Performance with Purpose
PepsiCo Greater China Region
Sustainability Report

Updated September 1, 2017
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Report content

This report focuses on the business operations and sustainability practices of PepsiCo Greater China Region (GCR) as of June 30, 2017, including the business performance of PepsiCo and GCR, the steps PepsiCo GCR has taken to support local economic, environmental and social development, and information on the important progress being made in those areas.
An old Chinese saying goes: “As a distant journey tests the strength of a horse, so does an arduous task prove the character of a man.” PepsiCo was one of the earliest global food and beverage (F&B) industry leaders to enter China, and has been in China for more than 36 years. We are very proud of the F&B businesses that we have built over the past three decades. Together with our business partners, we have invested over RMB 48 billion over the last 10 years. We employ over 100,000 Chinese through direct and in-direct employment, and operate and co-manage a diverse range of F&B businesses, from beverages and snacks to cereal and grains, stretching from North to South, East to West.

The pride that we have in our business is not simply a result of our growth over the years. It is the way that we have grown – taking a long-term view, making investments that respond to changing societal needs, and truly seeing ourselves as China’s development partner.

Our approach is simple: PepsiCo is In China, For China, With China.

We are delighted to share with you some of the progress that PepsiCo GCR has made over the past few years.

Sustained growth

Despite a challenging economic environment, PepsiCo GCR has achieved sustained and steady overall business growth due to the hard work and leadership of all our associates and stakeholders. We were one of the fastest growing multinational corporations (MNCs) in 2015 and 2016 in China.

In 2012, we completed our strategic alliance with Tingyi, whose subsidiary, Tingyi-Asahi Beverage (TAB), became PepsiCo’s franchise bottler in China. PepsiCo retains branding and marketing responsibilities for these products. In 2016, Pepsi became the leading cola brand in China in terms of Canadean volume sales. In our foods business, our nutrition and snacks categories are always among the top sellers in the Chinese market, with Quaker and Lay’s named “Super Brands of China” multiple times based on the independent consumer research conducted by Gfk. We have delivered sustained revenue, profit, market share, and executional growth in our foods business for numerous years. We are the savory and hots cereal leading player in China.

We see strong partnerships as a key factor to achieving sustainable business growth. We are always working on expanding and strengthening our cooperation with strategic business partners. In 2016, PepsiCo entered Disneyland through Shanghai Disney Resort, becoming the resort’s primary beverage supplier in partnership with TAB. In the same year, we formed a distribution agreement with General Mills for mainland China.

In addition, we have been one of the fastest growing food and beverage fast-moving consumer goods (FMCG) companies on e-commerce with triple-digit growth over the past few years. In April 2017, PepsiCo and Alibaba signed a strategic agreement to explore new retail business models based on big data to better integrate online and offline channels, introduce diverse marketing approaches, and add extensive products to global e-commerce platforms. This will create a new one-stop shopping experience to grow online consumer demand for our foods and beverages. PepsiCo is also truly a local Chinese company. Over the past 15 years, our contract farming operations have benefited more than 10,000 farmers. In addition to providing farmers with steady income, we have helped them modernize their farming practices by using the advanced farming technologies such as pivot and drip irrigation which can reduce water usage by up to 50%.

Continued innovation

Performance with Purpose is PepsiCo’s vision to deliver top-tier financial performance over the long term by integrating sustainability into our business strategy. Our efforts are focused on improving the products we sell, protecting our planet and empowering people around the world in order to contribute solutions to shared challenges. We are focused on
developing a healthier relationship between people and food, and we are always working to create innovative new products. In addition to offering safe, high-quality food and beverages, PepsiCo GCR has made progress in reducing added sugar, sodium and saturated fat in many of our products. We reduced 7UP with 25% added sugars reduction in 2013. In 2015, we reduced added sugars in our orange-flavored Mirinda products by 30% and reduced the average sodium level by 25% in our GGG foods portfolio in 2015, compared with 2006 baseline. In 2016, we launched the world’s largest PepsiCo potato chip production line in our Wuhan foods plant which also has a Thermobaric Frying line, designed to reduce fats in our snacks made here by approximately 15%. Our Asia Research & Development (R&D) Center in Shanghai continues to use advanced technology and drive our recipe innovation. In recent years, we have launched multiple products that we define as Everyday Nutrition in China to offer more nutritious options, while ensuring that the taste of our products meets Chinese consumers’ fast-changing demand for delicious and nutritious products.

In terms of brand building, our Pepsi brand has executed many well-received marketing campaigns in recent years to advocate a lifestyle focused on a positive and optimistic living attitude. Our signature marketing event “Bring Happiness Home” (BHH), during the Chinese New Year, is a great example. Now in its sixth year, BHH pulls from current trends and hot topics to communicate a sense of home and happiness to the Chinese society. In 2016, the Year of the Monkey, we highlighted the Monkey King spirit from traditional Chinese culture. Focusing on reuniting with the family and celebrating the New Year, the event promoted happiness and injected innovation into an old tradition. Our video was viewed more than 830 million times, creating a huge buzz in China as the Monkey King Spirit resonated with hundreds of millions of Chinese. Before Chinese New Year of 2017, we launched a marketing video that showed a reunion of the family members from a Chinese sitcom that was famous 12 years ago under the theme “2017 Bring Happiness Home.” The video received 1.03 billion views and won the state-run China Central Television Station’s “2017 Best Mini Movie award”. In 2016 and 2017, PepsiCo joined the “Happy Chinese New Year” program led by the Ministry of Culture, sharing New Years’ wishes and the happiness of family reunions with Chinese people across the world.

Sustainable operations

Our focus on creating a healthier relationship between people and food also involves protecting the environment so that more food can be produced in a sustainable way. Our business growth involves nature’s bounty; therefore, we work to improve our operational efficiency and cooperation with our partners to reduce our impact on the environment, protecting and preserving natural resources across the entire value chain of our businesses.

By implementing PepsiCo’s global operating standards and policies, PepsiCo GCR complies with all emission regulations and has made important progress on water and energy conservation as we continue to innovate and seek breakthroughs in this area. As of the end of 2016, the recycling rate of solid waste in all of our GCR foods plant facilities was 99.7%, and all 7 GCR foods plants have achieved water reduction of at least 64% and energy reduction of at least 36% compared to the 2006 baseline. We often take the initiative to share our experience in sustainable operations with the local government and communities, ensuring that we can work together to promote environmental sustainability.

Continuous giving back

As a MNC with a strong sense of social responsibility, PepsiCo is not only focused on China’s economic development, but also giving back to local communities and supporting their ongoing development as part of our work to deliver Performance with Purpose. For 17 years, we have been providing support for the Water Cellar for Mothers program that has benefited 900,000 impoverished individuals. In late 2015, we launched the PepsiCo Nutrition in Action Program, aiming to improve the nutrition of students in poor rural areas of central and western China. We also invested in nutrition education through our partnership with the Chinese Nutrition Society (CNS) during the annual National Nutrition Week. In just one and a half years, we have provided about 350,000 free nutritious breakfasts in Yunnan Province. We have also sponsored several other charity projects, such as Postal Parcels for Mothers to bring daily necessities to impoverished mothers and families, the PepsiCo Libraries program to build libraries for schools near our potato farms, and the Better Tomorrow education program to support schools for children of migrant workers. It is all part of an effort to provide capital, care, and support to those in need, and to help the underprivileged build confidence and educational skills in order to build a better life. As of June 2017, the PepsiCo Foundation, PepsiCo GCR and its employees have donated more than RMB 142 million to China’s public welfare undertakings.

Performance with Purpose (PwP)

In October 2016, PepsiCo launched our Performance with Purpose (PwP) 2025 Agenda and specific goals to guide our work in the areas of Products, Planet and People. PepsiCo is committed to being truly In China, For China, With China. Everything we do is aligned with our global Performance with Purpose vision, and is aimed at ensuring that PepsiCo is not an American company operating in China, but rather a global citizen fully embedded in the fabric of Chinese society. We are excited about the future of China, and look forward to working together to advance the strategic priorities of China’s 13th Five Year Plan.

Thank you for your partnership and support of PepsiCo Greater China!

Mike Spanos
President & CEO of PepsiCo Greater China Region

September 1, 2017
About PepsiCo and GCR

About PepsiCo

PepsiCo products are enjoyed by consumers one billion times a day in more than 200 countries and territories around the world. PepsiCo generated approximately $63 billion in net revenue in 2016, 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 22 brands that generate more than $1 billion each in estimated annual retail sales.

In September 2016, PepsiCo was one of 50 companies listed on the Fortune 2016 Change the World list due to our outstanding performances in measurable social impact, business results and degree of innovation.

In February 2017, Fortune released its list of the World’s Most Admired Companies for 2017. PepsiCo was on the list for the 12th consecutive year, ranking second amongst consumer food product companies for its outstanding performance in product innovation, corporate social responsibility, Human Resource management, financial soundness, and quality of products and services.

