PepsiCo has set an ambitious global sustainability agenda, including a commitment to reduce GHG emissions by 20% by 2030.
Operational vs. Enterprise-wide

Lack of driving force

Environmental and social issues are an organizational risk

The Challenge

CT PepsiCo

Methodology

Cap and Trade

Employee Incentive

Supplier Incentive

CT PepsiCo in Action

Impact
Achieving this goal necessitates a sustainability initiative that meets six key criteria, enabling PepsiCo to achieve performance through purpose.

Business Case

Fuel business growth for PepsiCo
Achieving this goal necessitates a sustainability initiative that meets six key criteria, enabling PepsiCo to achieve performance through purpose.
Achieving this goal necessitates a sustainability initiative that meets six key criteria, enabling PepsiCo to achieve performance through purpose.
Achieving this goal necessitates a sustainability initiative that meets six key criteria, enabling PepsiCo to achieve performance through purpose.
Achieving this goal necessitates a sustainability initiative that meets six key criteria, enabling PepsiCo to achieve performance through purpose.
Achieving this goal necessitates a sustainability initiative that meets six key criteria, enabling PepsiCo to achieve performance through purpose.
Internal GHG cap and trade and dual-incentive program engages stakeholders across value chain to identify and implement sustainability opportunities.
CT PepsiCo: An Overview

Regional cap & trade between brands
Available permits reduced each year, achieving 20% reduction in 2030

**Employees** compensated for finding actionable opportunities to meet emission targets

**Supplier Incentive Program**
Engages suppliers as collaborators in Scope 3 GHG reduction efforts

The Challenge  CT PepsiCo  Methodology  Cap and Trade  Employee Incentive  Supplier Incentive  CT PepsiCo in Action  Impact
CT PepsiCo is built on a sound business case that drives results straight to the bottom-line and can drive positive results across the PwP goals.

Projected Total Value

- Total Value: $979 M
- GHG Risk Reduction Value: $745 M
- Bottom Line Value: $234 M

The Challenge
CT PepsiCo
Methodology
Cap and Trade
Employee Incentive
Supplier Incentive
CT PepsiCo in Action
Impact
CT PepsiCo is built on an innovative methodology that enables PepsiCo to value the impact of achieving its GHG emission reduction target.

<table>
<thead>
<tr>
<th>Division</th>
<th>Total Risk Reduction Value for Achieving PwP Goal</th>
<th>Risk Reduction Value for 1% Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frito-Lay North America</td>
<td>$101,016,695</td>
<td>$1,010,167</td>
</tr>
<tr>
<td>Latin America</td>
<td>$48,991,753</td>
<td>$489,918</td>
</tr>
<tr>
<td>North America Beverages</td>
<td>$112,919,080</td>
<td>$1,129,191</td>
</tr>
<tr>
<td>Asia, Middle East and North Africa</td>
<td>$46,534,487</td>
<td>$465,345</td>
</tr>
<tr>
<td>Europe Sub-Saharan Africa</td>
<td>$72,297,392</td>
<td>$722,974</td>
</tr>
<tr>
<td>PepsiCo Global Concentrate</td>
<td>$2,150,108</td>
<td>$21,501</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$383,909,520</strong></td>
<td><strong>$3,839,095</strong></td>
</tr>
</tbody>
</table>

- **$28** value of 1 ton of GHG emissions reduced
- **14 M** tons of GHG reduced by 2030 to reach target
- **$234 M** Net present value of this PwP goal
Cap and Trade
Projected Total Emissions by Year

Total GHG Emissions (Millions of Tons)

- 2015
- 2018
- 2019
- 2020
- 2021
- 2022
- 2023
- 2024
- 2025
- 2026
- 2027
- 2028
- 2029
- 2030

The Challenge
CT PepsiCo
Methodology
Cap and Trade
Employee Incentive
Supplier Incentive
CT PepsiCo in Action
Impact
STEP 1: PERMITS RELEASED

