

Prospect – Research Profile

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Name of Trust/Corporate: **PepsiCo Inc.**

Website: <http://www.pepsico.com/>

Social Media:

[LinkedIn](#), [Twitter](#), [Facebook](#)

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Date: 29 Jun 2018

Last updated:

This information should only be used for the charitable purposes of XXXXX; it should be treated in accordance with relevant Data Protection Act/Directives and stored and destroyed in such ways so as to protect its confidentiality.

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Introductory notes

1. This document contains research on the grant-making organisation only.
2. Where appropriate a separate research profile should be undertaken of any individual trustees, decision makers or board members however this document does intend to identify such leads accordingly.

| | |
|--|--|
| Keyworker (HQs and Network Leads) | |
| Salesforce Ref. No. | |

Trustees/Board Members

As currently listed on either the trust's/company's website or the Charity Commission. Basic information about one or more trustees/board members can be included here. It is important to highlight any trustees/board members that have, or require, a separate research profile.

Key staff/ decision makers

Identify anyone who is a key decision maker. This might be the CEO, administration, CSR or marketing director, any other senior executive/staff member, the settlor, one or more of the current trustees/board members. Include their name, job title, email, phone and LinkedIn profile.

Key influencers

Identify anyone external to the trust/corporate with significant influence over decisions, e.g. anyone with connections to the key staff/decision makers. This might be family members of trustees, XXXXX (technical/PSFR) leadership connection(s), current LG supporters /donors or anyone that can be engaged to support and leverage any funding applications / partnership asks which merit a key account approach.

1. Ford Foundation
2. JPMorgan Chase & Co
3. Google Inc
4. Microsoft
5. BASF –
6. Rabobank
7. H.J. Heinz Company
8. Johnson & Johnson
9. Merck
10. Takeda Pharmaceuticals
11. General Electric (GE)

Current Positioning¹

Outline details of current giving priorities, vision/mission, approaches, themes and objectives, funding/CSR activity within the last 3 years and any other information pertinent to XXXXX-LG. This might be from online sources or from information maintained within organisational resources (Salesforce etc).

In case of corporates also include:

- Summary of their market position
- Geographical footprint (key markets, new markets).
- Customer Base/Profile
- Products & Services
- Staff Numbers
- Turnover and Profit Results

Market Positioning

PepsiCo, Inc. is an American multinational food, snack, and beverage corporation headquartered in Purchase, New York. PepsiCo has interests in the manufacturing, marketing, and distribution of grain-based snack foods, beverages, and other products.

¹ PepsiCo Annual Report 2017 attached as Annex I

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PepsiCo was formed in 1965 with the merger of the Pepsi-Cola Company and Frito-Lay, Inc. Since its inception, the company has expanded from its namesake product Pepsi to a broader range of food and beverage brands, the largest of which included acquisition of Tropicana Products in 1998 and the Quaker Oats Company in 2001.

Since January 2012, PepsiCo's 22 brands have generated retail sales of more than **US\$1 billion** a piece, and the company's products were distributed across more than **200 countries**, resulting in annual net revenue of **US\$63 billion** in 2017 alone. The same year, the conglomerate had a market value of **US\$ 152 billion** and total assets of **US\$ 79 billion**. In 2017 the company had a total workforce of **264,000** employees. In 2017, the conglomerate also parented **2010²** companies around the world. In terms of brand value, the company's leading brand i.e. Pepsi ranked 63 amongst the top 500 global brands of the world in 2018 and had a tangible brand value of **US\$ 20 million**.

Based on net revenue, PepsiCo is the second largest food and beverage business in the world. Within North America, PepsiCo is the largest food and beverage business by net revenue.

Geographical Footprint

The structure of PepsiCo's global operations has shifted multiple times in its history as a result of international expansion, and as of 2016 it separated into six main divisions, North America Beverages, Frito-Lay North America, Quaker Foods North America, Latin America, Europe and Sub-Saharan African, and Asia, Middle East and North Africa. Reportedly as of 2015, 73 percent of the company's net revenues came from North and South America; 17 percent from Europe and Sub-Saharan Africa; and 10 percent from Asia, the Middle East, and Africa. The company largely carries out its own beverage distribution and bottling, but also relies on licensed bottlers in certain regions. Pepsi products are available in 200-plus countries.

Brands

PepsiCo's brands include **Pepsi, Diet Pepsi, Mountain Dew, Lay's, Gatorade, Tropicana, 7 Up, Doritos, Brisk, Quaker Foods, Cheetos, Mirinda, Ruffles, Aquafina, Naked, Kevita, Propel, Sobe, H2oh, Sabra, Starbucks (ready to Drink Beverages), Pepsi Max, Tostitos, Mist Twst, Fritos, and Walkers**. The **Quaker Foods** unit makes breakfast cereals (**Quaker oatmeal, Life**), **Rice-A-Roni rice** and **Near East side dishes**.

