



**PEPSICO**



# **Performance with Purpose**

## **PepsiCo Greater China Region Sustainability Report**

March 2014

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# Dow Jones Sustainability Index

In 2013, in recognition of our leadership and innovation in sustainable business practices, PepsiCo was recognized by the Dow Jones Sustainability Index (DJSI) World for the 7th consecutive year and DJSI North America for the 8th consecutive year.

## Report Highlights

This report focuses on PepsiCo GCR's business operations and sustainability practices as of September 2013, including the business performance of PepsiCo and GCR, as well as the steps PepsiCo GCR has taken to deliver on "Performance with Purpose".





**Katty Lam**  
President, PepsiCo  
Greater China Region

## A Message from the President of PepsiCo GCR

### Dear Colleagues and Friends,

Time truly flies. It seems as though in the blink of an eye, over 30 years have passed since PepsiCo first entered China. Looking back, PepsiCo Greater China Region (GCR) has maintained steady growth in this vibrant and fiercely competitive market, and has taken significant steps forward in the implementation of our corporate strategies. For example, we completed a smooth transition with our partner Tingyi Holdings (Tingyi) in the establishment of our strategic alliance in beverages.

PepsiCo GCR strives to pursue sustainability and deliver the promise of "taking root in China for harmonious and win-win development." Among others, our efforts to date include the following:

#### Brand building

PepsiCo launched its China business in 1981 and for more than 30 years, we have delighted hundreds of millions of Chinese consumers. We do this through our great brands, including: Pepsi, Pepsi Light, Pepsi Max, Lay's, Quaker, Tropicana-Guo Bin Fen, Xian Guo Li, Mirinda, 7Up, Mountain Dew, Gatorade, Aquafina, Dole and Cheetos.

Before the Spring Festival in the Year of the Dragon (2012) PepsiCo GCR launched its first ever cross-brand promotional campaign. The New Year promotion included a blockbuster mini movie entitled "Bring Happiness Home", which became the most popular online video clip during the Spring Festival, triggering much fanfare among Chinese consumers. During the 2013 Spring Festival, we launched another promotional campaign under the theme "Bring Happiness Home 2013". This campaign showcased PepsiCo's interpretation of a "beautiful China", i.e. "love is mutual support, love is home and love is happiness". We believe the PepsiCo 2013 mini movie, which attracted over 1 billion views online, played a major role in spreading positive energy throughout China.

#### Innovation

In November 2012, PepsiCo launched a new food and beverage innovation center in Shanghai. The facility, known as the PepsiCo Asia R&D Center, is our largest top-level R&D center outside of North America and the innovation hub for new products, packaging and equipment in the entire Asian region. Equipped with an advanced technology culinary center and testing kitchen, the R&D center is mainly used for developing food and beverage products suited to the tastes and preferences of Asian consumers. The pilot workshop of the center also allows the R&D staff to test their new products at the earliest possible time, thus enabling PepsiCo to accelerate its pace of innovation in China and other emerging Asian markets.

#### Execution and productivity

All of our brands, from Quaker and Lay's to our beverage brands, continue to enjoy success and growth and we look forward to further expansion beyond 2013.

China is expected to become the world's largest beverage and convenience foods market in the world by 2015. Working closely with our beverage partner Tingyi, we look to improve our performance in China and maximize our growth potential for the long run.

“

**In the more than 30 years since coming to China, PepsiCo has not only grown its business alongside China's development, but has also made many contributions to China's social, economic and environmental progress.**

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#### New business development

Soon after entering into the strategic alliance with Tingyi, we reached partnerships with new clients, such as Burger King, China Film and most recently, Shanghai Disney Resort, and renewed our partnership with Dicos. We believe good relationships with partners will help PepsiCo build a sustainable beverage operation in China. So far, some initial results of the strategic alliance have been achieved, including four Tingyi beverage plants which started producing PepsiCo carbonated soft drink (CSD) products after passing the manufacturing certification of PepsiCo CSD products, and the expansion of the alliance's non-carbonated beverage (NCB) manufacturing network with the installation of more than 30 manufacturing lines to produce Aquafina and Tropicana fruit juice in the Tingyi plants. They signify a series of new breakthroughs after the two companies announced the opening of the 1st beverage plant in Zhengzhou in October 2012 since the establishment of the strategic alliance. The strategic alliance, which owns about 100 beverage plants and a distribution network with nationwide coverage, is now a leading beverage production system in China.

PepsiCo is constantly working to expand its food operations in China. In July 2012, our new Wuhan Food Plant commenced production. This plant is part of PepsiCo's plans to expand further into central and western China. In May 2013, as part of our cooperation with the Ministry of Agriculture, PepsiCo launched a demonstration farm in Ningxia for the development of advanced agricultural techniques for potato plantations in China. The farm focuses on water management and best practices to assist rural households in improving the yield and quality of potatoes. In July 2013, PepsiCo Foods (China) Co., Ltd. held the ground-breaking ceremony for Beijing Quaker Plant, which is PepsiCo's 1st Quaker plant in China and the 6th Quaker plant globally.