March 2017, the renowned global think tank Ethisphere Institute, PepsiCo was named a World’s Most Ethical Company, an honor that PepsiCo received for the 11th consecutive year due to our achievements in compliance, corporate governance, and corporate social responsibility.

Ethisphere Institute is the global leader in defining and advancing the standards of ethical business practices. The World’s Most Ethical Companies is an evaluation based on corporate Ethics Quotient™, a proprietary rating system the institute developed based on years of research to evaluate the performance of organizations in an objective, consistent and standardized way. This program honors companies that excel in three areas: promoting ethical business standards and practices internally; enabling managers and employees to make good choices; and shaping future industry standards by introducing tomorrow’s best practices today.
About PepsiCo Greater China Region (GCR)

PepsiCo was one of the first US-based companies to enter China. Our products have been offered in China for 36 years. Over the past 10 years, we have invested more than RMB 48 billion in China creating more than 100,000 direct and indirect jobs. We have built a successful food and beverage business while also investing in China’s growth and development.

**PepsiCo GCR Beverage System:**

In 1981, PepsiCo opened its first bottling plant in Shenzhen, starting its investment journey in China. On March 31, 2012, PepsiCo completed its strategic alliance with Tingyi Asahi Beverages (TAB), a subsidiary of Tingyi. TAB is PepsiCo’s master franchise bottler in China, responsible for the manufacturing, selling, and distribution of PepsiCo’s carbonated soft drinks and Gatorade brands. In addition, PepsiCo and TAB co-brand juice drinks and water brands, using the Tropicana and Aquafina brand names under license from PepsiCo. PepsiCo retains the branding and marketing responsibilities for these products.

The strategic alliance has created the country’s leading liquid refreshment beverage (LRB) manufacturing network, with about 100 plants and a national go-to-market distribution network.

**PepsiCo GCR Food System:**

In 1993, PepsiCo Foods entered the China market with the introduction of Lay’s potato chips. Today, our operations have grown to 7 plants and 5 sustainable demonstration farms and 9 contract farms. To date, PepsiCo has invested more than RMB 500 million in agriculture-related development. PepsiCo’s potato farms in China yield 41 tons per hectare on average, making it among the highest yields in the world. Over the past 10-plus years, more than 10,000 farmers have benefited from their partnerships with PepsiCo.

In addition to the potato chips in its snack foods business, PepsiCo Foods (China) Co., Ltd reached an agreement with General Mills on its Bugles brand. Starting from September 2016, PepsiCo Foods (China) Co., Ltd is licensed to manufacture, distribute, market, and sell Bugles products in mainland China. This strategic partnership with General Mills on the Bugles brand expands our food portfolio in the Greater China Region, strengthening our position in China’s extruded pellet snacks category.

Our nutrition business in China is founded on the Quaker brand. Our Quaker brand is focused on improving Chinese consumers’ diets and nutrition. A classic brand with 140 years of history, Quaker provides nutritious food and a healthy lifestyle message to every Chinese household. Through varied innovative oatmeal foods, Quaker offers consumers in China different ways to consume whole grains to improve their balanced nutrition diets. Since 2016, Quaker brand has worked actively with Chinese Nutrition Society (CNS) to help and educate more Chinese families to realize the nutritional value of whole grains. We developed mass communication and education programs in community, hospitals, schools etc., to introduce the nutritional value of whole grains and oats. In 2017, at the third National Nutrition Week, Quaker supported again the national nutrition education activities of the CNS in 30 provinces to proactively promote nutrition knowledge of whole grains for Chinese residents.
PepsiCo Products

PepsiCo provides great tasting, nutritious, and convenient food and beverage choices to consumers around the world.

PepsiCo’s product portfolio includes 22 brands generating more than $1 billion each in estimated annual retail sales, including Pepsi-Cola, Mountain Dew, Gatorade, Lay’s, Tropicana, Doritos, Tostitos, Lipton, Quaker, Cheetos, 7UP, and Mirinda.

In Greater China, we sell and manufacture Pepsi-Cola, Mirinda, 7UP, Tropicana, Gatorade, Aquafina, Dole, Lay’s, Quaker oats, Doritos, and Cheetos.
PepsiCo’s Values and Guiding Principles

Our goal is to deliver sustained growth through empowered people, acting responsibly and building trust.

Guiding Principles

- Care for customers and the world we live in;
- Speak with truth and candor at all times;
- Respect others and succeed together;
- Sell only products we can be proud of;
- Win with diversity and engagement; and
- Balance short term and long term;
Performance with Purpose
2025 Agenda

In October 2016, PepsiCo announced an ambitious global sustainability agenda, designed to foster continued business growth in a way that responds to changing consumer and societal needs. The company's efforts, which focus on creating a healthier relationship between people and food, include specific 2025 goals to continue transforming PepsiCo's food and beverage product portfolio, while contributing to a sustainable global food system, and help in making local communities more prosperous.

At the heart of PepsiCo's core values is Performance with Purpose – our fundamental belief that the success of our company is inextricably linked to the sustainability of the world around us. We believe that continuously improving the products we sell, operating responsibly to protect our planet, and empowering people around the world, is what enables PepsiCo to run a successful global company that creates long-term value for society and our shareholders.

These new initiatives continue PepsiCo's decade-long focus on delivering Performance with Purpose, a pioneering vision launched in 2006 and rooted in the fundamental belief that business success is inextricably linked to the sustainability of the world that we share.

PepsiCo's Performance with Purpose agenda for the coming decade is focused on three core priorities:

- improving the products we sell
- protecting our planet and
- empowering people around the world

In pursuing these goals, we aim to contribute to shared challenges. The company’s actions will be consistent with the responsible allocation of capital, a commitment to meeting its financial targets, and the creation of shareholder value. We strongly believe that achieving these goals will enhance its long-term financial performance and returns.

The company's plans are informed by the current scientific research, consumer expectations, and dialogue with key stakeholders, as well as by the United Nations' 2030 Agenda for Sustainable Development.
PERFORMANCE WITH PURPOSE

 PRODUCTS

 ![Sustainable Farming Initiative](image)

 Provide access to

 - **3 BILLION** servings of nutritious foods and beverages for underserved communities and consumers

 PLANET

 ![Water-Use Efficiency](image)

 Improvement in water-use efficiency among our direct agricultural suppliers in high-water-risk sourcing areas

 PEOPLE

 ![Women and Girls Investment](image)

 Calories from added sugars per 12-oz. serving in at least 2/3 of our global beverage portfolio volume

2025 GOALS: A FIRST LOOK

 PRODUCTS

 - **7 MILLION** acres to be covered by our Sustainable Farming Initiative, to advance respect for workers’ human rights, improve growers’ livelihoods and yields, and increase sustainable agricultural practices

 PLANET

 - **≥20%** reduction in absolute GHG emissions across our value chain by 2030

 PEOPLE

 - **≥12.5 MILLION** women and girls to benefit from $100 million in investments
PepsiCo's ambition is to enable better nutrition at scale by continuing to develop a broader portfolio of food and beverage choices, and increasing access to great-tasting, nutritious food.

Informed by the latest dietary guidelines of the World Health Organization and other authorities, we will continue to refine our food and beverage choices to meet changing consumer needs by reducing added sugars, saturated fat, and sodium levels in many of our products.
Our 2025 Agenda

- At least two-thirds of the PepsiCo global beverage portfolio volume will have 100 Calories or fewer from added sugars per 12-oz serving.

- At least three-quarters of the PepsiCo global foods portfolio volume will not exceed 1.1 grams of saturated fat per 100 Calories.

- At least three-quarters of the PepsiCo global foods portfolio volume will not exceed 1.3 milligrams of sodium per Calorie.

- The rate of sales growth of what the company refers to as Everyday Nutrition products will outpace the rate of sales growth in the balance of PepsiCo’s portfolio. Everyday Nutrition products include those that deliver whole grains, fruits and vegetables, dairy, protein, and hydration.

- PepsiCo will provide access to at least three billion servings of nutritious foods and beverages to underserved communities and consumers.

- Clear nutritional labeling, responsible marketing practices and meeting high standards for food quality and safety remain foundational to our efforts.
PepsiCo GCR’s Specific Practices

Continued Product Improvement and Innovation

We continue to expand our nutrition portfolio, while reducing added sugar in our beverages as well as saturated fat and sodium in multiple foods. Globally, more than 45% of our net revenue is generated by what we define as guilt-free products, and over one quarter of our revenue comes from what we refer to as our Everyday Nutrition products.

