

PepsiCo Inc. (PepsiCo)



Background on PepsiCo

PepsiCo is an American multinational food, snack, and beverage corporation that was founded in 1965 and is headquartered in Purchase, New York. The company has interests in manufacturing, marketing, and distribution of grain-based snack foods, beverages, and other products. Its products are distributed across more than 200 countries and it employed 264,000 people in 2016. It reported revenues of US\$62 billion in 2016 and is publicly listed on the New York Stock Exchange.

How did PepsiCo come to start thinking about context?

PepsiCo launched its [Performance with Purpose](#) initiative in 2006 with the aim to position itself for long-term success by ingraining sustainability into its daily operations and business decisions¹. At the time, Indra Nooyi, PepsiCo CEO, commented that “In today’s world, consumers are bringing their principles to their purchasing. We, in return, are bringing a purpose to our performance².” In 2008, PepsiCo pledged support for the ten principles set out by the [United Nations Global Compact](#) and committed to embedding these principles into its strategy and day-to-day operations^{3,4}.

Then in 2009, PepsiCo became the first company of its size to publicly publish guidelines in support of water being a fundamental human right in the context of guidance issued in 2002 by the [United Nations Committee on Economic, Social and Cultural Rights](#) and the [World](#)

¹ PepsiCo Inc. (n.d.). Performance with Purpose. Accessed at: <http://www.pepsico.com/purpose/performance-with-purpose>

² PepsiCo Inc. (2007). Sustainability Report 2007. Accessed at: https://www.pepsico.com/docs/album/sustainability-reporting/past-sustainability-and-gri-reports/pepsico_2007_sustainability_report_overview.pdf?sfvrsn=2

³ UN Global Compact (n.d.). Participants: PepsiCo. Accessed at: <https://www.unglobalcompact.org/what-is-gc/participants/7335-PepsiCo-Inc->

⁴ UN Global Compact (2008). Letter of Commitment: PepsiCo. Accessed at: https://www.unglobalcompact.org/system/commitment_letters/7335/original/Global_Compact_Join_Letter_8600.pdf?1262613420

[Health Organisation](#)^{5,6}. PepsiCo also began to undertake an assessment aimed at supporting its future public commitment to strive to achieve a 'positive water balance' in its operations within water-stressed areas⁶. This work was undertaken in partnership with [The Nature Conservancy](#) and aimed to pilot interventions that had the potential to achieve and measure 'positive water balance'⁶. This work culminated with the unveiling of a new set of water goals in the middle of 2010, organised around three core commitments⁶. The first was aimed at Improving the company's water use efficiency, the second committed it to Striving to achieve a 'positive water balance', and the third committed PepsiCo to Providing access to safe drinking water to people in developing countries⁶.

Ahead of [Rio+20](#) in June 2012, PepsiCo was one of 45 companies that announced its commitment to further advance its corporate water management practices and issued a call to the attendees of the conference to make global water security a top priority for the conference⁵. Later in 2012, PepsiCo announced that it was developing an initiative that would help it measure the social return on investment that the company was achieving within its value chain⁷. The initiative would focus on water, energy, emissions, farm productivity, soil fertility, preservation, and biodiversity⁷. PepsiCo officially launched the Sustainable Farming Initiative in 2013, stating that it would support the increase in environmentally responsible practices and further workers' human rights within its value chain¹. Then in 2014, PepsiCo signed two major calls to action relating to climate change, namely the [Climate Declaration](#) and the [Trillion Tonne Communiqués](#) and announced that it would be phasing out equipment with hydrofluorocarbons in the U.S by 2020^{8,9}.

