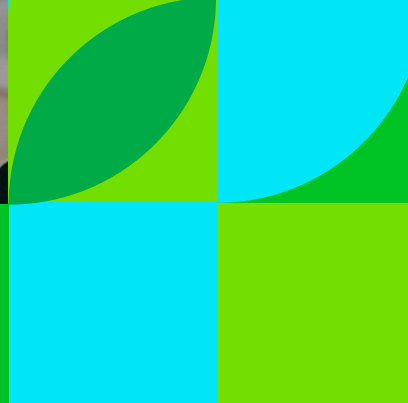
Water sustainability

- Investments¹ linked to improving water-use efficiency at PepsiCo locations;
- Investments¹ to replenish watersheds where PepsiCo operates in high water-risk areas;
- Working with smallholder farmers to access drip irrigation and other water saving technologies.



¹ Investments include expenditures on capital projects and other sustainability-related spend
pepsico.com/sustainability-report/strategy

About the Green Bond



Green Bond Governance

The framework for our first Green Bond incorporates recommendations from the Green Bond Principles and is based on four core components:

- Use of proceeds;
- Project evaluation and selection;
- Management of proceeds; and
- Reporting

Green Bond Framework Summary

Use of Proceeds	Net proceeds from the issuance of the Green Bond will be allocated to fund, in whole or in part, "Eligible Green Projects," which is defined on page 6. Allocations are made to investments ¹ in Eligible Green Projects made by PepsiCo during the period from three years prior to the date of issuance of the notes through the maturity date of the notes
Project Evaluation and Selection	PepsiCo's Sustainability team assesses and determines Eligible Green Projects Following final approval, PepsiCo's Sustainability team recommends allocation of proceeds, and provision of description of Eligible Green Projects to PepsiCo's Finance department
Management of Proceeds	PepsiCo's Finance department tracks the allocation of net proceeds to approved projects. Pending allocation, net proceeds are temporarily invested in cash, cash equivalents, short-term investments, or used to repay other borrowings
Reporting	Second Party Opinion (from Sustainalytics), on alignment of our Green Bond Framework with the International Capital Markets Association (ICMA) Green Bond Principles 2018 PepsiCo publishes Annual Use of Proceeds reports until full allocation, including progress allocating net proceeds and select impact metrics accompanied by management's assertion of the amount of the net proceeds that was allocated to Eligible Green Projects Independent Auditor provides Assurance Report on management's assertion

¹ Investments include expenditures on capital projects and other sustainability-related spend
pepsico.com/sustainability-report/strategy

Progress



Allocation

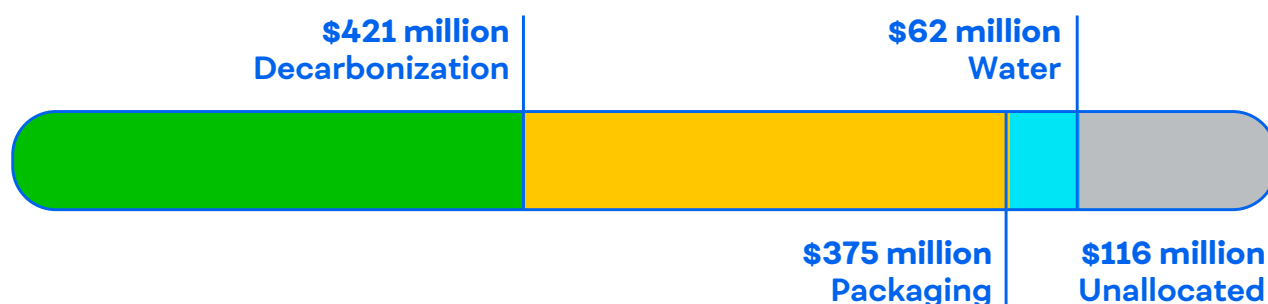
As of December 31, 2020, PepsiCo had allocated \$858 million of Green Bond net proceeds to projects supporting sustainable plastics and packaging, decarbonization of our operations and supply chain, and water sustainability.

Our allocation of net proceeds as of December 31, 2019 (reported on in our 2020 Green Bond Report) amounted to \$447 million. Our allocation of net proceeds as of December 31, 2020, included in this report, comprised a further \$411 million. At the end of 2020, \$116 million of net proceeds remained unallocated. In total, proceeds have been disbursed on 6 continents.

Individual investments range from nearly \$60,000 to over \$14 million, and averaged approximately \$1.7 million. Between the first and second rounds, the allocation funded more than 200 investments.

Green Bond Allocation as of December 31, 2020

\$974 million Net Proceeds



¹ As of December 31, 2020, net proceeds had been allocated to projects undertaken between 2017 and 2020. This graph shows the years the funds were spent. Note that subsequent to the publication of the 2020 Green Bond Report, further net proceeds have been allocated to projects occurring between 2017 and 2019, so totals in this graph surpass the total investments reported for each year in the 2020 Green Bond Report.

Impact

The impact of our Green Bond investments, combined with the efforts of our broader sustainability program, have helped PepsiCo to make progress against its sustainability goals.

Replenishing an estimated **1.3 billion liters** to high water-risk watersheds

In 2020, we replenished **18%** of the water we used in manufacturing operations in high water-risk areas

(2025 goal: 100%)¹

Investments in greening our company-owned fleet are yielding an estimated **66,000 metric tons** annual GHG reduction

rPET procured through Green Bond proceeds and incorporated into our packaging helped us to avoid nearly **400,000 metric tons** GHG emissions compared with virgin plastic

In 2020, our plastics packaging was comprised of an average of **5%** recycled content

(2025 goal: 25%)¹

Watersheds

\$98 million in Green Bond proceeds helped to build a Green R&D facility in Valhalla, NY

R&D and Manufacturing

Through investments in water- and energy-efficient technologies and equipment, we are avoiding the use of approximately **5 billion liters** of water and the emission of nearly **210,000 metric tons** GHG emissions per year

In 2020, we improved our operational water-use efficiency in high water-risk areas by **15%** against a 2015 baseline

(2025 goal: 25%)¹

In 2020, we reduced our absolute Scope 1 & 2 GHG emissions by **23%** against a 2015 baseline

(2030 goal: 75%)

Distribution

Post-Consumer

Key:

Impact resulting from Green Bond funds.