PepsiCo maintains a long-term commitment to the consumers in China: selling products that meet global safety and quality standards. In the Greater China region, we are also actively implementing our global nutrition strategies and have made progress on reducing added sugars, sodium, and fat. For example:

- In 2016, Quaker released many new nutritious oatmeal products, including Quaker Oat Biscuit Bites, Quaker Crispy Fruity Oats, Quaker Oat Yogurt Bites, and Quaker Tasty Big Oats. These offer Chinese consumers more options for consuming whole grains, improving their overall intake of the “three goodness of Oats” - dietary fiber, protein, and multiple nutrients.
- We launched 25% reduced sugar in 7UP in 2013, and 30% reduced sugar in orange-flavored Mirinda in 2015.
- In 2016, we launched the world’s first Thermobaric Frying potato chip production line in our Wuhan food plant. Adopting a new, patented world-class frying technology, this production line has the capability to reduce fat in potato chips by approximately 15% versus traditional production lines.
- In 2013, Lay’s STAX reformulation achieved 13.3% reduction of sodium. In 2015, we reduced average sodium level in all our food brands by about 25% versus the baseline of 2006.

Guilt-free products include diet and other beverages that contain 70 Calories or less from added sugar per 12-ounce serving and snacks with low levels of sodium and saturated fat as well as what we call Everyday Nutrition.
PepsiCo Asia Research & Development (R&D) Center

In November 2012, PepsiCo launched a new food and beverage innovation center in Shanghai to meet the increasing consumer demand. The facility, known as the PepsiCo Asia R&D Center, which is our largest research and development center outside of North America, serves as a hub of new product, packaging, and equipment innovation for PepsiCo’s businesses throughout Asia. The new facility is equipped with an advanced culinary center and test kitchens, focused on developing and tailoring PepsiCo food and beverage brands for distinct, locally relevant taste preferences throughout the region. In addition, the facility is equipped with a pilot manufacturing plant that allows researchers to quickly test new product ideas and support efforts to significantly accelerate the pace of PepsiCo’s innovation in China and other growing Asian markets.

In April 2013, PepsiCo Asia R&D Center received the Leadership in Energy and Environmental Design (LEED) gold certification.

Providing Safe Products

“No matter where we are, the safety and integrity of our products is our single highest priority. It’s our duty as a responsible company. People buy our brands because they know they can count on consistent quality – every time. We follow very rigorous standards of safety and quality. Our standards are equally rigorous in New York, London and Beijing as they are wherever else we operate. We stand behind each and every product we sell.”

Chairman and CEO, PepsiCo
Indra K. Nooyi
Reliable food quality and safety is a topic widely discussed today. PepsiCo is dedicated to producing the safest, highest-quality and best-tasting beverages and foods in every part of the world. Developing and maintaining robust food safety programs is how we assure safety for every package, every day, in every market. We always comply with local food safety regulations and our own internal rigorous standards.

Since 2015, we implemented a global approach to ensure product quality and food safety, allowing us to simplify and standardize these processes in an efficient, consistent manner across snacks, nutrition, and beverages globally. We have also developed key performance indicators (KPIs) for monitoring and evaluating performance across all of our categories.

The following organizational structure represents how our R&D Functions, company-wide Governance and Compliance, as well as other departments contribute to our high quality products. We rely on this structure to effectively manage food safety and quality, and to provide consistent high-quality products around the world.

**Our food 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.
As part of our global unification process, we have developed the PepsiCo Quality and Food Safety Scorecard that measures important metrics across our entire value chain in all of our categories. Teams have been assigned to drive progress against these metrics by designated target dates.

**Food quality and safety value chain:**

- **SAFE AND QUALITY COMPLIANT INGREDIENT/SUPPLIERS**
- **FOOD SAFETY ADD QUALITY BY DESIGN**
- **FOOD SAFETY ADD QUALITY IN MANUFACTURING**
- **QUALITY IN TRADE**
- **QUALITY PERCEIVED BY CUSTOMERS**
- **QUALITY PERCEIVED BY CUSTOMERS**

**PepsiCo promotes GFSI (Global Food Safety Initiative), a leading food safety management system throughout the entire value chain from raw materials to finished products to fulfill our food safety responsibility as a food manufacturer. At the same time, as the chair of GFSI China Capacity Building Group, PepsiCo leads a team of food safety experts and academics to introduce GFSI global market programs into China, sharing them with small and less-developed food companies in China to help build food safety systems and capacity in a systematic way.**

PepsiCo taps globally recognized third-party organizations to conduct independent audits to assess food-safety management practices at our manufacturing sites. The auditor conducts a thorough physical review of each site to assess food safety risks based on international standards. **As of the end of 2016, all PepsiCo GCR manufacturing sites have received and passed an independent third-party food safety audit.**

**Supplier Quality Assurance**

To ensure 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; this process is conducted along with a standardized supplier approval process, including certificates of analysis and testing of ingredients and packaging materials. By observing these policies and requirements, PepsiCo GCR ensures that standards and 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 are adhered to in order to ensure the safety of our products for our consumers.
PepsiCo Supports China Beverage Industry Association (CBIA) in Launching China’s First Industry Health Pledge

At the China Innovative Technology on Nutritional & Healthy Beverages Seminar held on April 14, 2016, the CBIA officially launched the Chinese Beverage Industry Health Actions pledge. The pledge outlines six areas in which the Chinese beverage industry would take action to improve health and nutrition in China:

- Support The Healthy China Strategy. We will work with the government, experts, and academic institutions, supporting the implementation by government.

- Commit to product and packaging innovation. We will develop nutritious and healthy beverages to provide consumers a greater variety of product choices, richer nutrition, and different calorie levels per serving. We will provide scientific guidance for consumers to choose the best products from a broad line of safe, high quality, and healthy beverages.

- We will help consumers to better understand product nutrition labels so they can make informed product choices.

- We encourage businesses to market their products responsibly, mandating that we do not promote “fun for you” products to children under 12 years of age.

- We support the government’s efforts to promote a healthy lifestyle with a balance of exercise and
diet. We will take actions to encourage increased exercise with both adolescents and the general public. Beverage manufacturers should support schools in the communities that they serve by helping to encourage regular exercise between classes in a well-planned and targeted way, and help local communities organize, support, or participate in popular sports and exercise programs.

- We will support the government to raise awareness of health-related knowledge, making full use of mass media to share scientific health information with the public, advocating a healthy lifestyle that creates a healthy atmosphere.

Responsibly Marketing Our Products

PepsiCo is committed to providing clear nutritional information on our products, selling and marketing them responsibly to our consumers. We help consumers make informed choices by communicating responsibly about our products.

Guided by our global policies and standards, PepsiCo CGR provides consumers with fact-based nutritional information, responsibly advertising our products to consumers including children through:

- 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
PepsiCo has committed to compliance with local laws, regulations, and standards on product packaging. In 2010, we incorporated an even more rigorous standard, voluntarily committing to displaying calorie counts and key nutrients on our packaging. Following our rigorous global standards and policies, PepsiCo GCR is continuously looking for ways to communicate better with our consumers through labeling. By January 2017, all of our products in China complied with our labeling commitment. We voluntarily disclose saturated fat, and added sugar levels in our products on the packaging, even when it is not required by local regulations.

Responsible advertising
While PepsiCo is committed to responsibly advertising to all consumers, we are especially careful to market to children only products that meet our Global Nutrition Criteria for Advertising to Children. To meet this commitment, PepsiCo GCR has established a set of procedures that require cross functional reviews and approvals for marketing, ensuring that our marketing campaigns are in full compliance with local laws and are in line with PepsiCo’s Values and Code of Conduct.

We also train our marketing associates and provide them with professional guidance on how to market our products and brands in a way that is consistent with PepsiCo Values and the principles in our Code of Conduct.

Advertising and Marketing to Children
At PepsiCo, we believe children are a special kind of audience, and take particular care to responsibly communicate about our products with them and their caregivers. We do this by advertising to children under age 12 only those products that meet PepsiCo’s Global Nutrition Criteria for Advertising to Children, to encourage the consumption of healthier food and beverage products. We also restrict direct sales of certain beverages to schools. In PepsiCo GCR, we strictly follow this standard.
Over the past few years, PepsiCo GCR has deepened its Chinese New Year marketing campaign under the theme of "Bring Happiness Home." We continuously explore the ideas of happiness and home, sharing the positive energy of family health and happiness. In 2012, we launched a campaign titled “Seeing you back home is your parents' biggest joy.” In 2013, the theme of our marketing video was “Where there's love, there's home. And where there's home, there's happiness.” In 2014, we shifted the focus from the individual family to the bigger family of society, echoing the old saying “Whether near or far, home is still home. Whether big or small, happiness is still happiness.” In 2015, we joined hands with the younger generation in our campaign to encourage them to create a happiness of their own. In 2016, our “Bring Happiness Home, The Monkey King Family” campaign, emphasized the Monkey King Spirit from traditional Chinese culture. We created a video about a family reunion and New Year celebration. The video received more than 830 million views as the Monkey King spirit clearly resonated well with Chinese society. Our 2017 Chinese New Year marketing video titled, "We
are family because of love”, featured a beloved family from a famous Chinese sitcom under the theme “2017 Bring Happiness Home.” This video received an impressive 1.03 billion views.