#### Giving back to our society

In the more than 30 years since coming to China, PepsiCo has not only grown its business alongside China's development, but has also made many contributions to China's social, economic and environmental progress. As a global corporation with a strong sense of social responsibility, we have taken concrete steps to deliver Performance with Purpose in China. We have not only provided financial support to China as a result of our presence here, but also helped improve the quality of life for local communities and encouraged the next generation to foster a confident, independent and positive attitude towards life. Furthermore, PepsiCo GCR has made dedicated efforts to support the sustainable development of "China's new countryside". In addition to more than 10 years of support for the "Water Cellars for Mothers" program, we have also initiated and sponsored several charity projects, such as the "PepsiCo Libraries" program that has built libraries in the schools near our contract potato farms, and the "Better Tomorrow" education program to support schools for migrant children.

We owe our success in China over more than 30 years to our consumers as well as the continual support of the government, the media and all of our partners. We also owe gratitude to all of our hard working associates who have always stood together with the company. We look forward to furthering our cooperation with all of you, and making consistent efforts to create a better future for China, for our associates and for the sustainable development of PepsiCo GCR.

Thank you for your support.

President, PepsiCo GCR

# About PepsiCo and GCR

## PepsiCo's Values and Guiding Principles

### Our Commitment

To deliver sustained growth through empowered people acting responsibly and building trust.

### Guiding Principles

We must always strive to:

- Care for customers, consumers and the world we live in;
- Sell only products we can be proud of;
- Speak with truth and candor;
- Balance short term and long term;
- Win with diversity and inclusion; and
- Respect others and succeed together.

## Corporate Profile

### About PepsiCo

PepsiCo is a global food and beverage leader with net revenues of more than \$66.4 billion in 2013 and a product portfolio that includes 22 brands generating more than \$1 billion each in estimated annual retail sales. Our main businesses – Quaker, Tropicana, Gatorade, Frito-Lay and Pepsi-Cola – make hundreds of enjoyable foods and beverages that are loved throughout the world.

In 2012, PepsiCo was ranked among the Top 25 “World’s Best Multinational Workplaces” by the Great Place to Work Institute. In 2012, PepsiCo was ranked in the top ten in America’s Most Reputable Companies 2012 list by Forbes. In addition, PepsiCo was ranked one of the “100 Best Corporate Citizens” by Corporate Responsibility (CR) Magazine in 2012. CR Magazine’s 100 Best Corporate Citizens List is known as one of America’s top three most important business rankings.

### About PepsiCo Greater China Region (GCR)

PepsiCo products have been offered in China for more than 30 years. PepsiCo was one of the first US-based companies to enter China. Since then, PepsiCo has built a highly successful food and beverage company while also investing in China’s growth and development. Our brands are loved by millions of Chinese consumers.

### 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, whose subsidiary, Tingyi-Asahi Beverages (TAB), became PepsiCo’s franchise bottler in China responsible for exclusively manufacturing, selling and distributing PepsiCo’s carbonated soft

drinks and Gatorade brands. In addition, PepsiCo and TAB began co-branding their respective juice drink brands using the Tropicana brand name under license from PepsiCo. PepsiCo retains the branding and marketing responsibilities for these products. The alliance creates the country’s leading LRB manufacturing network with about 100 plants as well as a national distribution network.

### PepsiCo GCR Food System

In 1993, PepsiCo entered the China food market with the introduction of Lay’s potato chips. Today, its operations have grown to 6 plants and 7 sustainable demonstration farms in GCR. To date, PepsiCo has invested more than 300 million RMB yuan in agriculture-related development. PepsiCo’s potato farms in China yield 45 tons per hectare, among the highest yields in the world. Over the past 12 years, more than 10,000 farmers have benefited from their partnerships with PepsiCo.

### PepsiCo’s Products

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

Products we manufacture and sell in Greater China include Pepsi-Cola, Pepsi Light, Pepsi Max, Tropicana-Guo Bin Fen, Tropicana Pulp Sacs (Xian Guo Li), Mirinda, 7UP, Mountain Dew, Gatorade, Aquafina, Dole, Lay’s, Quaker, and Cheetos.



# Human Sustainability

Human Sustainability means providing a wide range of foods and beverages, from treats to healthy eats. As one of the world's leading food and beverage businesses, PepsiCo plays an important role in helping people lead healthier lives. We are focused on providing new offerings that meet consumer needs for both nutrition and convenience - and are responsive to the concerns of governments and non-governmental organizations, as they broaden their focus on health and wellness.

- Our goals
- Continued product improvement and innovation
- Beverage & food safety
- Promoting a healthy and upbeat lifestyle



## Our goals

- We continue to refine our food and beverage choices to meet changing consumer needs by reducing sodium, added sugars and saturated fat, and developing a broader portfolio of product choices; and
- We continue to provide clear nutrition information on our products, and sell and market them appropriately to our consumers, including children, in line with our global policies and standards.

## Continued product improvement and innovation

Globally, our innovation is reflected in a wide portfolio of new products that provide more nutrients and functional benefits, such as our Quaker product line, Tropicana juices, Gatorade sports drinks, low- and zero-calorie soft drinks, Lipton teas, and Lay's salad crisps. PepsiCo keeps a long-term commitment to

the consumers in China; that is, PepsiCo sells only products it is proud of. To better serve the demand of our growing consumer base, PepsiCo launched a new innovation center for food and beverage products in Shanghai in November 2012. The facility, known as the PepsiCo Asia R&D Center, is PepsiCo's largest world-class R&D Center outside of North America and the innovation hub for new products, packaging and equipment in the entire Asian region. Equipped with an advanced technology culinary center and testing kitchen, the R&D center is







mainly used for developing food and beverage products suited to the tastes and preferences of Asian consumers. The pilot workshop of the center also allows the R&D staff to test their new products at the earliest possible time, thus enabling PepsiCo to accelerate its pace of innovation in China and other emerging Asian markets.