In 2016, PepsiCo launched its new [2025 Sustainable Agenda](#), aimed at substantially increasing the company's efforts to protect the planet. The initiative is based on the [United Nations Sustainable Development Goals](#) and has three primary areas of focus: Product, Planet, and People^{1,10}. Underpinning the 2025 Sustainable Agenda is the recognition by PepsiCo that it has the "opportunity to not only to make a profit, but to do so in a way that makes a difference

⁵ PepsiCo Inc. (2013). United Nations CEO Water Mandate. Accessed at: http://lucasx.webfactional.com/files/endorsing/PepsiCo_2013.pdf

⁶ PepsiCo Inc. (n.d.). Report: Water Stewardship. Accessed at: http://www.pepsico.com/Assets/Download/PepsiCo_Water_Report_FNL.pdf

⁷ Triple Pundit (2011). PepsiCo To Launch Sustainable Agricultural Initiative Next Year. Accessed at: <http://www.triplepundit.com/2011/08/pepsico-ethical-farming/>

⁸ PR Newswire (2014). PepsiCo Joins Calls for Action on Climate Change; Announces Goal to Phase Out HFC Equipment by 2020; and Reports Progress on Sustainability Goals. Accessed at: <http://www.prnewswire.com/news-releases/pepsico-joins-calls-for-action-on-climate-change-announces-goal-to-phase-out-hfc-equipment-by-2020-and-reports-progress-on-sustainability-goals-275721111.html>

⁹ PepsiCo Inc. (2014). Press Release: PepsiCo Joins Calls for Action on Climate Change; Announces Goal to Phase Out HFC Equipment by 2020; and Reports Progress on Sustainability Goals. Accessed at: <http://www.pepsico.com/live/pressrelease/pepsico-joins-calls-for-action-on-climate-change-announces-goal-to-phase-out-hfc09192014>

¹⁰ Food Business News (2016). PepsiCo sets 2025 sustainability agenda. Accessed at: http://www.foodbusinessnews.net/articles/news_home/Business_News/2016/10/PepsiCo_sets_2025_sustainability.aspx?ID=%7b49FD21F3-29E5-4E45-9BEC-CFCDD52F42B%7d&cck=1

in the world¹¹.” Later in 2016, the [Interfaith Centre on Corporate Responsibility \(ICCR\)](#) announced that it had addressed letters, signed by 60 of its institutional investor members, to 100 publicly held companies, including PepsiCo. The letters encouraged the companies to make good on their commitments to adopt science-based GHG emissions goals within the next 2 years¹². As of March 2017, PepsiCo is listed on the [Science-Based Targets](#) initiative’s website as a company that has had its GHG emissions reduction goal assessed as being contextual using the requirements set out by the Science-Based Targets initiative.

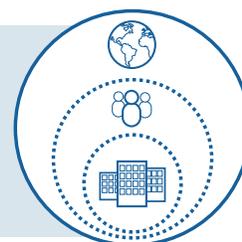
What does context look like at PepsiCo?

1 ACKNOWLEDGE the need to operate within global, regional, and/or local socio-ecological thresholds.

GHG EMISSIONS



WATER



PepsiCo states that it aims to help create a healthier relationship between people and food and this includes protecting the environment and finding sustainable ways to produce food¹³.

GHG emissions: Indra Nooyi, PepsiCo CEO, acknowledges that “Combating climate change is absolutely critical to the future of our company, customers, consumers—and our world. I believe all of us need to take action now. PepsiCo has already taken actions in our operations and throughout our supply chain to ‘future-proof’ our company—all of which deliver real cost savings, mitigate risk, protect our license to operate, and create resilience in our supply chain¹⁴.” While PepsiCo has publicly acknowledged the importance of this ecological threshold through statements made by individuals and within its sustainability reporting, it has yet to explicitly commit to operating within the limits of this threshold.