Gatorade supported the National Top 10 Physical Education Teachers from the Primary School and Middle School award selection in China. Gatorade is also active in educating the general public about fitness. On November 20, 2016, Gatorade and the Tao Xingzhi Education Foundation jointly held the Public Classes on Sports Safety in Tsinghua University, including Feng Shuyong, Chief Coach of China’s track-and-field team, and Su Bingtian, an Asian record-holding athlete personally gave lessons and advocated the need to exercise. Gatorade has promoted exercising in over 100 high schools and universities in 20 cities in China, educating the younger generation about fitness and healthy exercise habits as to lay a strong foundation for their development.

In addition to healthy lifestyle education, Gatorade has been actively promoting sport programs in China, with specific focus on running, basketball and soccer. In the past few years, the brand and its bottler had supported major marathon events, including the Beijing Marathon, Shanghai Marathon and Lanzhou Marathon. Gatorade also leveraged its global partnership with the US National Basketball Association (NBA) and Union of European Football Associations (UEFA) to drive sport awareness and support development of young athletes through the Jr. NBA program and hundreds of grass-root activities in the campuses.

In recent years, there have been growing concerns of an unbalanced diet and insufficient whole grain intake by Chinese consumers. The 2016 Chinese Dietary Guidelines for Residents recommend that adults consume 50 to 150 grams of whole grains per day. However, the Coarse Food Intake of Chinese Adults survey showed that over 80%
of Chinese adults do not consume enough whole grains. To address this situation, Quaker, as an outstanding representative of PepsiCo’s grains brand, began working with the Chinese Nutrition Society (CNS) in 2016 to carry out public education and communication activities on whole grain nutrition across the country.

PepsiCo Nutrition in Action – Improving Nutrition in Impoverished Areas in Central & Western China

In order to improve nutrition and health awareness of students in impoverished rural areas in central and western China, PepsiCo donated RMB 1 million in December 2015, launching PepsiCo Nutrition in Action initiative in partnership with the China Foundation for Poverty Alleviation (CFPA) and the Chinese Nutrition Society (CNS). In September 2016, the PepsiCo Foundation, PepsiCo GCR and its employees donated another RMB 700,000 to CFPA to continuously support nutrition improvement in adolescents in central and western China. These programs are also targeted to support the healthy growth and development of adolescents.

PepsiCo provides nutritious meals of fiber-rich Quaker products through donations. As of May 2017, over 350,000 nutritious breakfasts were served to more than 3,000 primary school students in Zhaoyang District, Zhaotong, Yunnan, and nearly 300 faculty members got trained through this program.
It is PepsiCo’s vision to protect natural resources and lessen our environmental impact through improved operational efficiency and by working with our suppliers and business partners. We will continue to improve efficiency in our production and distribution operations, while extending our environmental stewardship efforts across our value chain.

As part of PepsiCo’s focus on protecting the planet, we will work to achieve positive water impact; significantly lower its carbon emissions, with significant efforts to reduce emissions related to agriculture and packaging; promote sustainable sourcing of crops; and reduce waste.
Our 2025 Agenda:

● Water

*Improve the water-use efficiency of the direct agricultural supply chain by 15% in high-water-risk sourcing areas by 2025. These savings equate to the same approximate volume of water used in PepsiCo direct manufacturing operations.*

*Improve the water use efficiency of the direct manufacturing operations by 25% by 2025. This is in addition to the 25% improvement in water-use efficiency that the company has achieved since 2006 and will include a focus on high-water-risk areas.*

*Replenish 100% of the water that is consumed in the manufacturing operations located within high-water-risk areas, ensuring that the water is replenished in the same watershed from which it was extracted by 2025.*

*The PepsiCo Foundation and its partners will work to provide access to safe water to a total of 25 million people in the world’s highest water-risk areas by 2025, a continuation of efforts that began in 2006, with a focus on communities near where PepsiCo works.*

● Carbon emissions

*Work to reduce absolute greenhouse gas emissions across the company’s value chain by at least 20% by 2030, with a focus on collaborating with suppliers, business partners, and customers.*

● Sustainable sourcing

*Sustainably source both direct and major non-direct agricultural raw materials by 2020 and 2025, respectively. Building on an earlier goal, PepsiCo also intends to invest in the necessary measures to complete plans to sustainably source 100% of the palm oil and cane sugar purchased by 2020.*

● Packaging and waste

*Strive to achieve zero waste to landfill across direct operations by 2025. Work to reduce the food waste generated in direct operations by 50% by 2025. Strive to design 100% of packaging to be recoverable or recyclable by 2025, while partnering to increase packaging recovery and recycling rates.*
PepsiCo GCR’s Specific Practices

Green Production of Our Beverage Business

PepsiCo GCR uses clean and renewable energy in our production processes, implementing energy and water conservation solutions in our green plants, responsibly treating wastewater and managing CO2 emissions, and recycling solid waste.

In November 2016, the plants under the Tingyi-PepsiCo alliance were again recognized by the industry for their outstanding performances in water-saving and energy-conservation, receiving a total of 47 awards in the “2016 China Beverage Industry Water-saving and Energy-conservation Excellent Enterprise” category:

- A total of 19 plants won the Water-saving Excellence Award (including 2 Water-saving Model Plants and 2 Water-saving Production Sites);
- 25 plants won the Energy Conservation Excellence Award, including 1 Energy-conservation Model and 2 Energy-conservation Production Sites;
- 3 plants each received a Water and Energy Conservation Model Award;
- The number of awards obtained by Tingyi-PepsiCo strategic alliance represented nearly 50% of the total awards that were presented at the conference.

In addition, some of our plants have also won recognition from local governments for their stellar performance.

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Energy Conservation Award</th>
<th>Water Conservation Award</th>
<th>Additional Award</th>
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<tbody>
<tr>
<td>Shenyang Pepsi-Cola Beverage Co., Ltd.</td>
<td>Energy Conservation Excellent Enterprise</td>
<td>Water Saving Excellent Enterprise</td>
<td>Guangzhou Clean Production Excellent Enterprise</td>
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<td>Nanjing Pepsi-Cola Beverage Co., Ltd.</td>
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<td>Harbin Pepsi-Cola Beverage Co., Ltd.</td>
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<td>Hangzhou Pepsi-Cola Beverage Co., Ltd.</td>
<td>Energy Conservation Excellent Enterprise</td>
<td>Water Conservation Model</td>
<td>Shandong Province Water Saving Enterprise</td>
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<td>Jinan Pepsi-Cola Beverage Co., Ltd.</td>
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<td>Water Conservation Model</td>
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<td>Zhengzhou Pepsi Beverage Co., Ltd.</td>
<td>Energy Conservation Excellent Enterprise</td>
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<td>Wuhan Pepsi-Cola Beverage Co., Ltd.</td>
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<td>Zhanjiang Pepsi-Cola Beverage Co., Ltd.</td>
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<td>Zhanjiang Clean Production Excellent Enterprise</td>
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<tr>
<td>Chongqing Pepsi Tianfu Beverage Co., Ltd.</td>
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<td>Water Saving Excellent Enterprise</td>
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<td>Xi’an Pepsi-Cola Beverage Co., Ltd.</td>
<td>Energy Conservation Model</td>
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<td>Shanghai Pepsi-Cola Beverage Co., Ltd.</td>
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<td>Water Saving Excellent Enterprise</td>
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<tr>
<td>Shenzhen Pepsi-Cola Beverage Co., Ltd.</td>
<td>Energy Conservation Excellent Production Site</td>
<td>Water Saving Excellent Production Site</td>
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<tr>
<td>Shenzhen Pepsi-Cola Beverage Co., Ltd. Jiedong Branch</td>
<td>Energy Conservation Excellent Production Site</td>
<td>Water Saving Excellent Production Site</td>
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The idea of environmental sustainability is deeply rooted in every part of TAB and PepsiCo, reflected in our production equipment, facilities’ practices, and product packaging. PepsiCo GCR now has four franchise beverage plants certified as “green plants” by the authoritative Leadership in Energy and Environmental Design (LEED) gold and silver level standards. As these plants reduce water and energy consumption by more than 20% compared with other standard plants, they serve as a new benchmark for the industry. PepsiCo is also the first food and beverage company to introduce LEED into China, making it an industry leader in terms of sustainable development.

Green Production of Our Foods Business

A winning agricultural model in GCR

PepsiCo brought its food business to China with the introduction of Lay’s in 1993. Our food business has expanded to 7 food plants and 5 demonstration farms of sustainable agriculture in China, investing over RMB 500 million in agricultural-related development during last decade.

PepsiCo GCR has been working to raise the income of Chinese farmers by providing them with secure and price-guaranteed long-term contracts, and teaching farmers ways to increase yield through technology and knowledge sharing. The average yield of PepsiCo GCR’s demonstration potato farms in China, 41 tons per hectare, is among the highest in the world. In the past decade, over 10,000 Chinese farmers have benefited from PepsiCo’s agricultural projects.