In April 2013, the PepsiCo Asia R&D Center received the Leadership in Energy and Environmental Design (LEED) gold certification, and became PepsiCo's 4th LEED gold-certified R&D center globally and the 6th PepsiCo GCR facility to receive such an honor.

Within our beverage business in 2012, we launched several new products including a 7-Up offering with a 25% sugar reduction, orange-kiwi flavored Tropicana-Gou BinFen, tropical flavor with peach inclusions for Tropicana - Xian Gou Li, Gatorade grapefruit flavor, Mirinda new smoky-plum and white-peach, based on local regional taste, and Lipton milk-tea. In 2013, we upgraded the Gatorade line-up with 4 new flavors together with a new package plus a "Jeremy Lin" promotion; we added Mirinda Red Apple and introduced a new package, for the entire Mirinda line-up; we also launched Quaker high-fiber oats dairy drink.

Within the food business sector, PepsiCo not only introduced natural materials to China but also, based on inspirations from the profound Chinese cuisine culture, developed a range of delicious and wholesome Quaker oatmeal and congees

added with local ingredients like red dates, wolfberry and white fungus. In 2012, Quaker launched three new cereal powder drink products, including sweet potato & fiber, red date & iron, and milk & calcium, which were mixed with several nutritious food materials as well as elements lacking in the dietary pattern of Chinese consumers, such as dietary fiber, iron and calcium to help improve their health and nutritional conditions.

In 2013, Lay's quickened its pace of innovation with the launch of Sha La Cui, a new chips product that tastes like a baked salad, Vacuum French Fries, a revolutionary product that redefines the concept of chips, and a Lay's STAX reformulation with a 13.3% sodium reduction. In addition, PepsiCo also introduced to the Chinese market a new snacks series known as Pick & Mix, offering a variety of snack choices in different flavors, including puffed mix, vegetable mix, nuts mix and afternoon tea mix.

### Beverage and food safety

PepsiCo is dedicated to producing safe, high-quality and great tasting beverages and foods in every part of the world. We try to assure safety for every package, every day, in every market, by developing and maintaining a robust food safety program. PepsiCo has detailed internal procedures and steps for ensuring food safety.

To make sure that all of our products are of the highest quality and meet safety

standards, we use only ingredients, processes, and packaging materials that are proven safe by scientific evidence and administrative inspections. For PepsiCo, consumer health and safety are always the top priority.

### Promoting a healthy and upbeat lifestyle

Sports and music are part of a healthy lifestyle advocated by PepsiCo GCR. By encouraging people in China and around the world to actively participate in grassroots events and sporting contests, PepsiCo intends to cultivate and promote the spirit of sportsmanship in the society, highlighting the elements of youth and vigor in PepsiCo brands and awaken people's passion and love for sports.

Before the Spring Festival of the Year of Dragon (2012) on the Chinese lunar calendar, PepsiCo GCR launched its first ever cross-brand promotion campaign. The New Year promotion mini movie "Bring Happiness Home" and the related marketing program became the most popular online video during the Spring Festival, and triggered much fanfare among Chinese consumers. During the Spring Festival of 2013, PepsiCo GCR launched another promotion campaign under the theme "Bring Happiness Home 2013", and offered PepsiCo's approach to the building of a "beautiful China", i.e. "offer a helping hand, take love back home, and lead a happy life." The 2013 mini movie, which attracted over 1 billion clicks online, played

a major role in spreading positive energy in the society, and won the Bronze Lion award in the media category of the Cannes Lions International Festival of Creativity 2013.

In 2013, based on China's traditional "five-good families" concept, Quaker proposed a new concept called "three-good families", i.e. "a positive mindset, a healthy life and a balanced diet", in order to encourage the Chinese people to not only seek an enriched cultural life, but also pay attention to the health management of their family members. The benefits of Quaker oatmeal to a person's digestive and cardiovascular systems and cholesterol level can give a major boost to improving the health conditions of Chinese families. In a partnership with the China Association of Social Workers, an affiliated body of the

Ministry of Civil Affairs, Quaker has been working to promote health knowledge in China since June 2013 by organizing health lectures and distributing health knowledge handbooks in more than 100 residential communities in nine Chinese cities, and helping millions of Chinese families associate themselves with the concept of "three-good families."

As part of the 2013 brand marketing campaign "Live for Now", PepsiCo GCR launched a new music platform – the Pepsi Factor – in collaboration with the "Voice of China" to promote this popular TV program in Chinese universities. The Pepsi Factor, which follows an approach and strategy unlike any other marketing campaign in the past, has taken into full account the new environment created

by new media technologies as well as the behavioral patterns of young people today, and made the best use of the resources available to PepsiCo GCR bottling plants and Chinese universities. We invited Momo Wu to be the celebrity ambassador of the Pepsi Factor, unveiled a new theme song, "Live for Now" together with a new slogan, "Aspire for Now, Music for Now" to encourage young people to chase their dreams with a can-do spirit and rock their lives with the power of music. The program, which lasted for almost half a year, attracted the participation of more than 100,000 students from 500 universities in 13 major Chinese cities. On the stage of Pepsi Factor, they shared their dreams for the future with their music and became proud members of the "Live for Now" chorus.