Points enable emissions trading >>>
Incentive to purchase conservatively, as brand funding bonus extended for unused points

...But not too conservatively, because fines levied when emissions exceed permits

...A brand does not receive bonus if it is fined
STEP 3: YEAR-ROUND TRADING
Step 4: Year-End Funding and Fines

- **Increase in brand funding** for each untraded point
- **Fine** for each ton a brand emits in excess of their permits

Fine revenue reinvested in Sustainability Office to cover training & other program costs
## Cap and Trade Program

<table>
<thead>
<tr>
<th></th>
<th>Lay's</th>
<th>Sunchips</th>
<th>Doritos</th>
<th>Cheetos</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emissions in 2019 (metric tons CO₂)</td>
<td>52</td>
<td>35</td>
<td>60</td>
<td>100</td>
</tr>
<tr>
<td>Emissions Target 2020 (metric tons CO₂)</td>
<td>50</td>
<td>34</td>
<td>58</td>
<td>98</td>
</tr>
<tr>
<td>Points allocated (100 points = 1 metric ton)</td>
<td>5200</td>
<td>3500</td>
<td>6000</td>
<td>9800</td>
</tr>
<tr>
<td>Maximum permits that can be bought (100 points = 1 permit)</td>
<td>52</td>
<td>35</td>
<td>60</td>
<td>98</td>
</tr>
</tbody>
</table>

The chart shows the permit price over time, with the beginning of the year at $28 and the year end at $28.
## Cap and Trade Program

<table>
<thead>
<tr>
<th></th>
<th>Lay’s</th>
<th>Sunchips</th>
<th>Doritos</th>
<th>Cheetos</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emissions in 2019 (metric tons CO₂)</td>
<td>52</td>
<td>35</td>
<td>60</td>
<td>100</td>
</tr>
<tr>
<td>Emissions Target 2020 (metric tons CO₂)</td>
<td>50</td>
<td>34</td>
<td>58</td>
<td>98</td>
</tr>
<tr>
<td>Permits bought in the year</td>
<td>50</td>
<td>34</td>
<td>59</td>
<td>100</td>
</tr>
</tbody>
</table>

- **Below emissions target**
  - Return extra permit for $28 at year end

- **Meets emissions target**

- **Exceeds emissions target, but below 2019’s emissions**
  - Fined $28/metric ton for 1 metric ton

- **Exceeds emissions target above 2019 level**
  - Fined $56/metric ton for emissions exceeding 2019 level

---

*The Challenge → CT PepsiCo → Methodology → Cap and Trade → Employee Incentive → Supplier Incentive → CT PepsiCo in Action → Impact*
Employee Incentive Program
Tiered employee incentive structure empowers employees to identify inefficiencies and opportunities for sustainability at all levels of operations.

- Employee receives **2% of savings** resulting from identified inefficiency.
- Employee receives **2.5% of savings**.
- Employee receives **4.5% of savings**.

Calculated as % of:
- Direct cost savings
- Shadow price of risk reduction
Proving the value of PwP initiatives to PepsiCo and employees