PepsiCo GCR has introduced dripping and sprinkling irrigation technologies to the potato farms in China, reducing water consumption by up to 50% compared to the traditional model of flood irrigation. With the application of advanced technologies in our demonstration farm in Inner Mongolia, we have turned barren desert into fertile agricultural land. During a visit to the farm in June 2006, then Premier Wen Jiabao, applauded PepsiCo’s “triple-...
win model” for the equal benefits delivered to the environment, potato plantation, and the farmers. In October 2011, when visiting the PepsiCo booth at the Canton Fair, Premier Wen once again acknowledged and encouraged PepsiCo’s commitment to sustainable agriculture in China.

In September 2011, PepsiCo GCR and the Chinese Ministry of Agriculture (MOA), signed a Memorandum of Understanding (MOU) of cooperation to promote sustainable agricultural projects and support the building of “new countryside” in China. As part of the MOU, PepsiCo and the Ministry of Agriculture committed to jointly working for the building and operation of demonstration farms, using advanced irrigation, farming, and crop management technologies. The two groups pledged to work together to promote best practices of potato farming in China’s agricultural sector, and to help raise the income of Chinese farmers through increased output. In December 2015, PepsiCo and the MOA renewed their MOU, aiming at leveraging advanced global technologies and professional experience in targeted industries, namely potatoes and oats, to drive the promotion and application of sustainable farming and modern farm management technologies in China. This model provides a reference point for the research and promotion of sustainable farming models.

The Ministry of Agriculture and PepsiCo hosted three training sessions on sustainable agriculture and potato farm management in Inner Mongolia from 2013 to 2016. The PepsiCo experts offered training on advanced technologies and processes to about 100 agro-technicians and management professionals from over 10 provinces and autonomous regions. PepsiCo also shared its global best practices in modern farm operations to help enhance the quality and efficiency of potato farming, speeding up the development of modern agricultural production and management capabilities in China.

**PepsiCo GCR food business achievements in energy conservation and emission reduction**

PepsiCo GCR always follows the latest environmental regulations and requirements. When the Beijing government announced the enhanced local waste water direct discharge standards in 2014, PepsiCo responded
In July 2012, the PepsiCo Wuhan Food Plant started official operations. It is PepsiCo's first green food plant in China that conforms to LEED standards, the most authoritative international standard for green building. In December 2012, the Wuhan Food Plant received the LEED gold certificate.

On October 22, 2015, PepsiCo's first Quaker plant in China was officially put into operation. With an investment of near RMB 200 million, the Beijing Quaker plant provides high-quality, great-tasting and nutritious oatmeal products for Chinese consumers. The plant was designed and built in accordance with LEED standards and received a LEED silver certificate.

Regarding water saving, 7 GCR foods plants have achieved water reduction of at least 64% in 2016 compared to the 2006 baseline.

We have made solid achievements in green production, water, energy conservation, and reduction of solid waste in our food business operations in China over the past few years. Specific examples are as follows:

PepsiCo has focused on solid waste recycling metrics since 2013 with an enhanced set of standards, focusing on eliminating landfills of solid waste and incineration. This elimination is accomplished with a lower impact to the environment. Guided by this new requirement, all PepsiCo owned China foods plants achieved a 99.7% solid waste recycling rate by the end of 2016.
Sustainable Sourcing

PepsiCo GCR expects our suppliers to do business responsibly, with honesty, integrity, and transparency. Suppliers and other providers of goods and services who do business with PepsiCo entities worldwide are expected to follow our Supplier Code of Conduct (SCoC), which clarifies our global expectations in the areas of business integrity, labor practices, associate health and safety, and environmental management. Through PepsiCo’s Sustainable Sourcing Program (SSP) we work with suppliers on issues including health, safety and environmental management.

Our SSP assesses risk and monitors supplier compliance with our SCoC through third-party auditing of our most business-critical direct supplier and contract manufacturing and co-packing locations. We make sure that our direct raw material sourcing is conducted properly in terms of price, quality, and supply chain standards. SSP strengthens our sourcing programs, complementing our existing SCoC. SSP enhances our collaboration with suppliers and lays a foundation for our responsible operations.

The Sustainable Sourcing Program (SSP) covers the following items:

- Suppliers’ commitment to PepsiCo’s Global Supplier Code of Conduct (SCoC)
- Details on the scope of Sustainable Sourcing
- Program elements and the online Global Supplier Management (GSM) System
- Key expectations including the annual online assessment
- Self-Assessment Questionnaire (SAQ) and On-site Audits
- Corrective Action Plan (CAP) process
- Social responsibility audit and PepsiCo’s mutual recognition program

PepsiCo GCR asks third-party organizations to conduct social responsibility audits on our first-tier suppliers who have gone through our business continuity planning every year. A follow-up of any recommendations is done on a monthly basis. Suppliers who fail the audits will be asked to make the necessary improvements until they meet our standards.

Providing Safe Drinking Water for Water-Distressed Central and Western Regions of China

In 2000, the China Women's Development Foundation (CWDF) launched a national program Water Cellar for Mothers (MWC) to raise public awareness and address a national crisis: the lack of safe drinking water access for hundreds of millions of people in drought-stricken and impoverished rural areas of central and western China. The program, through construction of rainwater cellars, small scale centralized water supply projects and safe drinking water on campus program, provides a safe and effective solution to bring water relief to areas where the use of standard water infrastructure is impractical. PepsiCo has been the largest donor among MNCs since the project inception from 2001.
For more than 10 years, the Water Cellar for Mothers program has received strong support from PepsiCo GCR’s employee volunteers. As of June 2017, contributions from the PepsiCo Foundation, GCR, and our employees amounted to RMB 55 million. These funds have built more than 2,300 water cellars, funded construction or upgrading of more than 200 centralized small-scale water supply facilities, enabled 125 school safe drinking water projects, and trained nearly 180,000 people in the countryside. About 900,000 people in 10 provinces, including Sichuan, Yunnan, Gansu, Guizhou, Guangxi, Hebei, Inner Mongolia, Qinghai, Chongqing, and Shaanxi have directly benefited from our contributions.

In recognition of PepsiCo’s outstanding contributions to the Water Cellar for Mothers program, CWDF picked PepsiCo as one of its first strategic partners in this project in 2012. On December 29 of 2015, PepsiCo received the “MWC Loyal Partner” accolade awarded by the All China Women’s Federation (ACWF) and CWDF at the 15th Anniversary of MWC Review Conference held in Beijing. This award commended PepsiCo’s long-standing and outstanding contributions to promote the MWC program.
PepsiCo’s vision is to empower people and social development across our operations, supply chain, and communities in which we operate.

Building on our support to the United Nations Guiding Principles on Business and Human Rights, PepsiCo is significantly broadening our focus on respecting human rights across the company’s supply chain. In addition, PepsiCo is pursuing new initiatives to promote diversity in our global workforce, supporting the advancement of women, and spurring social and economic development in communities around the world.
Our 2025 Agenda:

- **Expand PepsiCo’s Sustainable Farming Initiative (SFI) to approximately 7 million acres by 2025, covering crops that collectively comprise approximately three-quarters of its current agricultural-based spend. PepsiCo’s SFI is focused on promoting environmentally responsible agricultural practices, improving crop yields and growers’ livelihoods, and respecting human rights.**

- **Extend the principles of the company’s Supplier Code of Conduct to all franchisees and joint venture partners by 2025. These principles already apply to PepsiCo’s direct suppliers.**

- **Invest $100 million in partnership with the PepsiCo Foundation to support initiatives to benefit at least 12.5 million women and girls around the world by 2025.**

- **Continue developing a diverse, inclusive, and engaged workforce that reflects the communities where we do business. These efforts include a continued focus on achieving gender parity in PepsiCo’s management roles and pay equity for women, as well as support for working caregivers.**
PepsiCo GCR’s Approach to Human Resources Management

PepsiCo GCR’s human resources management approach

- We strike a balance between the business and the needs of our employees by building a culture of trust, mutual respect, empowerment and innovation.
- We create a friendly and transparent workplace where our employees love their work, collaborate as a team and have fun.
- We customize career development, training, coaching and mentoring programs for employees to learn, grow and maximize their potential.
- We build a sustainable talent agenda so that we have a deep bench of talent that will be prepared to lead as we grow the China business.
- We take full advantage of multi-media platforms to engage with our employees and to advance employer branding.

Diversity and Inclusiveness

People are PepsiCo’s greatest asset. We believe in building a workforce that reflects the diverse consumers and communities we serve. Diversity and engagement is core to our company’s value and how we operate as a global corporate citizen. A key driver of our company vision, Performance with Purpose, diversity and engagement helps create a sustainable advantage for us.

To attract and retain the most talented and capable people, we create a diverse and inclusive culture where everyone feels that they have equal opportunities to succeed and grow, regardless of gender, race, ethnicity, religion, sexual orientation, or different abilities.
The “Harvey C. Russell Inclusion Award” recognizes individuals with outstanding achievements in promoting diversity and inclusion in PepsiCo.