# Environmental Sustainability

Environmental Sustainability means finding innovative ways to minimize our impact on the environment and lower our costs through energy and water conservation as well as reduced use of packaging material.

We anticipated the need to take environmental stewardship to a whole new level at the start of the new millennium, recognizing that environmental sustainability was becoming a core component of sustainable success. We began to put in place the systems, processes and metrics needed to drive continuous improvement in energy and water conservation as well as packaging and waste reduction.

- Our goals
- Environmental protection and clean production in PepsiCo GCR’s beverage operations
- Environmental sustainability in PepsiCo GCR’s food business

## Our goals



Water

- To help protect and conserve global water supplies, especially in water-stressed areas, and provide access to safe water.



Climate change

- To work to achieve an absolute reduction in greenhouse gas (GHG) emissions across our global businesses.



Packaging

- To innovate our packaging to make it increasingly sustainable, minimizing our impact on the environment.



Agriculture

- To continue to support sustainable agriculture by expanding best practices with our growers and suppliers.



Waste

- To work to eliminate solid waste to landfills from our production facilities.

## Environmental protection and clean production in PepsiCo GCR’s beverage operations



From new production facilities to equipment and packaging, the concept of environmental sustainability is reflected in all aspects of PepsiCo’s operations. To meet PepsiCo’s rigorous targets for reducing water and energy use, we have built plants consistent with LEED standards, promoted the use of environment-friendly trucks, forklifts and boilers, and reduced the weight of plastics and cans in our packaging.

PepsiCo GCR now has 4 plants in its beverage operations certified as “green plants” by the authoritative LEED standards, namely Chongqing Pepsi, Nanchang Pepsi, Kunming Pepsi and Zhengzhou Pepsi, serving as a role model for the industry in this field.



Sustainable use of water and energy:

PepsiCo GCR practices environmental sustainability by actively applying clean and renewable energy, adopting water and energy saving solutions supported by the facilities of our green plants, properly treating wastewater and CO<sub>2</sub> emissions, and recycling solid waste.

PepsiCo GCR facts and figures :

- Compared with the 2011 baseline, we have improved energy efficiency in our plants by 8.8%, saving energy by 19,952,296 kWh.
- Compared with the 2011 baseline, we have improved water efficiency in our plants by 7.2%, saving water by 453,157,000 liters.

In December 2012, after becoming the leading beverage production network in the Chinese market, the Tingyi-PepsiCo strategic alliance won the applause of the industry for its outstanding performance in energy conservation and sustainable development, and received 90 model company awards for energy and water-saving in China’s beverage industry, including 47 energy-saving awards and 43 water-saving awards. The awards taken by the Tingyi-PepsiCo alliance accounted for over 57% of the total



awards handed out to the whole beverage industry.

In November 2013 at the annual conference of China Beverage Industry Association (CBIA), the Tingyi-PepsiCo strategic alliance received 93 model company awards for energy and water-saving in China’s beverage industry, and the awards taken by the alliance accounted for over 50% of the total awards given to the whole beverage industry.

In addition, 5 Pepsi beverage plants, including Tianjin Pepsi and Changsha Pepsi, were given environmental sustainability awards by their local governments in 2012.

In August 2013, PepsiCo’s concentrate plant in Guangzhou passed the clean production inspection of the Guangzhou Municipal Government with an impressive performance, and won the government prize for clean production.

Region / Plant		CBIA Awards		Incentives from local gov'n't
North	Beijing Pepsi	Water saving Co.	Energy saving Co.	
	Tianjin Pepsi	Water saving Co.		Waste water treatment award
	Jinan Pepsi	Water saving Co.	Energy saving Co.	
	Xi'an Pepsi	Water saving Co.	Energy saving Co.	
Northeast	Shenyang Pepsi	Water saving Co.	Energy saving Model	
	Changchun Pepsi	Water saving Co.	Energy saving Co.	
	Harbin Pepsi	Water saving Co.	Energy saving Co.	
East	Shanghai Pepsi	Water saving Co.	Energy saving Co.	
	Nanjing Pepsi	Water saving Co.	Energy saving Co.	
	Hangzhou Pepsi	Water saving Model	Energy saving Co.	Energy saving award
	Wuhan Pepsi	Water saving Co.	Energy saving Co.	
Central	Fuzhou Pepsi	Water saving Co.	Energy saving Co.	
	Changsha Pepsi	Water saving Co.		Energy saving model
Guangdong E.	Shenzhen Pepsi (Shenzhen Plant)	Water saving Base	Energy saving Base	
	Shenzhen Pepsi (Jiedong Plant)	Water saving Base	Energy saving Base	Energy saving model
Guangdong W.	Guangzhou Pepsi	Water saving Co.	Energy saving Co.	
	Zhanjiang Pepsi	Water saving Co.	Energy saving Model	
NCB	PepsiCo Beverages (Guangzhou) Ltd			Cyclic economy model
West	Guilin Pepsi	Water saving Co.		
	Chongqing Pepsi	Water saving Co.	Energy saving Co.	
	Chengdu Pepsi	Water saving Co.	Energy saving Co.	
	Kunming Pepsi	Water saving Co.	Energy saving Co.	

Environmental awards received by GCR beverage plants in 2013







## Environmental sustainability in PepsiCo GCR's food business

### "Triple-win" model of PepsiCo agriculture

PepsiCo brought its food business to China with the import of Lay's in 1993. To date, it operates 6 food plants and 7 demonstration farms of sustainable agriculture in China, investing over 300 million RMB yuan in agricultural development.