Incremental Progress to complete PwP Goals Valued Similarly

<table>
<thead>
<tr>
<th>Division</th>
<th>Total Risk Reduction Value for Achieving PwP Goal</th>
<th>Value of Risk Reduction from 1% Progress Towards PwP Goal</th>
<th>Employee Reward for 1% Progress Towards PwP Goal (2.5% of Risk Value)</th>
<th>Total Employee Reward for Achieving PwP Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frito-Lay North America</td>
<td>$101,016,695</td>
<td>$1,010,167</td>
<td>$25,254</td>
<td>$2,525,417</td>
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<td>Latin America</td>
<td>$48,991,753</td>
<td>$489,118</td>
<td>$12,248</td>
<td>$1,224,794</td>
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<tr>
<td>North America Beverages</td>
<td>$112,919,080</td>
<td>$1,129,191</td>
<td>$28,230</td>
<td>$2,822,977</td>
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<tr>
<td>Asia, Middle East and North Africa</td>
<td>$46,534,487</td>
<td>$465,345</td>
<td>$11,634</td>
<td>$1,163,362</td>
</tr>
<tr>
<td>Europe Sub-Saharan Africa</td>
<td>$72,297,392</td>
<td>$722,974</td>
<td>$18,074</td>
<td>$1,807,435</td>
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<tr>
<td>PepsiCo Global Concentrate</td>
<td>$2,150,108</td>
<td>$21,501</td>
<td>$538</td>
<td>$53,753</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$383,909,520</strong></td>
<td><strong>$3,839,095</strong></td>
<td><strong>$95,977</strong></td>
<td><strong>$9,597,738</strong></td>
</tr>
</tbody>
</table>
Structured reporting process enables widespread use by employees and streamlined analysis of initiatives prior to implementation ensures impact.

- Company-wide use and buy-in
- Analysis of impact
- Cost savings
- GHG emissions reduction
- Culture of sustainability
Projected Impact

Emission Reductions by Year

1.4 M tons
117,411 tons / year

Total Value Produced

$579 M for PepsiCo
$19 M Bonuses Paid
Business Case to PwP

$579 M Reduces GHG

Buy-in of Employees

Values PwP

Culture of Sustainability

Alignment with Decision Process

Measurement and Visibility

Potential of Messaging

Collaboration Across Value Chain

The Challenge CT PepsiCo Methodology Cap and Trade Employee Incentive Supplier Incentive CT PepsiCo in Action Impact

Pays for PwP

Impact
Supplier Incentive Program
Tiered supplier incentive structure empowers partners to identify inefficiencies and opportunities for sustainability and cost-savings throughout the value chain.

- Partner keeps **50% of savings** resulting from identified opportunity.
- Partner receives **30% of risk value**.
- Partner receives **80% of total value**.

Calculated as % of:
- Direct cost savings
- Shadow price of GHG risk reduction
Suppliers will be rewarded for Non-GHG Sustainability Initiatives based on the same valuation as GHG reducing initiatives.

Incremental Progress to complete PwP Goals Valued Similarly

Suppliers Rewarded based on “Risk Reduction” Value

<table>
<thead>
<tr>
<th>Division</th>
<th>Total Risk Reduction Value for Achieving PwP Goal</th>
<th>Risk Reduction Value for 1% Progress</th>
<th>Supplier Reward for 1% Gain Towards PwP Goal (30% of Risk Value)</th>
<th>Total Supplier Reward for Achieving PwP Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frito-Lay North America</td>
<td>$101,016,695</td>
<td>$1,010,167</td>
<td>$303,050</td>
<td>$30,305,008.58</td>
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<tr>
<td>Latin America</td>
<td>$48,991,753</td>
<td>$489,918</td>
<td>$146,975</td>
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<tr>
<td>North America Beverages</td>
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<td>$1,129,191</td>
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<td>$33,875,724.15</td>
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<tr>
<td>Asia, Middle East and North Africa</td>
<td>$46,534,487</td>
<td>$465,345</td>
<td>$139,603</td>
<td>$13,960,346.03</td>
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<tr>
<td>Europe Sub-Saharan Africa</td>
<td>$72,297,392</td>
<td>$722,974</td>
<td>$216,892</td>
<td>$21,689,217.47</td>
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<td>PepsiCo Global Concentrate</td>
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<td>$21,501</td>
<td>$6,450</td>
<td>$645,032.49</td>
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<tr>
<td>Total</td>
<td>$383,909,520</td>
<td>$3,839,095</td>
<td>$1,151,729</td>
<td>$115,172,855</td>
</tr>
</tbody>
</table>
Incentivized collaboration and managed reporting enable the identification and implementation of initiatives across the value chain.