**Harvey C. Russell Inclusion Award**

The Harvey C. Russell Award, which was set up in 2003, is presented to PepsiCo associates with pioneering achievements in diversity and inclusion. The award is named after Harvey C. Russell, who is remembered for breaking America's color barrier when he became a vice president of PepsiCo in 1962 — the 1st African American executive at a Fortune 500 company.

PepsiCo is also widely regarded as one of the most suitable workplaces for women and minorities among US-based companies. As of February 2017, the percentage of women employees stood at approximately 51% in PepsiCo GCR, including approximately 56% in the senior leadership team.

We care very deeply about having local talent run the China business especially at the management level. At PepsiCo GCR, more than 99% of our associates and 79% of our executives are from the local market. We will continue to prioritize localization, but also provide opportunities for global talent based on the global importance of GCR.

**Health and Safety**

Protecting the safety, health and well-being of our associates around the world is one of our top priorities. We are working in a number of ways to promote the values of health and safety at PepsiCo and ensure the continual improvement of our culture and performance when it comes to health and safety.

Through the PepsiCo Global Environmental, Health, and Safety Management System (GEHSMS), we implement our Environmental, Health, and Safety (EHS) policies, incorporating those into our business operations. By providing all necessary resources to create an accident-free workplace, we endeavor to achieve sustainable business growth while guaranteeing the safety of our associates and properties.

As of the end of 2016, PepsiCo GCR had a Lost Time Injury Rate of only 0.09, which is much lower than the world class benchmark of 0.3.

PepsiCo GCR has established a Health, Safety and Environmental Management Committee to continuously improve our health, safety, and environmental performance. Our Vice President of Human Resources and Vice President of Supply Chain serve as the committee’s chair and vice chair, respectively. They solicit feedback and involvement from leaders of other functions, who are also part of the committee. Every year, the committee sets annual goals, key performance indicators (KPIs), and key priorities for PepsiCo GCR’s safety, health, and environmental performance. They translate these in actionable plans across all units and review progress at regular committee meetings.

As part of developing a strong EHS culture, we design and implement annual EHS campaign activities. The campaign activities cover not only out plants, sales offices, but also agro farms and R&D Center. We also launched the EHS WeChat platform to regularly and transparently deliver EHS knowledge and information to our employees.

PepsiCo GCR has introduced GEHSMS, PepsiCo’s global environmental, health and safety standards, as well as ISO14001 and OHSAS18001 which are international standards in EHS to identify and evaluate environmental, health, and safety risks. We leverage these standards and processes to continuously improve our performance in this area through systematic management.

Since 2014, all PepsiCo GCR food plants have passed third party audits based on GEHSMS standards, ISO14001, and OHSAS18001 systems.
Learning and Development

PepsiCo is committed to support employees in their learning. PepsiCo’s approach to learning is conducted on a 70%:20%:10% basis. 70% learning is provided through on-the-job experiences; 20% learning is provided by receiving coaching and mentoring; 10% learning is provided by online and offline training programs. PepsiCo provides a series of diverse learning resources for supporting employees to attain their short-term and long-term development goals. The resources include classroom training, E-learning, projects, short term assignments, etc.

In 2016, each GCR employee participated in 51 training hours on average, including PepsiCo culture, values, new hire orientation, general skills, training, functional training, safety training and leadership training.

Classroom Training

Classroom training includes new hire orientation, value and Code of Conduct (COC), general skill & leadership training and various types of functional training.

New hire orientation and relevant resources

Each new hire will receive a welcome letter with a new hire orientation (NHO) toolkit (u-disk) on his/her boarding date. This NHO toolkit covers many resources for new hires such as PepsiCo history, values, career development, Performance Management Process (PMP), PepsiCo policies, system instruction, and on-line resources introduction. Each new hire will be invited to a WeChat group, named “PepsiCo New.” The new employee can easily receive company information regularly. Each new hire will be invited to attend new hire orientation for
2-3 days within 3 months of on boarding. PepsiCo New contains PepsiCo history, values, COC, PepsiCo’s brands introduction, production technology introduction, functional introductions, market visit, and plant visits.

**Values and COC training**

In PepsiCo, the Values and COC training covers all employees around the world. This training is accessible both on-line and off-line. In 2016, all GCR employees participated in annual COC/Anti Bribery training with 1,321 associates attending on-line training, and 2,480 associates attending off-line training.

**General skills and leadership training**

PepsiCo offers opportunities to employees to improve their professional and leadership skills through more than 20 courses on various topics. These training courses are identified from business and functional priorities as well as needs that associates have to enhance their performance. These courses form a part of our annual training calendar and are delivered in multiple cities, by internal and external trainers.

**Job skills training**

Each functional team implements a functional training plan to achieve their short-term and long-term objectives. Employees attend required functional training courses to improve their functional skills and achieve their performance objectives. Training is targeted to deliver on business objectives and to improve individual skills.

**Online Training**

All PepsiCo GCR employees can register for on-line training courses for either themselves or assign courses to their direct reports by logging into PepsiCo University and E-learning platform. PepsiCo University offers a wide range of courses ranging from leadership, general skills and functional skills.
Career Development

PepsiCo cares about associates' career development. It offers different critical experiences to enable associates to fulfill their career aspirations. Critical experiences are essential to an associate's long-term career growth and to enhance their readiness when any career opportunity rises. They provide opportunities to build leadership capability, functional excellence and business knowledge through on-the-job experience. They also help associates access opportunities across the organization. These critical experiences give associates exposure to new tasks, colleagues and/or situations that build their knowledge, skills and capabilities.

Line managers have year-round career conversations with their associates so as to understand the specific needs and provide resources to support associates in the pursuit of their aspirations.

Apart from this, PepsiCo runs a regular succession management process. This helps assess the bench for roles across the short to long term timeframe, considering the needs of individual employees. This helps the organization plan for career moves while ensuring it meets with employee aspirations.

Performance Management, Pay and Benefits

PepsiCo believes in meritocracy and runs a robust performance management process. At the beginning of each year, annual business plans are translated into individual objectives top-down and laterally. Sessions are held to ensure that associates express and understand the support they need from each other before finalizing their objectives. These objectives are regularly reviewed with the line manager and other team members in an effort to promote collaboration. At the end of the year, performance against these objectives are rated against an objective scale by line managers, and calibrated across relevant employee groups. This is to ensure equity and transparency. These ratings are linked to salary increases and incentives.

PepsiCo provides market competitive compensation and benefits. This ensures that we are able to attract, motivate and retain our employees. Our pay includes base salary, bonuses, incentives, etc. Our benefits include health benefits, child allowance, health care, flexible benefits, etc. PepsiCo runs a world class health and wellness initiative which encourages employees to participate in physical activities, to eat healthily and de-stress. These programs are sponsored by the company but run by employees for employees.
Support Supplier Talent Management

Through the PepsiCo Supplier Code of Conduct and the Sustainable Sourcing Program, we ask our suppliers to focus on their employees and continue to make substantive progress in this area:

- **Encourage a diverse workforce, and provide a workplace free from discrimination, harassment, or any other form of abuse**
  
  PepsiCo suppliers shall create a work environment in which employees and business partners feel valued and respected for their contributions. Harassment, including unwelcome verbal, visual, physical, or other conduct of any kind that creates an intimidating, offensive or hostile work environment will not be tolerated. Employment decisions must be based on qualifications, skills, performance, and experience.

- **Treat employees fairly, including with respect to wages, working hours, and benefits**
  
  PepsiCo suppliers should respect all applicable laws and regulations, and will generally follow recognized good common practices of employer-employee relationships. Working hours, wage and benefits (include minimum wage, overtime, other components of compensation, and legal benefits) will be consistent with relevant laws and industry standards.

- **Prohibit all forms of forced or compulsory labor**
  
  PepsiCo suppliers shall maintain and promote fundamental human rights. Employment decisions will be based on free choice and there may be no coerced or prison labor, and no use of physical punishment or threats of violence or other forms of physical, sexual, psychological or verbal abuse as a method of discipline or control.

- **Prohibit use of child labor**
  
  Suppliers shall adhere to the minimum employment age limit defined by national law or regulation, and comply with relevant International Labor Organization (ILO) standards. In no instance shall a supplier permit children to perform work that exposes them to undue physical risks that can harm physical, mental or emotional development, or improperly interfere with their schooling needs.

- **Respect employees’ right to freedom of association and collective bargaining, consistent with local laws**
  
  Consistent with applicable law, PepsiCo suppliers shall respect employees’ rights to join or refrain from joining associations and worker organizations.

- **Provide a safe and healthy working environment**
  
  PepsiCo suppliers shall proactively manage health and safety risks to provide an incident-free environment where occupational injuries and illnesses are prevented. Suppliers must implement management systems and controls that identify hazards, and assess and control risk related to their specific industry. Also, suppliers shall provide potable drinking water and adequate restrooms; fire exits and essential fire safety equipment; emergency aid kits and access to emergency response including environmental, fire, and medical.