Water: PepsiCo acknowledges that water sits at the centre of many global challenges such as health, hunger, and economic growth⁶. The company acknowledges its responsibility to act as stewards of this resource as it is fundamental to its operations⁶. While PepsiCo publicly

¹¹ PepsiCo Inc. (2016). Sustainability Report 2015 and 2016. Accessed at: http://www.pepsico.com/docs/album/sustainability-reporting/pepsico_sustainability_report_2015_and_-2025_agenda.pdf

¹² Sustainable Brands (2016). Investors Urge 100 Companies to Make Good on Science-Based Targets Commitments. Accessed at: http://www.sustainablebrands.com/news_and_views/new_metrics/sustainable_brands/investors_urge_100_companies_turn_their_science-based

¹³ PepsiCo Inc. (n.d.). Performance with Purpose: Planet. Accessed at: <http://www.pepsico.com/purpose/performance-with-purpose/planet>

¹⁴ Consumer Goods Technology (2014). PepsiCo Takes Action on Climate Change, Announces Sustainability Goals. Accessed at: <https://consumergoods.com/pepsico-takes-action-climate-change-announces-sustainability-goals>

acknowledges the importance of this ecological issue, and acknowledges a variety of threshold associated with it (quality, sanitation, and human rights), it has yet to explicitly commit to operating within the limits of these identified thresholds¹⁵.

PepsiCo also acknowledges that it is not in its interest to be supported by an unsustainable value chain¹⁶. As such, the company states that its size, resources, and relationships, coupled with its responsibility to make a difference, provide it with an opportunity to incentivise and support the implementation of more sustainable practices within its value chain¹¹.

Other thresholds: PepsiCo acknowledges the importance of other socio-ecological issues including land-system change (sustainable sourcing), waste, energy, human rights, diversity and inclusivity, and nutrition, but does not yet discuss their associated thresholds.

2 Transparently understand and **PRIORITISE** a set of focus areas in relation to key socio-ecological trends at the global, regional, and/or local level.

GHG EMISSIONS



WATER



PepsiCo uses what we would describe as a “classic” approach to prioritising its material socio-ecological issues. The company states that it focuses on the socio-ecological issues that are “most important to PepsiCo and its stakeholders” and then maps these issues against the relevant areas of its business operations¹⁷. PepsiCo also states that it considers the impacts that the shortlisted material socio-ecological issues present in the context of global trends, challenges, and opportunities during its materiality prioritisation process.

GHG emissions: PepsiCo prioritises GHG emissions through its statement that if society continues to follow a business-as-usual approach, global GHG emissions levels will increase and so too will the impacts of climate change which would put future crop yields at risk¹¹. PepsiCo’s business depends on the availability of agricultural outputs to make its products¹¹. PepsiCo has published its understanding of how its business operations and those of its value chain impact this threshold (Figure 1). Using this information, the company has said that it will be actively pursuing the reduction of GHG emissions across its value chain as 93% of its emissions is attributed to these activities¹¹.

¹⁵ PepsiCo Inc. (n.d.). Performance with Purpose: Our goals. Accessed at: <http://www.pepsico.com/purpose/performance-with-purpose/our-goals>

¹⁶ Business Green (2016). PepsiCo’s Martyn Seal: ‘It’s not in our interest to have unsustainable supply chains’. Accessed at: <http://www.businessgreen.com/bg/interview/3001664/pepsicos-martyn-seal-its-not-in-our-interest-to-have-unsustainable-supply-chains>

¹⁷ PepsiCo Inc. (2015). GRI Reporting 2015. Accessed at: http://www.pepsico.com/docs/album/sustainability-reporting/pep_gri15_v10.pdf

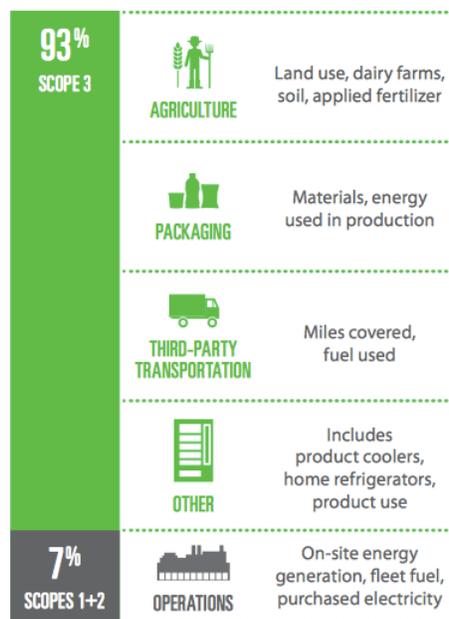
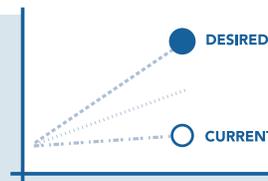


Figure 1: Graphical representation of PepsiCo’s GHG emissions across its business activities and those of its value chain¹¹.

