



The Business Case for Investment in Water & Sanitation: *A PepsiCo Perspective*

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PEPSICO





Global Realities



Business Risk



Stakeholder Voices

50%

Of hospitalizations due
to water-related illness



Only 63%

Of the world has
access to sanitation

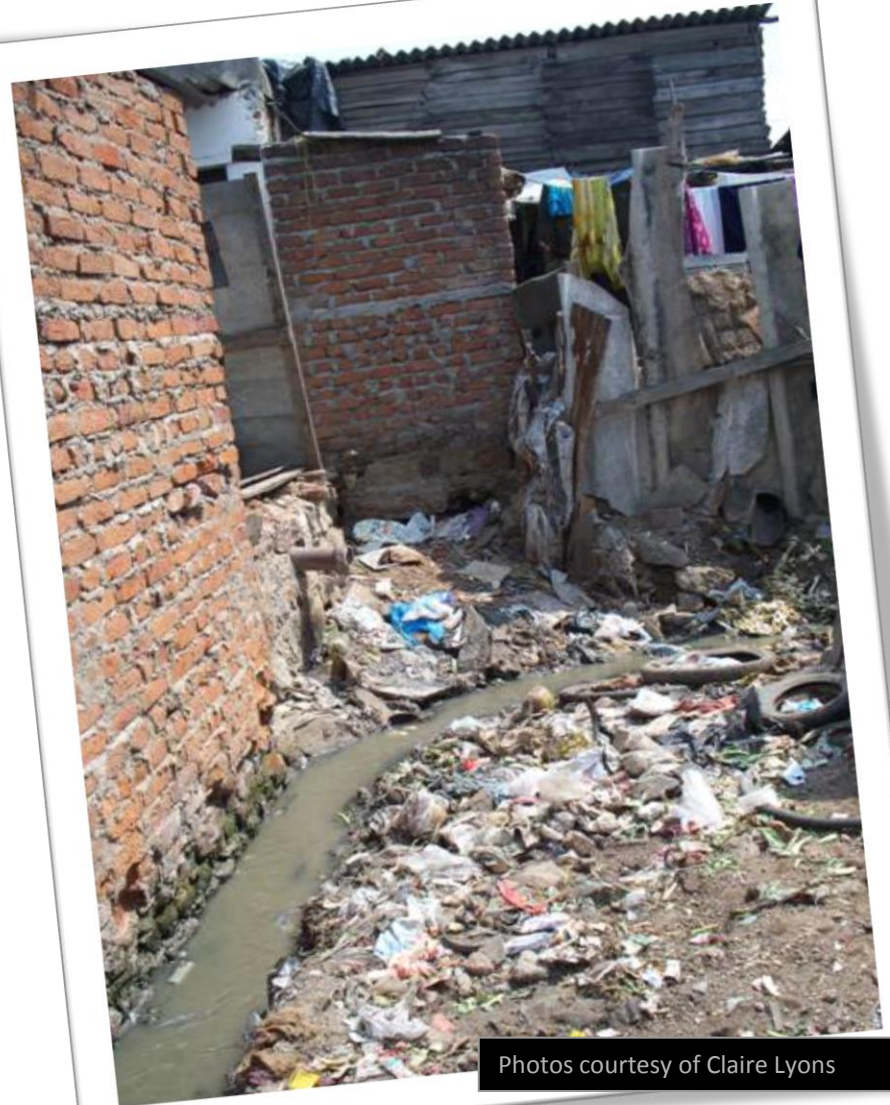


More
people
have
access
to cell
phones
than
toilets



2.5 Billion

**People have no
access to sewers or
toilets**



Photos courtesy of Claire Lyons



Performance with Purpose
The Promise of PepsiCo

200-400 Million Days

Of school attendance
can be gained with
investment in water
& sanitation



200 Million Hours in One Day

Spent by women collecting water



That's more than the
employees of these
companies—combined—
work in a week!