- Embodies Performance with Purpose
- Enterprise-wide use and buy-in
- Analysis of impact
- Cost savings
- GHG emission reduction
- Culture of sustainability

The Challenge
CT PepsiCo
Methodology
Cap and Trade
Employee Incentive
Supplier Incentive
CT PepsiCo in Action
Impact
The Supplier Incentive Program embodies Performance with Purpose and enables the identification and implementation of social, environmental, and fiscal initiatives.

**Emission Reductions by Year**

- **2019**: 200 thousand tons
- **2020-2030**: Linear increase to 1.9 M tons by 2030

**Total Value Produced**

- **2019**: $0 million
- **2020-2030**: Linear increase to $606 M in value chain by 2030

**Value Breakdown**

- **$220 M for PepsiCo**
- **$386 M for Suppliers**

**GHG Emissions (Thousands of Tons)**

- **2019**: 200 thousand tons
- **2020-2030**: Linear increase to 1.9 M tons by 2030

**Millions of Dollars**

- **2019**: $0 million
- **2020-2030**: Linear increase to $606 M in value chain by 2030
Business Case

Applicability to PwP

Collaboration Across Value Chain

Potential of Messaging

Alignment with Decision Process

Measurement and Visibility

$220 M

Reduces GHG

Incent Suppliers

Values PwP

Pays for PwP
CT PepsiCo provides the top-down and bottom-up incentives to create enterprise-Wide engagement to pursue PwP goals.
A look at CT PepsiCo in action

Yearly GHG emissions target for 2019: 100,000 mt

Standby power costs $19 B/year
Clark Kent, Sales Representative

Employee Portal

CT PepsiCo Ideas

<table>
<thead>
<tr>
<th>Idea</th>
<th>Smart Outlets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand</td>
<td>Lay’s</td>
</tr>
<tr>
<td>Employee Name</td>
<td>Clark Kent</td>
</tr>
</tbody>
</table>

Thank you! CT PepsiCo

Hi Clark,

Thank you for submitting your idea for the CT PepsiCo program. Your idea is currently being analyzed to determine its potential costs, savings, and feasibility.

We will be in touch with you over the next few weeks!

Thank you,
Sustainability Office
PepsiCo
Case Study

A look at CT PepsiCo in action

Lex Luthor, Supply Chain Manager

Supplier Incentive Program
Share sustainability and/or cost savings initiatives
Proposal is reviewed
Proposal implemented, with supplier keeping 30-80% of value created from initiative

Jay Garrick, Potatoes Wholesaler

The Challenge CT PepsiCo Methodology Cap and Trade Employee Incentive Supplier Incentive CT PepsiCo in Action Impact
Hi Lex,

Thank you for submitting your idea for the CT PepsiCo program on behalf of Jay Garrick. Your idea is currently being analyzed to determine its potential costs, savings, and feasibility.

We will be in touch with you over the next few weeks!

Thank you,
Sustainability Office
PepsiCo
Case Study

Lois Lane, Lay’s Brand Manager

Clark Kent, Sales Representative

Smart outlets will reduce 5 tons of carbon, saving $200 K
Clark Kent keeps 4.5% of this savings

Sustainability Hero of the Month

Jay Garrick, Potatoes Wholesaler

No-till farming will reduce 15 tons of carbon, saving $600 K
Jay Garrick keeps $480 K

Lex Luthor, Supply Chain Manager

Emissions reduction target exceeded by 600 tons

$17 K in brand bonus

No-till farming initiative synergized with Sustainable Sourcing objective

The Challenge  CT PepsiCo  Methodology  Cap and Trade  Employee Incentive  Supplier Incentive  CT PepsiCo in Action  Impact
Implementation & Impact
The Sustainability Office will manage and engage with each of the programs to ensure proper tracking and implementation.
CT PepsiCo offers a long-term solution for PepsiCo to reduce its GHG emissions and achieve its other PwP goals.