Competition

The Coca-Cola Company has historically been considered PepsiCo's primary competitor in the beverage market. As a result of mergers, acquisitions, and partnerships pursued by PepsiCo in the 1990s and 2000s, its business has shifted to include a broader product base, including foods, snacks, and beverages. The majority of PepsiCo's revenues no longer come from the production and sale of carbonated soft drinks. In 2009, beverages accounted for less than 50 percent of PepsiCo's total revenue. In the same year, slightly

² Corporate Family Tree and locations attached as Annex M

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more than 60 percent of PepsiCo's beverage sales came from its primary non-carbonated brands, namely Gatorade and Tropicana. Other competitors for soda include RC Cola, Cola Turka, Kola Real, Inca Kola, Zamzam Cola, Mecca-Cola, Virgin Cola, Parsi Cola, Qibla Cola, Evoca Cola, Corsica Cola, Breizh Cola, and Afri Cola.

PepsiCo's Frito-Lay and Quaker Oats brands also hold a significant share of the U.S. snack food market, accounting for approximately 39 percent of U.S. snack food sales in 2009. One of PepsiCo's primary competitors in the snack food market overall is Kraft Foods, which in the same year held 11 percent of the U.S. snack market share. PepsiCo's product mix as of 2015 (based on worldwide net revenue) consists of 53 percent foods, and 47 percent beverages.

| Type of segmentation | Segmentation criteria | PepsiCo target segment |
|----------------------|-----------------------|---|
| Geographic | Region | Domestic/international |
| | Density | Urban/rural |
| Demographic | Age | 15-45 |
| | Gender | Males & Females |
| | Life-cycle stage | Bachelor Stage young, single people not living at home Newly Married Couples young, no children Full Nest I youngest child under six Full Nest II youngest child six or over |
| | Income | Average, above average and high earners |
| | Occupation | Students, employees, professionals |
| | Behavioral | Degree of loyalty |
| Behavioral | Benefits sought | Refreshment, enjoying good taste, satisfaction of a habit, spending time |
| | Personality | Easygoing/determined/ambitious |
| | User status | Regular users |
| | Psychographic | Social class |
| Psychographic | Lifestyle[1] | Aspirer, Succeeder, Explorer |

Figure 1: PepsiCo Consumer segmentation, targeting and positioning

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Current giving criteria³

Provide details of any specific criteria for any potential application, e.g. will they only fund capital, or core services? Are there any restrictions or limitations? Are they interested to support strategic initiatives such as refugee employment schemes, payroll giving etc? This might be from online sources or from information maintained within organisational resources (Salesforce etc).

PepsiCo's sustainability strategy is intrinsically linked to its business interests, supplemented by the work of the PepsiCo Foundation. PepsiCo is focused on delivering sustainable long-term growth while leaving a positive imprint on society and the environment - what they call **Performance with Purpose 2025**. Their focus includes transforming their business portfolio and offering healthier options while making food systems more sustainable and communities more prosperous. The company works to ensure Performance with Purpose throughout its value chain, mainly through 3 essential pillars. Each of these pillars are further focused on a few top goals that the company is working to achieve by 2025. These pillars and associated goals are as follows, with those relevant for XXXXX duly highlighted in yellow:

- 1. PRODUCTS** -- Through their Products goals, PepsiCo aims to refine its food and beverage choices to meet changing consumer needs by reducing added sugars, saturated fat and salt, and by developing a broader portfolio of product choices, reaching more underserved communities and consumers.

The Product goals include:

- a. Reduce Added Sugars** -- At least 2/3 of our global beverage portfolio volume will have 100 Calories or fewer from added sugars per 12-oz. serving;
 - b. Reduce Saturated Fats** -- At least 3/4 of our global foods portfolio volume will not exceed 1.1 grams of saturated fat per 100 Calories;
 - c. Reduce Salt** -- At least 3/4 of our global foods portfolio volume will not exceed 1.3 milligrams of sodium per calorie;
 - d. Increase Positive Nutrition** -- Specifically, we will work to (i) increase positive nutrition - like whole grains, fruits and vegetables, dairy, protein and hydration - by expanding our portfolio containing one or more of these ingredients and (ii) provide access to at least 3 billion servings of nutritious foods and beverages to underserved communities and consumers, through a variety of channels and programs supported by the PepsiCo Foundation - with an increasing focus on products that are locally sourced and produced, and readily accessible;
- 2. PLANET** -- Through the Planet goals, the company aims to reduce its environmental impact while growing their business and helping to meet the food, beverage and natural resource needs of the changing world.