PepsiCo GCR asks third-party organizations to conduct social responsibility audits on our first-tier suppliers who have undergone our business continuity planning every year. A follow-up of any recommendations is done on a monthly basis. Suppliers who fail the audits will be asked to make the necessary improvements until they meet our standards.
Support Postal Parcels for Mothers (MPP) Program – Sending Health and Care to Mothers in Poverty Stricken Areas

Since the China Women’s Development Foundation (CWDF) launched its Postal Parcels for Mothers (MPP) program in 2012, PepsiCo has contributed to this program through several initiatives. In April 2013, PepsiCo Foundation responded immediately to the earthquake in Ya’an, Sichuan province by donating USD $1 million to CWDF, including 20,000 postal parcels for mothers in urgent need. PepsiCo GCR has worked closely with the MPP program every year since 2013 in its multi-brand Spring Festival promotional campaign under the theme “Bring Happiness Home.” PepsiCo donated more than RMB 2 million worth of postal parcels for mothers, while also motivating young people to deliver happiness to mothers in China’s poverty-stricken areas. We launched the public welfare program “Bring Happiness Home—Postal Parcels for Mothers—Send New Year Gifts to Mothers in Poverty Stricken Areas,” collaborating with brand ambassadors through crowd funding.

Supporting Education and Promoting Equal Development

Despite the ever-increasing pace of urbanization, China remains a largely agrarian society — a nation of more than 600 million farmers. In 2007, GCR began an employee-driven initiative, “PepsiCo Library,” to support the needs of rural village schools near our demonstration potato farms. The PepsiCo Library provides books, desks, library equipment, and funds.

As of June 2017, PepsiCo GCR had built 12 “PepsiCo libraries” and a kindergarten in Inner Mongolia, Hebei, Shaanxi, Shandong, Guangdong, and Gansu. Under the project, PepsiCo encouraged its employees to donate used books and money to the schools, and launched the “PepsiCo Reading Champions” and “PepsiCo Scholarship” programs to recognize students who excel in their studies. These programs are intended to motivate students to read and write. PepsiCo also bought computers, desks, chairs, bookshelves, and other teaching equipment for the schools covered by the program.
In addition to PepsiCo Library, PepsiCo GCR is funding an education program called “Better Tomorrow” to help educate the children of migrant workers. As of the end of 2011, the Better Tomorrow program has benefited a total of 16,200 students and has awarded more than 3,500 PepsiCo Love Scholarships.

As of June 2017 PepsiCo GCR and the PepsiCo Foundation have invested approximately RMB 5 million in these two education programs, covering 26 schools of migrant workers’ children and village schools across the country and benefiting more than 20,000 primary and secondary school students in China. This investment includes the construction of 20 village libraries in Guang’an, Sichuan province.

In addition to supporting primary education, PepsiCo made an announcement of USD $3 million donation to Tsinghua University School of Economics and Management (Tsinghua SEM) to support the establishment of the Chair Professorship program and a course on the Responsible Corporation In 2014. This donation aims to work with this world-class university to train future business leaders in the importance of aligning business objectives with society’s needs.

The course on the Responsible Corporation is now open to MBA and EMBA students at Tsinghua University, with curriculum covering: How to relate business development to social hot issues; How to communicate effectively with stakeholders; How to balance between short-term business interests and long-term development strategy for management; How to build and manage parameters for measuring sustainable development; and How to build new business opportunities through innovative thinking while considering societal needs.

In October 2015, the PepsiCo Foundation announced another donation of USD $5 million to support the Master Program in Schwarzman Scholars of Tsinghua University, cultivating cross-cultural global leadership to meet the challenges of the 21st Century.
Compliance

Global Code of Conduct

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”. Our Code is our road map to acting ethically and in compliance with all applicable laws, which is available in both simplified Chinese and traditional Chinese in GCR. Our Code of Conduct covers the following four pillars:

Respect in the Workplace
Ethics in our Business Activities
Integrity in the Marketplace
Responsibility to our Shareholders

Our Code reinforces our core Values and is the foundation of our commitment. In fact, it is the Purpose behind our Performance.

Code of Conduct Training and Awareness Enhancement

In everything we do, we strive for honesty, fairness, and integrity. Under the guidance of PepsiCo’s global policy, PepsiCo GCR organizes annual training courses on our Code of Conduct, both online and offline for all employees. It also conducts an awareness-raising program to ensure that each of our employees understand their obligation to comply with the Code, as well as to provide specific guidance on behaviors that are expected under the Code.

In addition to training, we also organize our annual Code Awareness Campaign that promotes the Code message throughout all levels of the organization. The campaign is kicked off by a series of broadcast email messages from the executive management to set an example for making a personal commitment to follow our Code. Activities also include series of Code posters, Speak Up posters, video monitors in hallways, video vignettes, and other various office and social communication. By employing a variety of educational approaches, we make sure our Code of Conduct Training and Awareness campaign reaches all employees at PepsiCo GCR. In addition, the message of our Code is continually reinforced through our internal website, newsletter, and dedicated training.

Anti-Corruption

As part of our commitment to operating in compliance with all applicable laws and regulations, PepsiCo maintains a robust Anti-Bribery program with related policies. This program and policies reflect our strong commitment to anti-corruption in all aspects of our operations and supply chain.
Our Code prohibits unethical business practices such as corruption, bribery, extortion, kickbacks and money laundering; 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 an 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. We ask our suppliers and contractors to abide by our Supplier Code of Conduct (SCoC), which lists similar prohibitions.

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.

**Grievance Mechanism**

Speaking up and communicating with honesty is an integral part of our ethical culture at PepsiCo. 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. We also encourage employees to raise any issues and concerns to their manager or any leader who can properly and privately escalate any problems.

**Speak Up hotline**

We Our Speak Up hotline is operated by an independent third-party vendor to provide employees, consumers, business partners and community members with a 24/7 anonymous and confidential means of reporting violations of our Code of Conduct, our policies or applicable law. Employees can contact our Speak Up hotline by phone or by web, and may remain anonymous where permitted by law. To the fullest extent required law, the matter will be handled on a confidential basis.

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.

**Non-Retaliation**

Employees who raise concerns and report suspected violations of our Code 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
Dreams Begin with PepsiCo – Giving Back to the Community

In line with our commitment to the community, PepsiCo GCR has teamed up with the PepsiCo Foundation, the PepsiCo employee volunteers, and other partners to actively organize and support a series of social welfare projects. As of June 2017, the PepsiCo Foundation, PepsiCo GCR and its employees have donated more than RMB 142 million to China’s public welfare undertakings.

Corporate Citizenship Strategy

Guided by our Global Citizenship strategy, PepsiCo GCR seeks to positively impact local communities through internal programs and external collaborations. Based on the latest goals set out in PepsiCo’s 2025 Global Sustainability Agenda and taking into account the local social development needs, PepsiCo GCR is focused on supporting the following areas of public interest:

- **Nutrition:**
  - provide nutritional meals and nutrition education to populations and areas in need (Progress can be found in the Products chapter of this report)

- **Education:**
  - provide a full spectrum of support to education from primary education to higher education (Progress can be found in the People chapter of this report)

- **Women (and Girls) Advancement:**
  - Caring and empowering women (Progress can be found in the People chapter of this report)

- **Water:**
  - protect water sources and provide access to safe drinking water in water-scarce areas (Progress can be found in the Planet chapter of this report)
The PepsiCo Foundation is a private foundation established in the United States, and the philanthropic arm of PepsiCo. Established in 1962, the PepsiCo Foundation works with non-profit partners to develop innovative, sustainable solutions that address challenges in underserved communities around the world. The Foundation, along with PepsiCo and its employees, seeks to catalyze efforts that advance our Performance with Purpose 2025 goals related to increasing access to positive nutrition, providing access to safe water, increasing packaging recovery and recycling rates and enabling young women to progress through school and be successful in the workforce.

China Women’s Development Foundation

China Women’s Development Foundation (CWDF) is an AAAAA foundation set up by the All-China Women's Federation in December 1988. It is a national public foundation which raises funds from China and other permitted countries and regions. The purpose of the CWDF is to safeguard women's rights and interests, improve women's quality of life, and promote the development of women and women's causes in China.

To address the issues that are the biggest concern of women and the problems that are most helpful to women's interests, CWDF has launched a series of charity programs centered on poverty reduction, health, and female entrepreneurship. These actions have achieved pronounced social benefits. The CWDF's projects include Revolving Loans for Mothers, Health Express for Mothers, Water Cellar for Mother, and Subsidies for Impoverished Hero Mothers; CWDF has won the China Charity Award, the top honor of the Chinese government. CWDF and PepsiCo GCR partner closely on projects such as Water Cellar for Mother, Postal Parcels for Mothers, and PepsiCo Library.

China Foundation for Poverty Alleviation

Founded in 1989, China Foundation for Poverty Alleviation (CFPA) is a nationwide AAAAA Foundation, which was registered with the Ministry of Civil Affairs and professionally supervised by the State Council Leading Group Office of Poverty Alleviation and Development. CFPA has 4 dedicated project areas; these priorities are improving hygiene and health condition, promoting education equality, advancing rural community development, and carrying out disaster humanitarian aid. In 2016, CFPA officially registered in Myanmar and Nepal, symbolizing that CFPA has officially become an International NGO.

