Planet Tracker

ENGAGEMENT SHEET

PepsiCo Inc. (PEP:US) – Climate Transition Analysis

Questions for investors and lenders to ask management of companies concerning their 2030 scenario

Recommended Questions

Q.1 **When will PepsiCo disclose quantifiable risk data associated with potential decarbonisation policies linked to Scope 3 emissions? (Nestlé and Unilever already do so)**

Background: PepsiCo's GhG emissions are predominantly Scope 3, amounting to 92% in 2021. The emergence of new regulations, such as the EU's latest initiative to impose a tax on products originating from countries with lower carbon taxes, could significantly affect the company's direct and indirect costs. This impact may include, but is not limited to, costs related to carbon taxes and voluntary carbon removal, food crop output influenced by land use regulations and increased energy prices for suppliers and in the manufacturing process.

Q.2 **When will PepsiCo publish a Climate Transition Plan or Net Zero Roadmap with investments linked to potential emissions mitigated quantities?**

Background: The lack of a specific plan, a disclosed linkage between investment, mitigation actions and the anticipated mitigated GhG emissions quantity pose a challenge in providing an external validation of its targets. So far, PepsiCo's green bonds only account for a quarter of the amount of emissions that will need to be mitigated to align with a 1.5°C pathway.

Q.3 **Will management compensation be linked directly to sustainability Key Performance Indicators (KPIs) in either the short and long term?**

Background: The remuneration of PepsiCo's management comprises fixed compensation in the form of an Annual Base Salary and performance-based compensation – i.e. a variable Annual Incentive and a Long-Term Incentive. Notably, only the Annual Incentive Award considers sustainability KPIs through the Individual Performance Multiplier. The evaluation of individual performance includes, enhancing environmental sustainability, improving operational efficiency, driving innovation, increasing customer satisfaction, and managing and developing the workforce.

Report's Key Takeaways

- PepsiCo's climate transition is facing several challenges, primarily related to its upstream Scope 3 activities that are estimated to account for over 75% of its GhG emissions by 2030 if not mitigated.
- The company should focus on reducing these emissions and assessing the potential financial impact of Carbon Pricing Mechanisms (CPMs) linked to Scope 3 emissions, which could account for up to 23% of climate-related financial risks and opportunities in the next decade.
- PepsiCo currently lacks a formal Net Zero Roadmap and its disclosed investment only covers a quarter of the emissions gap to achieve its 2040 Net Zero target, making it unclear whether the company can achieve its goals.
- According to Planet Tracker's analysis, PepsiCo is on track for a 2°C scenario by 2030.

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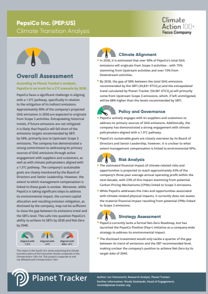

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Further information:
Nicole Kozlowski, Head of Engagement,
nicole@planet-tracker.org