The Planet Goals include:

- a. Positive Water Impact**

³ PepsiCo Foundation profile attached as Annex J and Sustainability Report 2017 attached as Annex K;

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- i. **Water-use efficiency in agriculture:** Improve the water-use efficiency of our direct agricultural supply chain by 15% in high-water-risk* sourcing areas, a volume approximately equivalent to the entire water use of all PepsiCo direct operations;
- ii. **Water-use efficiency** and WASH in direct operations:**
 - ii.i Build on the 25% improvement in water-use efficiency achieved to date with an additional 25% improvement by 2025, with a focus on manufacturing operations in high-water-risk areas;
 - ii.ii Maximize water reuse in high-water-risk areas and ensure that 100% of wastewater from our operations meets PepsiCo's high standards for protection of the environment;
 - ii.iii Ensure appropriate access to safe water, sanitation and hygiene (WASH) for 100% of our own manufacturing employees;
- iii. **Local Replenishment:** Replenish 100% of the water we consume in manufacturing operations located in high-water-risk areas, ensuring that such replenishment takes place in the same watershed where the extraction has occurred;
- iv. **Respect for water as a human right:**
 - iv.i Advocate for strong water governance in communities and watersheds where we operate, promoting water solutions that meet local water needs (XXXXX USP: advocacy for integration of XXXXX WASH installations in national infrastructures of host countries);
 - iv.ii Initiate and support collaborative efforts with other stakeholders to address water risk and mitigate water insecurity (XXXXX USP: Cluster programming and co-financing partner approach);
 - iv.iii With the PepsiCo Foundation and its partners, work to provide access to safe water to a total of 25 million people since 2006 in the world's most at-water-risk areas, with a focus on communities near where PepsiCo works;
- b. **Lower Carbon Emissions** -- In support of the United Nations' 2030 Agenda for Sustainable Development and call to combat climate change and its impacts, work to reduce absolute greenhouse gas (GHG) emissions across our value chain by at least 20% to do our part to limit global temperature increase to below 2° Celsius;
- c. **Source Sustainably**
 - i. Through PepsiCo's Sustainable Farming Initiative (SFI) or equivalent industry programs, strive to sustainably source our direct agricultural

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raw materials by 2020; and seek to sustainably source our non-direct major agricultural raw material ingredients by 2025;

- ii. Building on our earlier goal, continue to invest in the necessary measures to complete our plans to sustainably source 100% of palm oil and cane sugar by 2020;
 - d. **Achieve zero waste to landfill** -- Strive to achieve zero waste to landfill across all of our direct operations through efficient and responsible waste management;
 - e. **Halve waste food** -- Work to reduce the food waste we generate in our direct operations by 50%;
 - f. **Recyclable Packaging** -- Strive to design 100% of our packaging to be recyclable, compostable or biodegradable, increase recycled materials in our plastic packaging, reduce packaging's carbon impact, and in partnership with the PepsiCo Foundation, work to increase recycling rates.
3. **PEOPLE** -- Through the People goals, the company will work to advance respect for human rights, promote diversity and engagement, and spur prosperity and economic development in communities around the world.

The People goals include:

- a. **Advance Respect for Human Rights**
 - i. Continue to advance respect for human rights in our operations and with third-party suppliers consistent with the UN Guiding Principles on Business and Human Rights, and extend the principles of our Supplier Code of Conduct (SCoC) to all franchisees and joint venture partners;
 - ii. Work to expand our Sustainable Farming Initiative (SFI) across approximately 7 million acres to increase environmentally responsible agricultural practices, improve crop yields and growers' livelihoods, and advance respect for workers' fundamental human rights; the expanded SFI includes action in crops that collectively represent approximately 75% of PepsiCo's current agricultural-based spend;
- b. **Support Diversity and working care-givers** -- Continue to develop a diverse, inclusive and engaged workforce that reflects the global communities where we do business; strive to achieve gender parity in our management roles and pay equity for women; and support working caregivers;
- c. **Spur Prosperity** -- In partnership with the PepsiCo Foundation, invest \$100 million to support initiatives to benefit at least 12.5 million women and girls around the world in communities near where we work;

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Additionally the company’s CSR activity that falls outside the scope of its strategy includes support towards Disaster Relief and Humanitarian efforts as well as facilitating volunteerism and community service opportunities for its staff.