In 2008, CFPA launched the Nutritious Meals Program, established to improve the nutritional status of children in poor areas by providing nutritious meals, building kitchens, and offering nutritional education. The project has benefited more than 650,000 students from 74 remote mountainous counties, multiple districts located in 10 provinces, and 37 prefectures and cities, including Yunnan, Sichuan, Guangxi, Guizhou, Hunan, Hubei, Liaoning, Hebei, Henan, and Fujian. The project has provided nearly 38 million nutritious meals and set up 1,164 standard kitchens. Since the end of 2015, PepsiCo GCR has collaborated closely with CFPA in the joint project, PepsiCo Nutrition in Action program.

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²AAAAA Foundation is the highest performance grade for foundation, certified by Ministry of Civil Affairs, People's Republic of China.
Chinese Nutrition Society

Founded in 1945, the Chinese Nutrition Society (CNS) is a top level national academic association composed of Chinese nutrition professionals. CNS’s main mission is to unite and mobilize the national nutrition professionals, promote the development and popularization of nutrition disciplines, promote the growth of talents, serve the national economic growth and social development, and to serve the national health undertakings and the building of a healthy China. With more than 20,000 members and 147 members of the board, CNS has a secretariat, nine working committees, two fund management committees and 12 professional charters. CNS has been providing professional guidance and technical nutritional support for the PepsiCo Nutrition in Action program since the end of 2015.

PepsiCo GCR Volunteers

At PepsiCo GCR, employee engagement in corporate social responsibility (CSR) initiatives has been a tradition. In recent years, PepsiCo GCR employees have donated more than RMB 9 million and have volunteered more than 3,725 hours for a variety of CSR projects.
On September 5, 2014, more than 20 PepsiCo GCR volunteers from the Wuhan Plant and regional sales team worked with the Wuhan Hanxing Sunshine Elderly Nursing Center to put on a charity event to celebrate the Mid-Autumn Festival with seniors at the center.

In September 2015, volunteers from PepsiCo GCR’s Shanghai and Beijing offices organized a Charity Bazaar. Employees were encouraged to donate goods for an internal auction to raise money for the PepsiCo Library and Postal Parcels for Mothers program. The auction generated a cash donation of RMB 14,000 for the China Women’s Development Foundation (CWDF).

In August 2016, a team of nine volunteers from the PepsiCo Beijing Food Plant delivered daily necessities such as mosquito coils, sanitary products, and fruit to the Home of Hope located in the Daxing District of Beijing. With love and care, they spent time accompanying children with special needs.

In September 2016, dozens of PepsiCo GCR volunteers prepared nutritious breakfasts for poor students in several primary schools in Panhe Township, Zhaotong County, Yunnan Province, all of which were also the project schools of PepsiCo Nutrition in Action. With expert guidance from the Chinese Nutrition Society and the China Foundation for Poverty Alleviation, the volunteers also provided on-site training on nutrition and healthy lifestyles through interactive games with children.
Recent Awards and Honors

In recent years, PepsiCo and PepsiCo GCR has received a variety of awards and honors in China, acknowledging achievements in business operations, environmental protection, employee engagement, and corporate social responsibility.

**Business Operations**

In July 2015, at the annual conference of China Potato Congress, PepsiCo Foods (China) Co., Ltd received the “Outstanding Contribution Award” from the congress for our contribution to the Chinese potato industry.

In December 2016, PepsiCo was awarded the “Golden Chopstick 2016 China Foods Model Enterprise” at the 2016 China Foods Development Summit which was organized by the Xinhua News Agency.

**Environmental Protection**

In December 2014, PepsiCo GCR received the “2014 Outstanding CSR Enterprises of China Beverage Industry” award from the China Beverage Industry Association. Tingyi-PepsiCo alliance received over a total of 93 energy-saving and water-conservation awards.

In November 2016, Tingyi-PepsiCo alliance received 47 energy-saving and water-conservation awards from the China Beverage Industry Association.

**Employee Engagement**

In January 2014, PepsiCo Foods (China) Co., Ltd was certified as one of the “Top Employers China 2014” by Top Employers Institute.

In December 2014, PepsiCo Foods (China) Co., Ltd was certified as a top three of the “Top Employers China 2014” by Top Employers Institute.

In December 2015, PepsiCo Foods (China) Co., Ltd was certified as a top three of the “Top Employers China 2016” by Top Employers Institute.

In December 2016, PepsiCo GCR is certified as the Runner-up of the “Top Employers China 2017” by Top Employers Institute. PepsiCo GCR has been certified as “Top Employer China” for the eighth time in China.
In December 2014, PepsiCo GCR received three awards of “Excellent CSR Practices of Foreign-Invested Enterprises in China” from China Association of Enterprises with Foreign Investment (CAEFI), i.e. Best Business Partner, Best Community Promoter and Best Employer.

In December 2014, the All-China Women's Federation (ACWF) acknowledged PepsiCo GCR for three consecutive years with the China Women Charity - Model Company Award for sponsoring the Water Cellar for Mothers (MWC) program.

In January 2015, PepsiCo GCR was awarded as one of the top 10 “Outstanding Enterprises” at the China CSR Summit. It is the most prestigious CSR awards in China organized by China’s central media the Xinhua News Agency and Chinese Academy of Social Sciences. PepsiCo GCR was the only global food and beverage company winning such award in 2015.

In December 2015, PepsiCo received the “MWC Loyal Partner” award from the All China Women’s Federation (ACWF) and China Women’s Development Foundation (CWDF), commending PepsiCo’s long-standing and outstanding contributions to promote the MWC program.

In January 2016, PepsiCo GCR received the “Outstanding Contribution Award for Food MNCs” and “Responsible Communications Award” for persistent and distinctive social responsibility among all food enterprises in China at the 1st Annual Corporate Social Responsibility Conference for China Foods Enterprises in Beijing. This was organized by the China Food and Drug Administration, China Food Industry Association, and China Food News.

In June 2016, PepsiCo GCR was awarded Golden Bee Enterprise on the 11th China CSR Conference organized by China WTO Tribune Magazine.

In August 2016, at the 8th Annual Convention of Chinese Corporate Social Responsibility hosted by Southern Weekly, PepsiCo GCR was awarded the “Most Responsible Enterprise amongst Fortune 500 in China” and finished 7th place in the Ranking of Fortune 500 Contributions to China in recognition of its excellent performance in economy, environment, corporate governance, compliance and community development.

In December 2016, PepsiCo GCR was named as the “The Annual Philanthropic Enterprise” at the 2016 Chinese Annual Philanthropy Convention co-hosted by 10 Non-Profit Organizations, including China Philanthropy Times, China Women’s Development Foundation, and China Foundation for Poverty Alleviation and Tencent Foundation.

In March 2017, the China Foundation for Poverty Alleviation honored PepsiCo GCR with the Caring Enterprise Award at the foundation's 2016 Annual Donor Meeting.

In April 2017, PepsiCo GCR received the China Women and Children Charity Award by All-China Women’s Federation (ACWF) for its contribution to the development of women and children.

In May 2017, PepsiCo GCR received a "Nutrition Promotion and Contrition Award" from the Chinese Nutrition Society (CNS) at the 13th China Nutrition Science Congress, in recognition of PepsiCo’s contribution to public nutritional awareness.
Highlights of PepsiCo GCR’s Sustainability Initiatives

OVER RMB 48 BILLION INVESTMENT
100,000 JOBS FOR CHINESE
OVER RMB 142 MILLION FOR PUBLIC WELFARES

**Products**
- Sugar reduction: -25% in 7-UP, -30% in Mirinda
- Sodium reduction: -25% in Foods
- Fat reduction: -15% by TBF Potato Chips
- ALL Plants: 100% Passed Food Safety Audits
- Nutrition Access: 350,000 Free Meals

**Planet**
- LEED Facilities: 20%+ Water and Energy Savings
- Water Saving: -64% in 7 Food Plants, -50% in Farm
- Energy Saving: -36% in 7 Food Plants
- Recycling: 99.7% of Waste
- Safe Water Access: 900,000 People
- Water Saving
- Energy Saving
- Talent Localization: 99% local, including 79%+ Executives
- SFI: 10,000+ Farmer Benefited
- PPM: 35,000+ Mothers Benefited

**People**
- Inclusiveness: 51% female staffs, 56% female executives
- Top Employer: 8th time
- Talent Localization
- Nutrition Access
- Safe Water Access
- Free Meals
- Water Saving
- Energy Saving
- Talent Localization
- SFI
- PPM

Remark: The specific timeframe for each individual achievement could be found in the relevant chapter of this report.
For further information about PepsiCo and PepsiCo Greater China,  
Please visit our websites at:  

www.pepsico.com  
www.pepsico.com.cn