<table>
<thead>
<tr>
<th>Year</th>
<th>Cap and Trade</th>
<th>Employee Program</th>
<th>Supplier Program</th>
<th>Sustainability Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>Design &amp; Implement Cap and Trade</td>
<td>Collect Initial Funds</td>
<td>Design &amp; Implement Incentive System</td>
<td>Size Needs of Organization</td>
</tr>
<tr>
<td></td>
<td>Train Managers</td>
<td>Refine Payment System</td>
<td>Renegotiate Contract Terms</td>
<td>Collect Resumes</td>
</tr>
<tr>
<td>2019</td>
<td>Manage and Monitor Program</td>
<td>Manage and Monitor Program</td>
<td>Manage and Monitor Program</td>
<td>Manage, Monitor, Adjust, and Coordinate Funds for CT PepsiCo</td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2021-2029</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2030</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Challenge: CT PepsiCo  Methodology  Cap and Trade  Employee Incentive  Supplier Incentive  CT PepsiCo in Action  Impact
Business Case

Creates $745 M in value straight to the bottom line
Applicability to PwP

Creates methodology to value and incentivize progress towards PwP Goals
Collaboration Across Value Chain

Aligns incentives throughout Value Chain to implement sustainable initiatives
Potential of Messaging

Concretely demonstrates the value and importance of PwP
Alignment with Decision Process

PwP valuation systems enable informed decision making
System tracks and values progress towards all goals
14 million tons of emissions reduced

$234 million saved in risk mitigation

$745 million direct to the bottom line
Providing Purpose to Perform

Through top-down and bottom-up programs engaging the full value chain, CT PepsiCo will drive PepsiCo to a more sustainable and profitable future.
Appendix
### Appendix

<table>
<thead>
<tr>
<th>Stat or Metric</th>
<th>Definition</th>
</tr>
</thead>
</table>
  “For example, the shadow price used by the major global oil and gas companies operating in regulated carbon markets ranged between $27.92 and $80 per metric ton” |
| Converting emissions to GHG equivalent | EPA, [https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator](https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator)  
e.g. 1 metric ton of N₂O = 298 metric tons of carbon dioxide equivalent  
1 metric ton of CH₄ = 25 metric tons of carbon dioxide equivalent |
## Appendix – Carbon Emissions

<table>
<thead>
<tr>
<th>Area</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
<th>2029</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latin America</td>
<td>8,624,282</td>
<td>8,477,511</td>
<td>8,333,237</td>
<td>8,191,418</td>
<td>8,052,013</td>
<td>7,914,981</td>
<td>7,780,281</td>
<td>7,647,873</td>
<td>7,517,718</td>
<td>7,398,778</td>
<td>7,264,016</td>
<td>7,140,394</td>
<td>7,018,876</td>
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<tr>
<td>North America Beverages</td>
<td>19,877,754</td>
<td>19,539,466</td>
<td>19,206,935</td>
<td>18,880,064</td>
<td>18,558,755</td>
<td>18,242,915</td>
<td>17,932,449</td>
<td>17,627,267</td>
<td>17,327,279</td>
<td>17,032,397</td>
<td>16,742,532</td>
<td>16,457,601</td>
<td>16,177,519</td>
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<td>Asia, Middle East and North Africa</td>
<td>8,191,716</td>
<td>8,052,306</td>
<td>7,915,269</td>
<td>7,780,564</td>
<td>7,648,151</td>
<td>7,517,991</td>
<td>7,390,047</td>
<td>7,264,280</td>
<td>7,140,654</td>
<td>7,019,131</td>
<td>6,899,677</td>
<td>6,782,255</td>
<td>6,666,832</td>
</tr>
<tr>
<td>Europe Sub-Saharan Africa</td>
<td>12,726,899</td>
<td>12,510,308</td>
<td>12,297,402</td>
<td>12,088,120</td>
<td>11,882,398</td>
<td>11,680,180</td>
<td>11,481,401</td>
<td>11,286,006</td>
<td>11,093,935</td>
<td>10,905,135</td>
<td>10,719,547</td>
<td>10,537,117</td>
<td>10,357,792</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>67,581,660</strong></td>
<td><strong>66,431,528</strong></td>
<td><strong>65,300,968</strong></td>
<td><strong>64,189,650</strong></td>
<td><strong>63,097,244</strong></td>
<td><strong>62,023,429</strong></td>
<td><strong>60,967,889</strong></td>
<td><strong>59,930,312</strong></td>
<td><strong>58,910,394</strong></td>
<td><strong>57,907,832</strong></td>
<td><strong>56,922,333</strong></td>
<td><strong>55,953,605</strong></td>
<td><strong>55,001,364</strong></td>
</tr>
</tbody>
</table>