At the end of 2016, PepsiCo Foundation’s annual giving totalled to over US\$ 27 million, typically for projects focussed on (i) Capacity-building and technical assistance (ii) extension/continuing support or regranting previously funded projects (iii) enabling equal access to basic services (iv) general support (v) program development (vi) program replication and scale up (vii) educational scholarships and student aid. Whereas the foundation’s geographical focus remained on communities that constitute part of the company’s value chain in Africa, Asia, North and Latin America and Europe (UK). Rendered support was typically effected through Cash grants, Employee matching gifts, Employee volunteer services and In-kind gifts. The foundation also funds on a multi-year basis through its “Strategic Grants” programme.

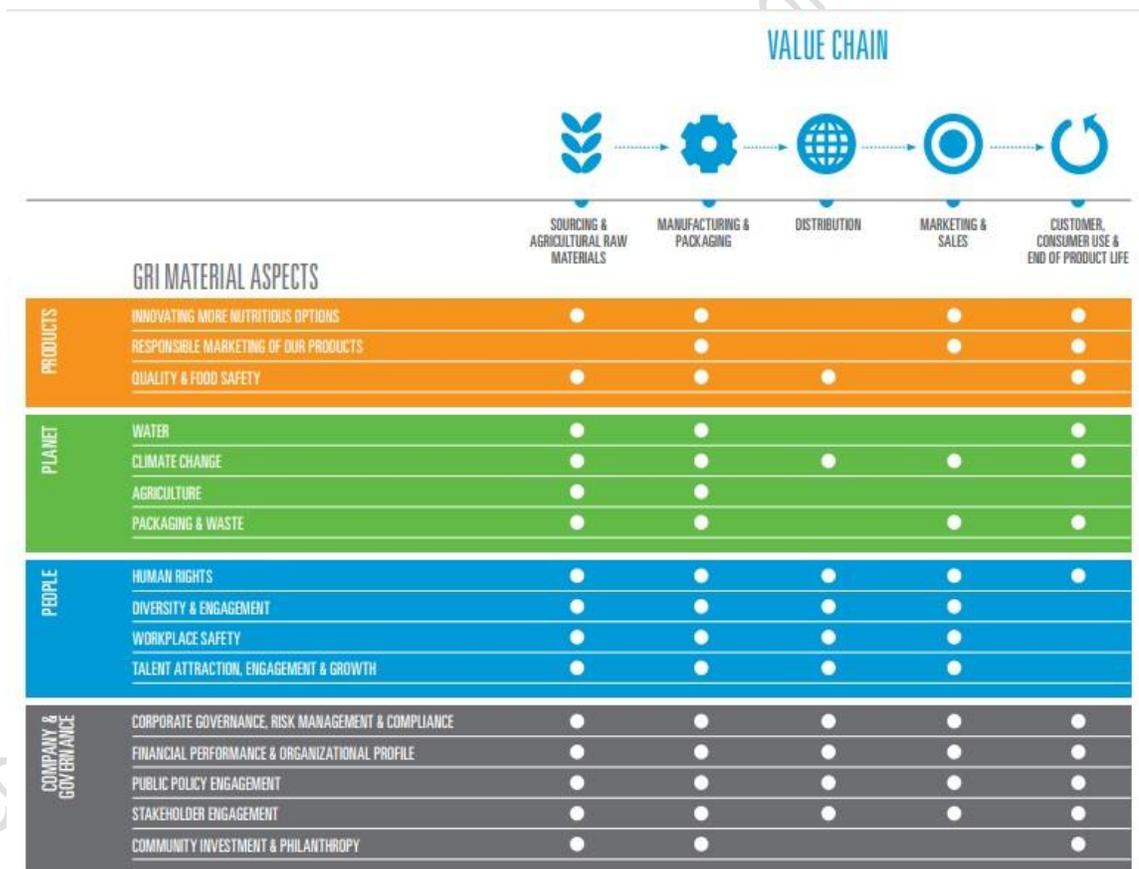


Figure 2: PepsiCo Sustainability Strategy throughout its Value Chain

Success to PepsiCo

Based on analysis of evidence⁴, a successful partnership to PepsiCo could be defined as one that is **focussed** and allows the company to meet the many **goals and desired impact**

⁴ 2016 and 2017 annual reports;

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of its **Performance with Purpose** strategy. As an organisation, the company believes in achieving **long-term meaningful impact** within the communities that constitute its **value chain** as opposed to spreading itself too thin. Through its partnerships, the company strives to seek widespread **public support or visibility** in doing business responsibly, whilst lending a hand to those who need it. PepsiCo's approach is rooted in a few simple beliefs i.e. (i) not just change the way they spend money but the way they make it-- *Value Chain/Community investments* (ii) Not just a great company but a good company – *Visibility/Influencing consumer and stakeholder perceptions* (iii) Not just short-term success but success over the long term – *longevity/meaningful impact for meeting strategic goals*.