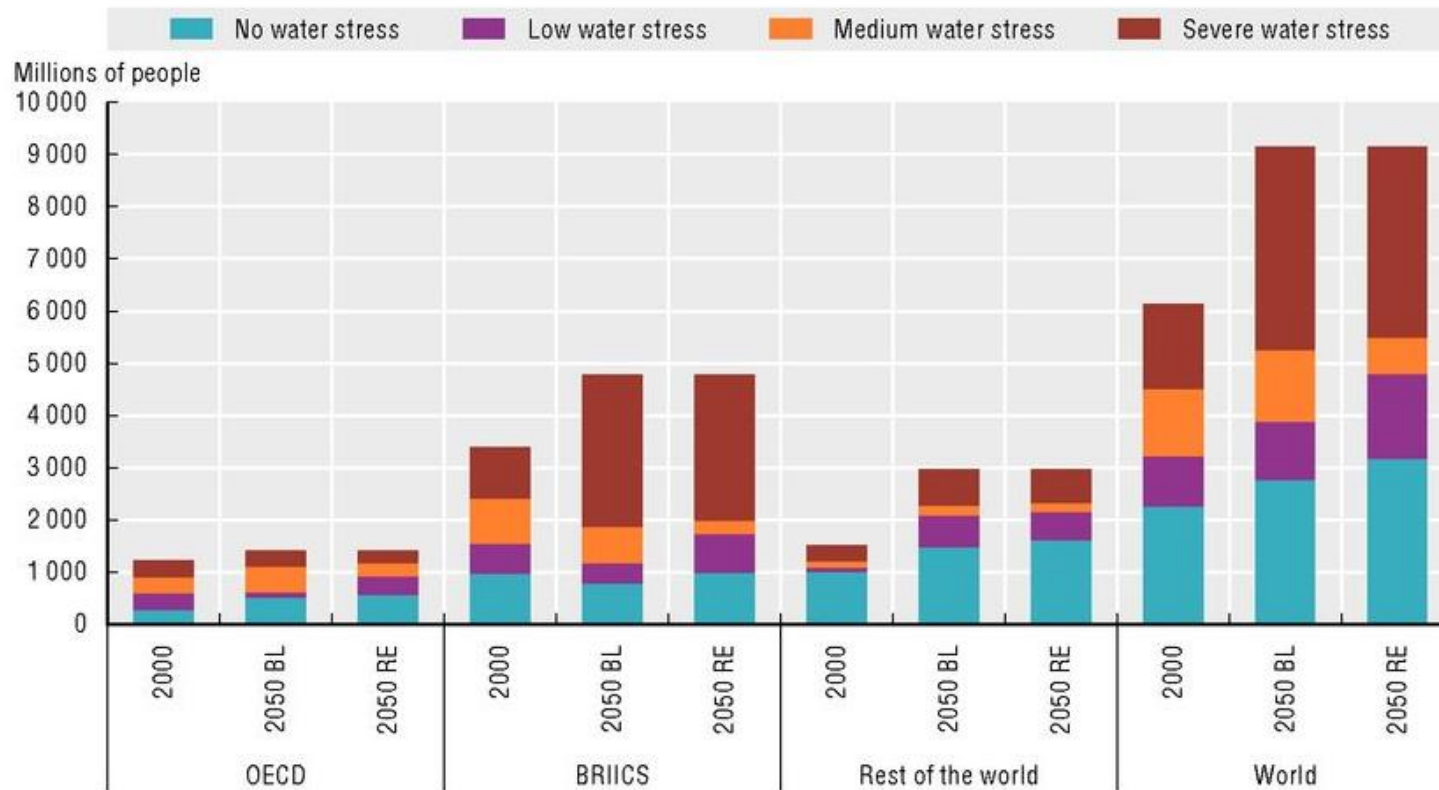


Performance with Purpose
The Promise of PepsiCo

4.8 B PEOPLE & 45% of total global GDP (\$63 Tn) will be AT RISK DUE TO WATER STRESS by 2050


Figure 5.16. Number of people living in water-stressed river basins in 2000 and in 2050

Baseline (BL) and Resource Efficiency scenario (RE)



People
impacted by
water stress
by 2050

Source: OECD Environmental Outlook projections; output from IMAGE.

StatLink  <http://dx.doi.org/10.1787/888932571437>




The HUMAN RIGHT TO WATER will become increasingly important:

- Safety
- Sufficiency
- Physical Accessibility
- Acceptability
- Affordability




One in nine people worldwide doesn't have access to improved sources of drinking water and **one in three** lacks improved sanitation.

The major sources of water pollution are from human settlements and industrial and agricultural activities.