Global impact from PepsiCo's broader sustainability efforts.

¹2020 performance represents progress against our 2025 goal. In 2021, we updated our goals as part of our new pep+ ambition. For detail on these goals, see page 11.

Impact



Sustainable plastics & packaging

PepsiCo has allocated approximately \$375 million of the Green Bond proceeds to support sustainable plastics and packaging, primarily through the procurement of rPET in North America and Europe between 2017 and 2020. This has helped us to incorporate more recycled content into our plastics packaging. In fact, 22 global markets now offer a PepsiCo product in 100% rPET packaging.

rPET also has a significant impact on the emissions associated with our products. The rPET procured through Green Bond proceeds has helped PepsiCo to avoid nearly 400,000 metric tons of GHG emissions since 2017.

PepsiCo Positive goals:

- By 2030, cut virgin plastic from non-renewable sources per serving across our food and beverage portfolios by **50%** through:
 - Scaling new business models that avoid or minimize single-use packaging materials
 - Reducing our absolute tonnage of virgin plastic derived from non-renewable sources by **20%**, including by:
 - Use of market-leading bio-based materials and increase incorporation of recycled content (50% across plastics)
- Design **100%** of packaging to be recyclable, compostable, biodegradable or reusable by 2025
- Invest to increase recycling rates in key markets by 2025
- Develop and deploy disruptive sustainable packaging materials and new models for convenient foods and beverages



Decarbonization of our operations & supply chain

Green Bond proceeds have funded climate-focused investments across 6 continents, including those improving fleet efficiency, increasing our renewable energy generation capacity, improving energy efficiency within our sites, and building a green R&D facility.

As of December 31, 2020, our eligible decarbonization expenditure has helped to increase our renewable energy generation capacity and put technology in place to avoid nearly 210,000 metric tons of GHG emissions in our direct operations and supply chain annually.

PepsiCo Positive goals:

- Achieve net-zero emissions across our value chain by 2040; by 2030, reduce our GHG emissions by more than **40%**, doubling our prior climate goal by:
 - Reducing Scope 1 and 2 emissions by **75%** (2015 baseline); and
 - Reducing Scope 3 emissions by **40%** (2015 baseline)



Water sustainability

Through Green Bond proceeds, we have supported delivery of both our replenishment (nearly \$3 million) and operational water-use efficiency (nearly \$50 million) goals, focused on high water-risk areas. This has had the effect of replenishing 1.3 billion liters of water back into water-stressed watersheds, and avoiding use of approximately 5 billion liters of water in our company-owned plants annually.

PepsiCo Positive goals:

- Ensure we have **net water positive impact by 2030:**
 - Achieve **net zero water** in 100% of high water-risk manufacturing (both PepsiCo and third-party facilities), defined as:
 - **Achieving best-in-class water use efficiency¹** in high water-risk manufacturing sites (for PepsiCo facilities, this equates to more than 50% reduction in absolute water use from 2015 baseline year) and **world-class²** in all other manufacturing sites
 - **Replenishing** back into the local watershed more than 100% of the water we use
- Continue to **adopt the Alliance for Water Stewardship Standard** in company-owned high water-risk manufacturing areas, by 2025, as a vehicle for water advocacy
- Advocate for and contribute to a measurable improvement in the health of high water-risk watersheds where we directly source our crops, including an improvement in water use efficiency of 15% by 2025 (2015 baseline)

¹Third-party facilities include those of PepsiCo franchise bottlers, co-manufacturers, and JV partners where located in a high-water-risk area

²1.2 liters/liter of beverage production 0.4 liters/kg of food production

Assurance

Independent Accountants' Report

PepsiCo, Inc.'s Management:

We have examined management of PepsiCo, Inc.'s ("PepsiCo") assertion in the PepsiCo 2021 Green Bond Report (the "Report") that PepsiCo has allocated \$858 million in net proceeds from the issuance of its October 9, 2019 2.875% Senior Notes due October 15, 2049 (the "Green Bond") as of December 31, 2020 to Eligible Green Projects as defined on page 6 of the Report (the "Allocation") in accordance with the Use of Proceeds defined on page 8 of the Report. PepsiCo's management is responsible for its assertion. Our responsibility is to express an opinion that the Allocation was performed in accordance with the Use of Proceeds based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence

about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination was not conducted for the purpose of evaluating PepsiCo's impact metrics, thus, we did not audit or opine on the sufficiency, appropriateness or accuracy of the impact reporting criteria, accounting impact methodology or the environmental impact of the Eligible Green Projects. Accordingly, we do not express an opinion or any other form of assurance other than on whether the Allocation was performed in accordance with the Use of Proceeds set forth in PepsiCo's 2021 Green Bond Report.

In our opinion, management's assertion that the Allocation was performed in accordance with the Use of Proceeds, is fairly stated in all material respects.



Management Assertion

PepsiCo has allocated \$858 million in net proceeds from the issuance of its Green Bond as of December 31, 2020 to Eligible Green Projects as defined on page 6 of this report in accordance with the Use of Proceeds defined on page 8 of this report.

PepsiCo is responsible for the completeness, accuracy, and validity of the information and metrics presented in this Green Bond Report.



Special Note on Forward-looking Statements

This 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," "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.