PepsiCo 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 dissemination. The average yield of PepsiCo's demonstration potato farms in China, 45 tons per hectare, is among the highest in the world. In the past 12 years, over 10,000 Chinese farmers have benefited from PepsiCo's agricultural projects.

To continue to promote sound agricultural practices, PepsiCo has introduced dripping and sprinkling irrigation technologies to its 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 socialist 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 sides will work together to promote best practices of potato farming in China's agricultural sector, and help raise the income of Chinese farmers through increased output.

In May 2013, PepsiCo, the MOA and Animal

Husbandry of Ningxia Autonomous Region formally launched the "experiment and demonstration base of potato plantation" to develop and share advanced potato farming technologies in Yanchi County, Ningxia autonomous region. As part of the cooperation between PepsiCo and the MOA, the base will be used to promote new potato technologies in China, with a focus on water resource management



and best practice sharing. In June 2013, PepsiCo and the MOA organized a two-day training course on sustainable agriculture and potato farm management in Chifeng, Inner Mongolia. The technicians of PepsiCo offered training on advanced technologies and processes to 30 agro-technicians and management professionals from over 10 provinces and autonomous regions, including Inner Mongolia, Hebei and Hubei, to promote the development of sustainable potato farming in China. On the same occasion, PepsiCo also shared its global best practices for modern farm operation to help enhance the quality and efficiency of potato plantation and speed up the development of modern agricultural production and management capabilities in China.

### PepsiCo food – saving water and energy by green facilities

PepsiCo Food's performance in clean production and energy and water conservation is also well recognized.

PepsiCo GCR facts & figures:

PepsiCo's food plants in China uses 44.8% less water and 22.6% less energy compared to the 2006 baseline figure.

In January 2011, PepsiCo Beijing Food Plant was named a "water-saving model company" by the Beijing Municipal Government, together with the winner's prize from the Beijing Municipal Office of Water Conservation.



In July 2012, PepsiCo Wuhan Food Plant was formally put into operation. It is PepsiCo's 1st green food plant in China that conforms to LEED standards, the most authoritative international standards for green building. In December 2012, the Wuhan Food Plant received the LEED gold certificate.

In July 2013, PepsiCo Foods (China) Co., Ltd. held the ground-breaking ceremony for Beijing Quaker Plant, which is PepsiCo's 1st Quaker plant in China and the 6th

Quaker plant globally. PepsiCo has chosen to build this plant in Beijing in order to meet the growing demands for oat-based food products in the Chinese market, and provide high-quality, tasty and wholesome oat products to the Chinese consumers. The new plant will be built in accordance with LEED standards, and adopt advanced technologies and processes for the purpose of protecting natural resources and bringing down operating costs.



# Talent Sustainability

Talent Sustainability means providing a safe and inclusive workplace globally and respecting, supporting and investing in the local communities where we operate.

- Our goals
- PepsiCo GCR's approach to human resources management
- Top employer

## Highlights of talent sustainability

- PepsiCo: In March 2013, PepsiCo was named by Fortune as one of the World's Most Admired Companies for the year. The Fortune list, which includes a total of 50 leading companies of the world, is an influential benchmark of corporate reputation. PepsiCo ranked 3rd in the consumer food products category.
- PepsiCo GCR: PepsiCo Food was named by CRF Institute, the Netherlands-based market research agency, as one of the "Top Employers in China" for the year 2013.
- PepsiCo GCR: Local talent accounts for over 99.8% of the associates of PepsiCo GCR and over 88% of its senior management team.

## Our goals

- To create a secure, healthy, diverse and inclusive workplace that reflects the global communities in which we operate.
- To respect human rights in the workplace and across the supply chain.

## PepsiCo GCR's approach to human resources management

- We are committed to continuously em-

powering employees, fulfilling our responsibilities, and winning trust to achieve talent sustainability.

- Our pursuit of employee development and corporate growth inspires innovation and targets results.
- We empower the employees to act and think in effective ways while ensuring management efficiency.
- Sense of responsibility and trust are the basis of a company's healthy growth. We strive to win people's trust both at the individual and company levels.
- Employees with a strong sense of responsibility act responsibly for the

company and manage the company's resources effectively. We build up trust through our unified commitment to acting responsibly and making joint efforts for mutual prosperity.

## Diversity and inclusion

PepsiCo views diversity and inclusion as a fundamental business priority. We believe a successful pursuit of this priority grants us an opportunity to drive our growth and create an advantageous edge. To attract and retain the most talented and able people, we must create a diverse and inclusive culture where everyone feels they







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.

have equal opportunities to succeed and grow, regardless of gender, race, ethnicity, religion, or different abilities.

The “Harvey C. Russell Inclusion Award” was launched to recognize individuals with outstanding achievements in promoting diversity and inclusion in PepsiCo.

PepsiCo is also widely regarded as one of the most suitable workplaces for women and minorities in the United States. As of September 2013, the percentage of women employees stood at approximately 54% in PepsiCo GCR, including approximately 48% in the senior management team.

Health and safety

PepsiCo believes that environmental stewardship and protecting the health and safety of our people underpin our core values and help us deliver on “Performance with Purpose.” We believe that environ-

mental incidents and occupational injuries and illnesses are preventable and we aspire to an incident-free workplace.