 <p>80% of sewage in developing countries is discharged untreated directly into water bodies.</p>	 <p>Industry dumps an estimated 300-400 MT of polluted waste in waters every year.</p>	 <p>Nitrate from agriculture is the most common chemical contaminant in the world's groundwater aquifers.</p>
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<p>APPROXIMATELY 3.5 MILLION PEOPLE DIE EACH YEAR DUE TO INADEQUATE WATER SUPPLY, SANITATION AND HYGIENE.</p>	<p>THE BIODIVERSITY OF FRESHWATER ECOSYSTEMS HAS BEEN DEGRADED MORE THAN ANY OTHER ECOSYSTEM.</p>
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UN WATER.ORG





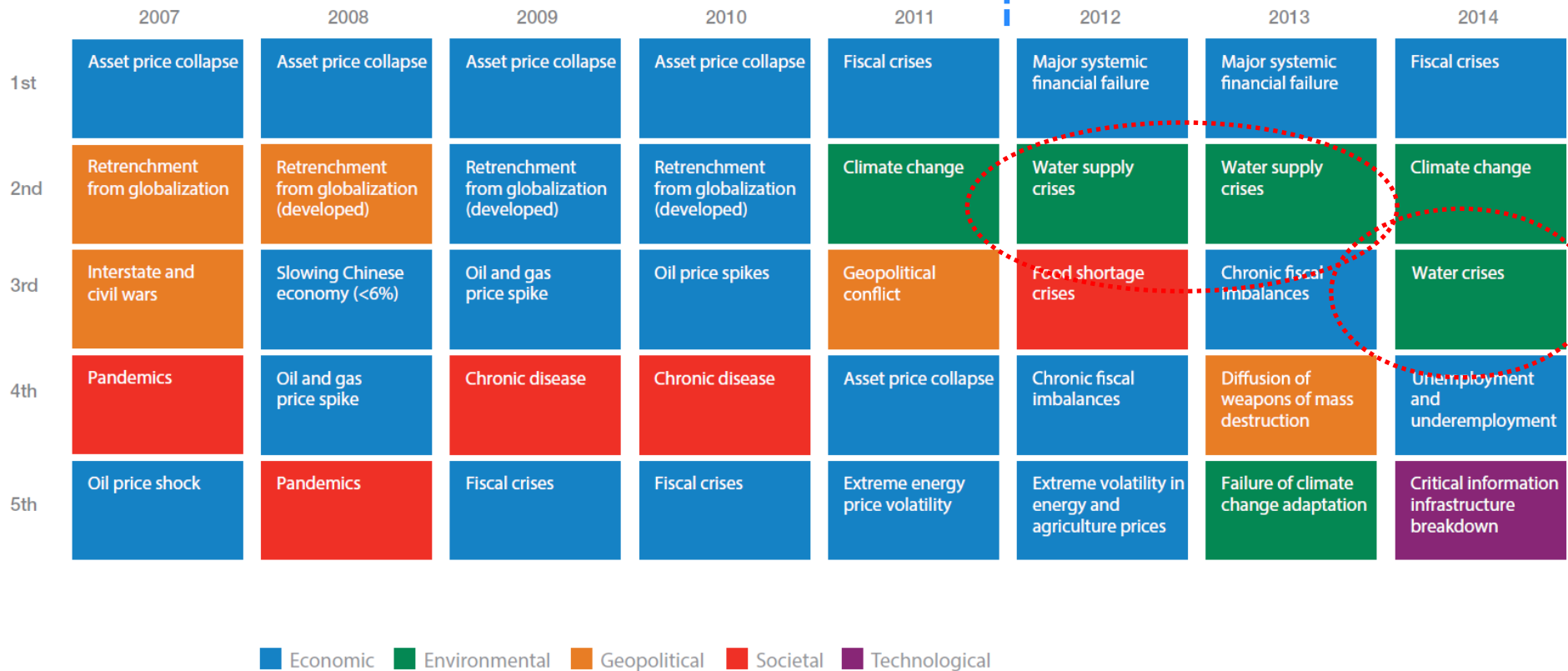
THE HUMAN RIGHTS TO WATER AND SANITATION

FREQUENTLY ASKED QUESTIONS

“For each dollar invested in water and sanitation, on average there is a return of 8 dollars in costs averted and productivity gained.”