### Yearly Reductions

| Scope 1 & 2                                | 5,751,705       | 5,653,820       | 5,557,601       | 5,463,019       | 5,370,047       | 5,278,658       | 5,188,823       | 5,013,715       | 4,928,390       | 4,844,516       | 4,681,027       | 4,601,364       |
| Yearly Reduction                           | 0               | 97,885          | 96,219          | 94,582          | 92,972          | 91,390          | 89,834          | 88,306          | 86,803          | 85,325          | 83,873          | 82,446          | 81,043          |
| Scope 3                                   | 63,000,000      | 61,927,840      | 60,873,927      | 59,837,949      | 58,819,602      | 57,818,586      | 56,834,606      | 55,867,371      | 54,916,597      | 53,982,004      | 53,063,316      | 52,160,263      | 51,272,578      |
| Yearly Reduction                           | 0               | 1,072,160       | 1,053,913       | 1,035,978       | 1,018,347       | 1,001,016       | 983,980         | 967,235         | 950,774         | 934,593         | 918,688         | 903,053         | 887,685         | 872,578         |
| Yearly Reduction                           | 0               | 1,170,045       | 1,150,132       | 1,130,599       | 1,111,319       | 1,092,406       | 1,073,815       | 1,055,540       | 1,037,577       | 1,019,919       | 1,002,561       | 985,499         | 968,728         | 952,241         |
| Total Reduction                            | 0               | 1,170,045       | 2,320,177       | 3,450,736       | 4,562,055       | 5,654,461       | 6,728,276       | 7,783,816       | 8,821,393       | 9,841,311       | 10,843,873      | 11,829,372      | 12,798,099      | 13,750,341      |
## Appendix – NPV of Carbon Emissions

### Yearly NPV of Risk Reduction

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Incentive Program</td>
<td>$-</td>
<td>$-</td>
<td>$3.06</td>
<td>$2.78</td>
<td>$2.53</td>
<td>$2.29</td>
<td>$2.08</td>
<td>$1.89</td>
<td>$1.71</td>
<td>$1.55</td>
<td>$1.41</td>
<td>$1.28</td>
<td>$1.16</td>
<td>$1.05</td>
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<tr>
<td>Supplier Reduction</td>
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<td>$-</td>
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<td>$3.71</td>
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<tr>
<td>Cap &amp; Trade Reduction</td>
<td>$-$</td>
<td>$30.16</td>
<td>$20.22</td>
<td>$18.34</td>
<td>$16.64</td>
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### Cumulative NPV of Risk Reduction

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<td>$12.74</td>
<td>$14.63</td>
<td>$16.34</td>
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<td>$20.58</td>
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<tr>
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<td>$-</td>
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<td>$100.45</td>
<td>$114.14</td>
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<td>$137.85</td>
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## Appendix – NPV for PepsiCo