We implement our Environmental, Health and Safety (EHS) policy through the PepsiCo Global Environmental, Health and Safety Management System (GEHSMS) in order to incorporate EHS into our entire business operations. By raising the level of responsibility ownership and ensuring all necessary resources for the attainment of an incident-free workplace, we endeavor to achieve sustainable business growth with guaranteed employee and property safety.

Training

PepsiCo GCR provides a year-round training program for its employees, covering a wide range of areas. Associates are regularly updated of training information through annual training manuals, monthly training

calendars, intranet forums, invitation letters and other forms of communications. In 2013, each PepsiCo GCR employee received, on average, 37.6 hours of training on corporate culture, values, career path planning, job skills and leadership.

New hire orientation:

After registration, each new associate will receive a special pack containing information on a variety of topics, including company history, values, career development, and work schedule, as well as information about compensation and benefits. Each associate will be invited to a two-day orientation during their first three months with the company, including training on values, anti-bribery policies, safety and security and division-by-division walk-throughs.

Job training:

Associates receive specific job trainings as required, and attend professional conferences to enhance job skills.

Skills training:

PepsiCo GCR offers associates opportunities to improve their skills through a curriculum of more than 20 courses, from time management and project management to communication and speaking skills. The associates are allowed to pick courses that best correspond to their career needs and interests.

Career planning:

PepsiCo GCR has a very systematic program to help associates manage their careers. Elements include a guide for short-term and long-term career goals and actions required for meeting these goals, with trainings and materials in place to provide due support.

Values and Code of Conduct training:

PepsiCo provides interactive trainings on company values and Code of Conduct to associates worldwide. In 2012, all PepsiCo GCR associates attended PepsiCo’s annual training on Global Code of Conduct and Anti-Bribery Policy, of which over 700 were trained online, with the remaining more than 2,000 taking training courses offline.

Online training:

PepsiCo GCR associates may also sign up

for PepsiCo’s online training programs by logging onto the PepsiCo intranet, including the PepsiCo University, operated by our US headquarters, and the E-learning platform provided by PepsiCo headquarters in China. PepsiCo University offers professional courses on human resources, R&D and marketing, while E-learning provides 40 Chinese-English bilingual courses on general skills.

Lunchtime study sessions:

PepsiCo GCR organizes regular lunchtime study sessions on health and safety, compensation, fiscal policy, work-life balance and other topics of interest to the associates.

Team building:

Regular team building activities are organized in different PepsiCo GCR divisions to boost team spirit, improve team coordination and encourage associate participation.

Top employer

PepsiCo GCR makes all decisions bearing people’s interests in mind and enthusiastically creates an inclusive

environment that encourages employee’s passion and participation. “People Make a Real Difference at PepsiCo GCR” is a motto familiar to all GCR employees, and also a testimony of PepsiCo GCR’s people-orientated principle and an indispensable part of PepsiCo GCR’s core competitiveness.

Highlights of PepsiCo GCR’s talent sustainability practices:

- The company strives to foster a work environment featuring inspiration, positiveness, enthusiasm and pleasure, where an individual employee succeeds based on his or her contributions, passion and personal development;
- The company cares as much about employees’ development as its business growth. PepsiCo GCR offers many career training opportunities for its employees and provides tailored training opportunities for employees of different levels;
- PepsiCo GCR’s “food management trainee program” chooses the most talented students from university graduates, and offers them 2 years of intensive training, with personal advice from experienced managers and trainers as

well as systematic job training plans, to help them grow into capable sales or production managers with a fast-tracked career;

- For more experienced senior managers, PepsiCo GCR has developed the China Leadership Academy Program in cooperation with leading Chinese business schools;
- PepsiCo GCR emphasizes localization of its workforce, particularly associates with managerial responsibilities. More than 99.8% of the company’s associates and over 88% of its senior staff in Greater China are from this market;
- The company provides rich career development opportunities for individual employees. The leadership of PepsiCo GCR also encourages employees to develop comprehensive capabilities by taking different posts in the company;
- Apart from spotting talents from inside the company, PepsiCo GCR also has a multiple-channel recruitment system. The company runs an “Employee Referral Program”, by which employees are rewarded for identifying and recommending qualified potential employees.





# “Dreams Begin with PepsiCo” - Giving Back to Our Society

Supporting the communities we serve and contributing to community development is part of PepsiCo's contribution to social charity, at times in partnership with the PepsiCo Foundation. In recent years, under the slogan “Dreams Begin with PepsiCo”, PepsiCo GCR has conducted and supported a number of charity projects with great social impact around the themes of “water” and “agriculture” in China.

These charity projects, from “Water Cellars for Mothers”, which PepsiCo has been supporting for more than 10 years, to the voluntary donation and post-disaster assistance contributed by the associates of PepsiCo GCR, are all living testimony to the love and affection cherished by the PepsiCo GCR associates for the society, as well as PepsiCo GCR's strong commitment to giving back to the society.

Over the years, PepsiCo GCR has conducted the following charity projects:

- “Water Cellars for Mothers”: providing safe drinking water for villages and schools in water-distressed central and western regions of China
- Education support program: knowledge changes fortune
- Disaster relief: sticking together
- Employee volunteers of PepsiCo GCR taking an active part in social charity



## “Water Cellars for Mothers”: providing safe drinking water for villages and schools in water-distressed central and western regions of China

PepsiCo has been supporting the “Water Cellars for Mothers” project organized by the China Women's Development Foundation (CWDF) of the All-China Women's Federation (ACWF), since 2001, to help address the lack of safe drinking water for water-distressed families and schools in central and western China, making it the first Fortune 500 Company to participate in this project.