WATER has been among the HIGHEST GLOBAL IMPACT for the past THREE YEARS

Top 5 Global Risks in Terms of Impact



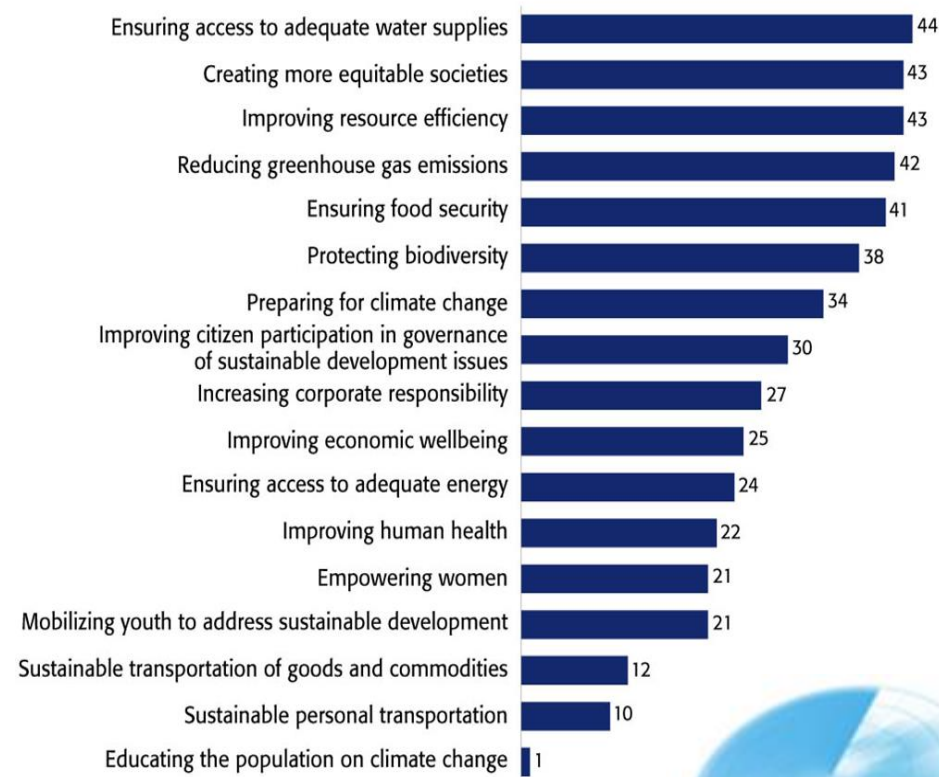
Today 40% of PEPSICO PLANTS are under WATER STRESS, and continue to challenge our license to grow

1600 INFLUENCERS across 117 countries identify WATER as the HIGHEST-PRIORITY issue for focus

The GENERAL POPULACE also SEES WATER as NUMBER ONE

Important Sustainability Issues to Prioritize

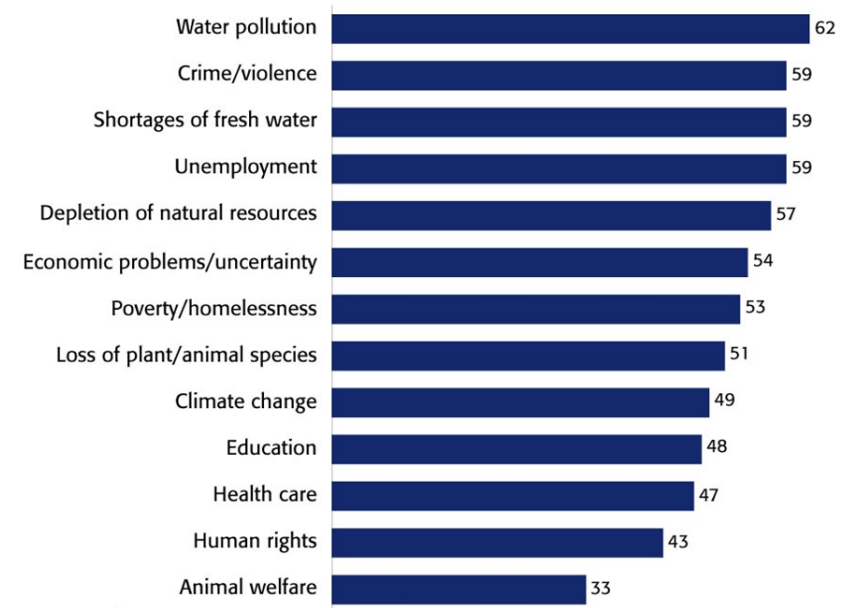
Sustainability Experts, 2012



TRP2012_Q6

Seriousness of Challenges to Society

"Very Serious," Average of 22 Countries,* 2012



R12w2_2_4_bar

*Includes Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Japan, Kenya, Malaysia, Mexico, Nigeria, Pakistan, Panama, Peru, Poland, South Korea, Spain, Turkey, UK, and USA





Moving beyond business as usual

A need for a step change in water risk management
CDP Global Water Report 2013

Written on behalf of 530 investors with US\$57 trillion in assets



530 Investors
\$57 Trillion in assets

Lead sponsor and report writer

Deloitte.