### Total Cumulative Value for PepsiCo

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<td>(0.93)</td>
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<td>226.04</td>
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<td>325.73</td>
<td>372.49</td>
<td>417.30</td>
<td>460.26</td>
<td>501.45</td>
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<td>(3.92)</td>
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<td>64.11</td>
<td>84.74</td>
<td>104.43</td>
<td>123.23</td>
<td>141.18</td>
<td>158.34</td>
<td>174.74</td>
<td>190.42</td>
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<td>85.36</td>
<td>100.45</td>
<td>114.14</td>
<td>126.57</td>
<td>137.85</td>
<td>148.08</td>
<td>157.37</td>
<td>165.80</td>
<td>173.46</td>
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<td>(71.51)</td>
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<td>(77.79)</td>
<td>(77.79)</td>
<td>(77.79)</td>
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<tr>
<td>Total Value</td>
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### Cash Value for Pepsi

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<tbody>
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<td>Employee Incentive Program</td>
<td>(0.75)</td>
<td>(0.93)</td>
<td>56.47</td>
<td>111.60</td>
<td>164.54</td>
<td>215.38</td>
<td>264.21</td>
<td>311.11</td>
<td>356.15</td>
<td>399.41</td>
<td>440.96</td>
<td>480.87</td>
<td>519.20</td>
<td>556.02</td>
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<td>(3.92)</td>
<td>15.76</td>
<td>34.71</td>
<td>52.96</td>
<td>70.53</td>
<td>87.44</td>
<td>103.72</td>
<td>119.39</td>
<td>134.48</td>
<td>149.00</td>
<td>162.98</td>
<td>176.43</td>
<td>189.37</td>
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### Appendix – Supplier Incentive Program Constants

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<thead>
<tr>
<th>Metric</th>
<th>Value</th>
<th>Description</th>
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<tr>
<td>Cost of Sales</td>
<td>$ 28,209.00</td>
<td>This is the COGS of PepsiCo in 2016</td>
</tr>
<tr>
<td>Depreciation and Ammortization</td>
<td>$ 2,368.00</td>
<td>Depreciation and Ammortization are backed out as the supplier Incentive program should not affect these costs.</td>
</tr>
<tr>
<td>Effectiveness of Collaboration Incentives - Low</td>
<td>2.60%</td>
<td>This is the expected effectiveness of a supplier collaboration program.</td>
</tr>
<tr>
<td>Inflation</td>
<td>2.07%</td>
<td>Expected yearly inflation.</td>
</tr>
<tr>
<td>Kept Supplier Margin for Cost Savings Initiatives</td>
<td>50%</td>
<td>This is the proportion of total initiatives that are purely sustainable.</td>
</tr>
<tr>
<td>Kept Margin for Costs Savings &amp; CSR Savings</td>
<td>80%</td>
<td>This is the proportion of total initiatives that are both sustainable and cost-savings.</td>
</tr>
<tr>
<td>Kept Margin for Sustainable Initiatives</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>Proportion of Sustainable Initiatives</td>
<td>33%</td>
<td></td>
</tr>
<tr>
<td>Proportion of Sustainable and Cost Initiatives</td>
<td>33%</td>
<td>Multiplier for the effectiveness of the collaboration program - (15% of 2.6%)</td>
</tr>
<tr>
<td>Effectiveness of Incentive Program</td>
<td>15%</td>
<td>Projected growth for PepsiCo.</td>
</tr>
<tr>
<td>Projected Growth</td>
<td>3.10%</td>
<td>Projected discount rate for PepsiCo.</td>
</tr>
<tr>
<td>Discount Rate</td>
<td>8.33%</td>
<td>Start-up costs for Supplier Program of $3,000,000</td>
</tr>
<tr>
<td>Start Up Costs</td>
<td>3</td>
<td>Continuing costs of $1,000,000 / yearly - subtracted from PepsiCo’s bottom line</td>
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<tr>
<td>Continuing Costs</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Shadow Price of Carbon</td>
<td>27.92</td>
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</tr>
<tr>
<td>Shadow Price of Carbon in Millions</td>
<td>0.00002792</td>
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<tr>
<td>Effectiveness of Carbon Reduction Initiatives</td>
<td>2</td>
<td>Effectiveness of sustainability initiatives at reducing carbon emissions compared to Cost-Savings and Sustainability Initiatives.</td>
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# Appendix – Employee Incentive Assumptions