Water: PepsiCo prioritises water as it recognises that water is a critical input into the agricultural processes that produce the raw materials it needs for its products¹¹. PepsiCo also recognises that the global availability of freshwater is becoming increasingly limited as the world’s population grows¹¹. PepsiCo does not transparently present the depth of its understanding of the impacts it has on this ecological issue (compared to its GHG emissions) but it does describe where it is directing its efforts within its value chain, its own operations, and within the watersheds it operates in¹¹.

Other thresholds: PepsiCo prioritises other socio-ecological issues including land-system change (sustainable sourcing), waste, energy, human rights, diversity and inclusivity, and nutrition but does not yet discuss their associated thresholds.

3 SET STRATEGY AND GOALS by transparently articulating the current performance gap and what portion of this gap the business will address.



GHG EMISSIONS ●●○○ WATER ○○○○

GHG emissions: PepsiCo has committed to reduce its absolute GHG emissions (Scope 1, 2, and 3) by at least 20% by 2030 from a 2015 base year¹⁸. While PepsiCo has a contextual goal for this threshold, it has not transparently explained what assumptions or methodology it used

¹⁸ Science-Based Targets (2016). Companies Taking Action: PepsiCo. Accessed at: <http://sciencebasedtargets.org/companies-taking-action/>

to develop this goal. Additionally, while the goal does incorporate the GHG emissions from its value chain (scope 3), PepsiCo has not provided a detailed breakdown of the percentage reductions it expects to achieve in the GHG emissions attributed to its value chain's activities.

Water: PepsiCo has set a variety of goals relating to water across various aspects of both its own business operations and those of its value chain. With relation to its own operations, PepsiCo commits to build on the 25% of improvements in water-use efficiency it has already achieved to date and add an additional 25% of improvement by 2025¹⁵. PepsiCo also commits to replenish 100% of the water it consumes in its manufacturing operations located in high-water risk areas by 2025, ensuring that this replenishment happens within the same watershed where extraction took place¹⁵. Within its value chain, PepsiCo commits to improve the water-use efficiency of its direct agricultural value chain by 15% in high-water risk areas by 2025¹⁵. While these goals cover a broad spectrum of PepsiCo's operations, the company has not yet clearly outlined how it is, or has, developed its understanding of the thresholds associated with each of these goals and the performance that is needed to operate within the limits of the thresholds, or acknowledged that additional data may still be needed to develop a set of contextual goals.

Other thresholds: PepsiCo has not yet set contextual goals in relation to any other thresholds.

4 Transparently TRACK performance against realistic trajectory targets.

GHG EMISSIONS



WATER



All thresholds: While PepsiCo has a track record of producing an annual [sustainability report](#) that outlines its performance against its key socio-ecological issues, it does not yet report its progress in conjunction with the thresholds associated with these issues. PepsiCo has also yet to set realistic trajectory targets for its key socio-ecological issues that could be used to monitor its progress towards achieving the goals it has set. Through its 2025 Sustainable Agenda, PepsiCo states that it will be extending its sustainable improvement to its value chain, but has yet to commit to setting targets or metrics that could be used to monitor the influence it is having in helping its value chain adhere to the limits of key socio-ecological thresholds.

What is the road ahead for context at PepsiCo?

PepsiCo acknowledges that certain global challenges are compounded for it due to its global operational scale. As such, PepsiCo needs to learn to act locally, satisfying local preferences and meeting local needs, within the countries it operates¹¹. However, PepsiCo has not yet outlined how it will measure its progress against this acknowledgement or if it intends to set more granular and localised sustainability goals.