Through supporting the project continuously for more than 10 years, PepsiCo has become the largest fund-contributing multinational for the “Water Cellars for Mothers” project. As of the end of October 2013, PepsiCo Foundation, PepsiCo GCR and PepsiCo employees had contributed a total donation of over 53 million RMB yuan for the building of 1,500+ water cellars, the building or upgrading of more than 170 small-scale safe drinking water projects, the construction of more than 90 school safe drinking water projects, and the training of over 170,000 rural residents. To date, more than 717,000 people from 10 provinces and autonomous regions, including Sichuan, Yunnan, Gansu, Guizhou, Guangxi, Hebei, Inner Mongolia, Qinghai, Chongqing and Shaanxi, have benefited from the project.

In June 2011, PepsiCo Chairman & CEO Indra Nooyi announced an additional \$5 million USD donation for the “Water Cellars for Mothers” project in Beijing. The new fund, which is PepsiCo's largest single-tranche charity donation in China, will be used to provide safe drinking water for 500,000 Chinese people before the end of 2015. As of October 2013, over 655,000 people in 30 counties of 8 provinces had benefited from the project during the first two years of its implementation.

“Tiny streams converge together to form the ocean.” For the past 10 and plus years, the “Water Cellars for Mothers” project has also received generous support from PepsiCo GCR's employee volunteers. They have taken money out of their own pockets, and worked as volunteers in the remote villages and schools in the communities supported by the project, bringing love and happiness

to the poor families and children there. As of June 2013, personal donations from the employees of PepsiCo GCR had exceeded 2.2 million RMB yuan.

In recognition of its contribution to the “Water Cellars for Mothers” project over the past decade, the CWDF, in 2012, announced its five-year strategic partnership with PepsiCo.





Education support program: knowledge changes fortune



In 2007, PepsiCo GCR Foods launched an employee charity program to build libraries for village schools in the neighborhood of PepsiCo farms, with donations of books, desks, chairs and other library facilities as well as scholarships for the local students.

As of September 2013, PepsiCo GCR had built 10 “PepsiCo libraries” in Inner Mongolia, Hebei, Guangxi, Shandong, Guangdong and Gansu, benefiting over 4,500 students. 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 and motivate the

students into reading and writing. PepsiCo also bought computers, desks and chairs, book shelves, multi-media devices and other teaching equipment for the schools covered by the program.

In addition to “PepsiCo Library”, PepsiCo GCR is also funding another education program - “Better Tomorrow” - to support the studies of the children of migrant workers. Since 2008, PepsiCo GCR has made a consistent endeavor to improve the education environment of the children of migrant workers by providing scholarships, building libraries and donating sports equipment and other material support. As of the end of 2011, PepsiCo had supported

16 schools of migrant workers’ children in 15 Chinese cities under the “Better Tomorrow” program, benefiting 16,200 students, including approximately 3,500 “PepsiCo Love Scholarship” winners.

As of September 2013, PepsiCo GCR had invested more than 4 million RMB yuan in these two education programs, including 0.55 million RMB yuan of donation from the employees, 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.



Disaster relief: sticking together

In the face of natural disasters, PepsiCo GCR has always stood by the side of the Chinese people and offered a helping hand for their disaster relief efforts. PepsiCo pulled off an immediate response to the earthquake in both Wenchuan and Yushu with more than 19.5 million RMB yuan of cash and material support, and worked with local partners to bring drinking water to the affected communities, repair damaged school buildings and in other areas of post-disaster reconstruction.

In April 2013, a magnitude 7.0 earthquake hit Lushan county, Sichuan province. To help the local people get through the difficulties caused by the earthquake, the PepsiCo Foundation made a speedy decision of donating \$1 million USD to the CWDF the next day after the earthquake. In addition to the cash donation, PepsiCo, through collaboration with its strategic partner in China – Tingyi Holding, also provided much needed materials to the affected areas, including 10,000 cases of Aquafina water, just hours after the earthquake.



Employees of PepsiCo GCR taking an active part in social charity



In PepsiCo GCR, employee participation in social charity has already become an established tradition. Over recent years, PepsiCo GCR associates have donated more than 8.2 million RMB yuan and contributed over 2,720 hours of volunteer services to various charity projects.

Cash donation

During the 2012 employee charity campaign organized under the theme “Dreams Begin with PepsiCo – Sharing Love for the World,” over 1,240 PepsiCo GCR associates donated more than 590,000 RMB yuan to the two charity projects supported by PepsiCo, i.e. “Water Cellars for Mothers” and “PepsiCo Library”. The charity funds contributed by these PepsiCo employees can bring safe and clean drinking water to more than 780 water-distressed rural families and over 10,000 new books to the schools that host PepsiCo libraries.

**Employee volunteers**

In September 2012, 13 PepsiCo volunteers visited the No. 6 primary school of Siziwang Qi, Inner Mongolia to make the final

preparation for the delivery of the PepsiCo library there. During their two days on the campus, the volunteers helped with the arrangement and decoration of the library, read picture books to the students, and organized a mini Olympics in the school.

In November 2012, 21 PepsiCo volunteers went to the Housuo primary school of Banqiao town, Luliang County, Yunnan province. They installed water drinking equipment in the school in order to provide safe and clean drinking water for the students of this remote mountainous village. In the meantime, they also taught these boys and girls how to wash their hands, conducted a water purification experiment and watched documentaries on the importance of water conservation with the students.