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<th><strong>Millions of Dollars</strong></th>
<th><strong>2016</strong></th>
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<tr>
<td>Cost of Sales</td>
<td>$28,209.00</td>
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<tr>
<td>Depreciation and Ammortization</td>
<td>$2,368.00</td>
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<td>Effectiveness of Collaboration Incentives - Low</td>
<td>2.60%</td>
</tr>
<tr>
<td>Effectiveness of Collaboration Incentives - High</td>
<td>5%</td>
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<td>Scope 1&amp;2 Emissions</td>
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<tr>
<td>Scope 3 Emissions</td>
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<tr>
<td>Total Carbon Emissions</td>
<td>68,751,705</td>
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<td>Carbon Emissions in 2030</td>
<td>55001363.84</td>
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**Assumptions**

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<tr>
<td>Inflation</td>
</tr>
<tr>
<td>Non-Depreciation Cost of Sales (Included in Incentive)</td>
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<tr>
<td>Kept Employee Margin for Cost Savings Initiatives</td>
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<tr>
<td>Kept Margin for Costs Savings &amp; CSR Savings</td>
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<tr>
<td>Kept Margin for Sustainable Initiatives</td>
</tr>
<tr>
<td>Proportion of Sustainable Initiatives</td>
</tr>
<tr>
<td>Proportion of Sustainable and Cost Initiatives</td>
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<tr>
<td>Effectiveness of Incentive Program</td>
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<td>Projected Growth</td>
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<td>Discount Rate</td>
</tr>
<tr>
<td>Start Up Costs</td>
</tr>
<tr>
<td>Continuing Costs</td>
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<tr>
<td>Shadow Price of Carbon</td>
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<tr>
<td>Shadow Price of Carbon in Millions</td>
</tr>
<tr>
<td>Effectiveness of Carbon Reduction Initiatives</td>
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Appendix – Risks and Mitigations

How are employees supposed to find reductions opportunities when many of them lack expertise in sustainability?

Hire dedicated program team in Sustainability Office to train and support Theme Leads and employees.

Won’t this program increase the Sustainability Office’s workload?

Fines revenue goes to offset program costs.

What if bottom-up incentives fail to engage employees and suppliers?

Incentives can be easily altered at any point to better motivate employees and suppliers.
Appendix – Comparison of CT PepsiCo to other initiatives.

<table>
<thead>
<tr>
<th>Business Case</th>
<th>Applicability to PwP</th>
<th>Collaboration across Value Chain</th>
<th>Potential of Messaging</th>
<th>Decision and Design Process</th>
<th>Measurement &amp; Visibility</th>
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<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Efficiency Gains</td>
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<td>§</td>
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<td>Fuel Switching (RE100)</td>
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<td>Buying Attributes</td>
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<td>Carbon Storage</td>
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## Appendix – Applicability of other PwP Goals

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<th>PwP Category</th>
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<th>Specific Goal</th>
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<th>2025 Target</th>
<th>2016</th>
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<td>75%</td>
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<td>64%</td>
<td>75%</td>
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<td>26.60%</td>
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## Appendix – Bonuses Paid for Other PwP Goals

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<td>Sodium</td>
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## Appendix – Risk Reduction Value of other PwP Goals

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Appendix – Carbon Emission Reductions

Emission Reductions per Year

Total GHG Emissions (Total Tons)

- Cap & Trade Reduction
- Employee Incentive Program
- Supplier Reduction

Region cap & trade between brands

Supplier Incentive Program

Employee Incentive Program