Evidence based Recommendations

Given the company's sustainability focus, the foundation's complementary approach and the key ingredients of a successful partnership, strategic, long term support for XXXXX's thematic programmes of **Nutrition, WASH** as well as **economic empowerment (Education, Livelihoods)** for **women and girls in Africa, Asia and Latin America** could be explored. In view of the company's total workforce, this could be leveraged through a funding scheme that matches **payroll/employee contributions** or by way of a **CRM campaign**.

A partnership model that includes a CRM campaign and **volunteerism opportunities** for PepsiCo employees is also expected to resonate well with the company, since enables sought levels of **visibility**. Additionally one-off support for provision of **Humanitarian Assistance** for ongoing emergencies could also be discussed, although as per reviewed evidence this isn't necessarily a strategic priority for the company.

Finally given the market positioning of the company as well as average size and duration of past grants, sought support could be up to **US\$ 400,000** per year over a period of 4-5 years, contingent to the partner's stewardship experiences . A few case studies of past projects are attached as Annex L.

Application procedure & preferences

What is the application procedure, e.g. no unsolicited applications, application form, 2-stage application etc., and how long does applications/decision making takes (if known) frequency of trustee/board meetings etc. In addition, detail any procedures or preferences, e.g. request for visits, staff voluntary engagement. And what preferences can we identify that the donor might have regarding applications, e.g. how much detail do they require? Are they more interested in our overall work or in specific projects?

The PepsiCo Foundation does not accept unsolicited letters of inquiry or proposals. Application form/ templates are not required.

Organisational News/Developments

Include where relevant any recent senior staff changes, mergers and acquisitions, product launches, negative press.

Mergers, Acquisitions and Divestments

Between the late-1970s and the mid-1990s, PepsiCo expanded via acquisition of businesses outside of its core focus of packaged food and beverage brands; however it exited these non-core business lines largely in 1997, selling some, and spinning off others

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into a new company named Tricon Global Restaurants, which later became known as Yum! Brands, Inc. PepsiCo also previously owned several other brands that it later sold so it could focus on its primary snack food and beverage lines, according to investment analysts reporting on the divestments in 1997 Brands formerly owned by PepsiCo include: Pizza Hut, Taco Bell, KFC, Hot 'n Now, East Side Mario's, D'Angelo Sandwich Shops, Chevys Fresh Mex, California Pizza Kitchen, Stolichnaya (via licensed agreement), Wilson Sporting Goods, and North American Van Lines.

The divestments concluding in 1997 were followed by multiple large-scale acquisitions, as PepsiCo began to extend its operations beyond soft drinks and snack foods into other lines of foods and beverages. PepsiCo purchased the orange juice company Tropicana Products in 1998, and merged with Quaker Oats Company in 2001, adding with it the Gatorade sports drink line and other Quaker Oats brands.

In August 2009, PepsiCo made a \$7 billion offer to acquire the two largest bottlers of its products in North America: Pepsi Bottling Group and PepsiAmericas. In 2010 this acquisition was completed, resulting in the formation of a new wholly owned subsidiary of PepsiCo, Pepsi Beverages Company. In February 2011, the company made its largest international acquisition by purchasing a two-thirds (majority) stake in Wimm-Bill-Dann Foods, a Russian food company that produces milk, yogurt, fruit juices, and dairy products. With acquisition of the remaining 23% stake of Wimm-Bill-Dann Foods in October 2011, PepsiCo became the largest food and beverage company in Russia.

In July 2012, PepsiCo announced a joint venture with the Theo Muller Group which was named Muller Quaker Dairy. This marked PepsiCo's first entry into the dairy space in the U.S. The joint venture was dissolved in December 2015. On May 25, 2018, PepsiCo announced that it would acquire fruit and veggie snack maker Bare Foods. They will also quarter-own allMotti in late November 2018 and it will be PepsiCo's first owned Tech and Computer Service company.

Recent News

1. <https://www.theguardian.com/environment/2017/jul/21/pepsico-unilever-and-nestle-accused-of-complicity-in-illegal-rainforest-destruction>
2. <https://www.nytimes.com/2017/04/05/business/kendall-jenner-pepsi-ad.html>
3. <https://theolympiareport.com/2018/06/28/pepsico-inc-pep-shares-bought-by-schwab-charles-investment-management-inc.html>

Other pertinent information

Provide any other details where relevant to an application. e.g. history of the trust's formation, social triggers etc.

TBD