In June 2013, 19 PepsiCo volunteers, following the guide of the CWDF team for the “Mother Post Parcel” project, completed the delivery of 2,340 “Mother Post Parcel” to the earthquake zone in Ya’an, Sichuan province in only three days, showing the sympathy of all PepsiCo employees for the people in the affected areas.

**Charity events organized by local PepsiCo plants**

In addition to our charity programs at the national level, PepsiCo GCR’s plants in different parts of the country have also been demonstrating our commitment to communities where we operate by organizing charity events suited to their own local conditions.

**PepsiCo Concentrate Plant (Guangzhou)**

For several years, the PepsiCo Concentrate Plant has been supporting a local charity organization in Guangzhou called Huiling Community Services for People with Learning Disabilities. Every year, PepsiCo volunteers raise charity funds for the organization through its participation in charity jogging, charity sales and auctions, and make their best efforts to help people with learning disabilities. Throughout these years, the PepsiCo Concentrate Plant has

been directly involved in the development of Guangzhou Huiling, and contributed its small but important share to the charity cause of the local communities.

In 2012, to support the development of higher education in Guangzhou, the PepsiCo Concentrate Plant provided a scholarship of 30,000 RMB yuan to the students enrolled to the Lingnan College of Sun Yat-Sen University in the years 2012-2014.

**PepsiCo Food Shanghai Plant**

The employees of PepsiCo Food Shanghai Songjiang Plant and Malu Plant have a tradition of respecting and caring for the old. Every year, during traditional Chinese festivals like the Dragon Boat’s Day and the Mid-Autumn Day, the employees of the 2 food plants visit the elderly homes in the neighborhood communities, bringing presents such as moon cakes, rice dumplings, fruits and drinks, as well as cultural performances to the seniors living there, and chatting and watching films with them to make them feel warm and happy.

**PepsiCo Food Beijing Plant**

On the eve of Children’s Day in 2013, PepsiCo Food Beijing Plant organized a special charity campaign under the theme

“journey of love”, in which 15 employees visited the foster home for children with a mental disability in Beijing. They played games, attended outdoor activities and shared delicious cakes with the kids, leaving a meaningful Children’s Day to these misfortunate little angels.

**PepsiCo Food Wuhan Plant**

On the eve of the Spring Festival in 2013, PepsiCo Food Wuhan Plant organized an education-themed charity event, calling on its employees to donate warm clothes and school supplies to the students of the remote mountainous regions of Yunnan province. The initiative was welcomed and supported by the employees. They donated more than 600 pieces of cotton-padded jackets, caps, gloves, coats and various kinds of school supplies in only one week’s time, giving a feeling of warmth to the children in these mountainous villages. In the meantime, the employees of PepsiCo Food Wuhan Plant also pay regular visits to the seniors living in the nearby Dongshan Elderly Home to help them avoid loneliness by talking to them, giving cultural performances for them, cleaning their houses and taking on outdoors exercises with them.

# Some honors and recognitions received by PepsiCo GCR in recent years

## Business operation

- In January 2013, the Lay’s brand of PepsiCo was named one of the Chinese consumers’ favorite brands at Superbrands China 2013, and the most liked salty snack product in China.
- In 2013, PepsiCo’s TV commercial, “Bring Happiness Home”, won the bronze prize for the media category in the Cannes Lions International Festival of Creativity, an international event known as the Oscar of the creativity industries.

## Environment

- In December 2012, at the annual meeting of the China Beverage Industry Association (CBIA) held with the theme “finding new drivers for the Chinese beverage industry”, the strategic alliance of Tingyi and PepsiCo received 90 “outstanding water-saving and energy-saving beverage companies” awards, including 47 in the energy conservation category and 43 in the water conservation category. The beverage plants operated by the Tingyi-PepsiCo alliance took home more than 57% of all the awards given to beverage companies in China for that year.
- In November 2013, Tingyi-PepsiCo alliance received a total of 93 energy-saving and water-conservation awards presented by CBIA.

## Talent

- In December 2012, PepsiCo GCR Foods Operation Company received the “Top Employer in China 2013” certificate from CRF Institute, the leading international agency for company evaluation and certification.
- In January 2014, PepsiCo GCR Foods Operation Company was certified as one of the “Top Employers China 2014” by Top Employers Institute.

## Giving back to our society

- In December 2012, PepsiCo GCR won the “CSR Gold Award” during the China CSR Annual Assembly 2012, becoming the only food and beverage company among the 10 award winners of the year. Meanwhile, PepsiCo GCR was also given the “CSR Supply Chain Model Award” during the ceremony.
- On 18 December 2012, the All-China Women’s Federation, for the second time, presented the “China Women Charity - Model Company Award” to PepsiCo GCR in recognition of its continued support for the “Water Cellars for Mothers” project over the past 12 years, as well as the important contribution it had made to the cause of women charity in China. PepsiCo GCR was the only Fortune 500 Company among the 5 winners of the Model Company Award.
- In June 2013, PepsiCo was given the title “Golden Bee Company” at the eighth China CSR Conference held by the China WTO Tribune magazine for the consistent efforts it had made to promote environmental sustainability, especially in water and energy conservation and the building of plants that conform to LEED standards.





**For further information about PepsiCo Greater  
China, please visit our website at:**

**[www.pepsico.com.cn](http://www.pepsico.com.cn)**