Performance with Purpose
The Promise of PepsiCo

Investors continue to increase the depth & breadth of their water reporting expectations for companies



**Dow Jones
Sustainability Indexes**

"Our results provide evidence that being added to the DJSI results in a sustained increase in a firm's share price."

Journal of Business Ethics. 01/2011; 101(3):493-505.

DJSI World

2,500 largest
companies of
the S&P Global
Broad Market
Index
59 RobecoSAM
Industries
45 Countries

Selection
of top
10% in
terms of
Sustainabi
lity in
each
industry

15%
target
market
cap
coverage
in
each
Industry
Group

...and there is increasing interest from CUSTOMERS for ENVIRO COLLABORATION & ACCOUNTABILITY

“The Trillion Dollar Selfie”



1. John Bryant, CEO, Kellogg Company: \$24.1 billion
2. Doug McMillon, CEO, Walmart: \$257.4 billion
3. AG Lafley, COB, President and CEO, Procter & Gamble: \$224.4 billion
4. Kees Kruythoff, President, North America, Unilever: \$72.6 billion
5. Hugh Grant, Chairman and CEO, Monsanto: \$58 billion
6. Indra Nooyi, Chairperson and CEO, PepsiCo: \$131 billion
7. Denise Morrison, President and CEO, Campbell: \$14.3 billion
8. Roberto Marques, Chairman, Consumer NA, J&J: \$287 billion

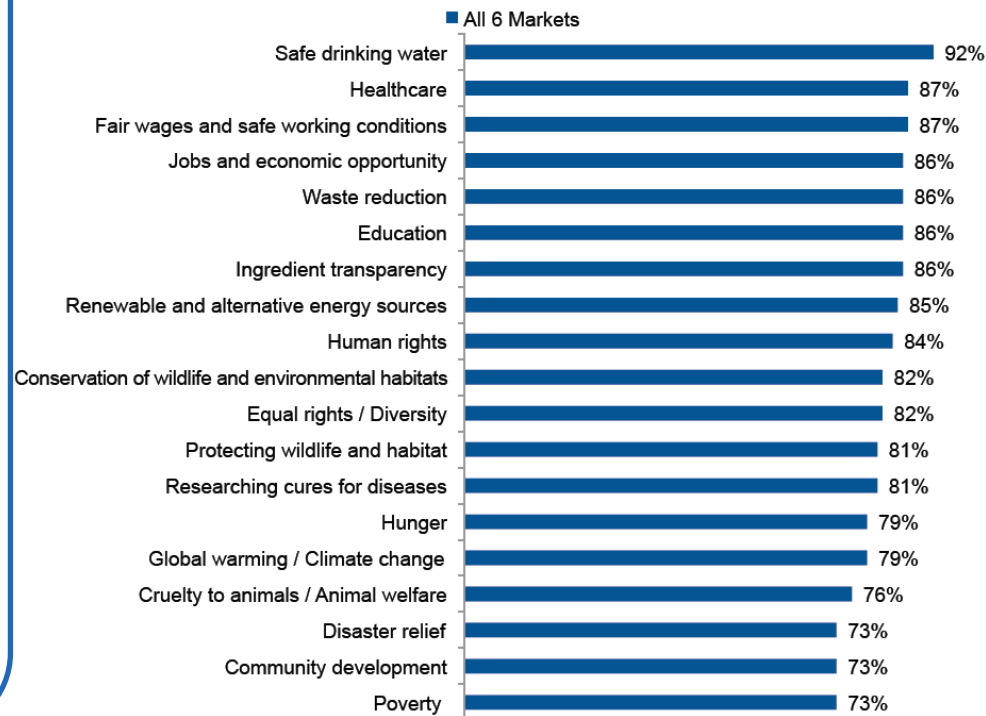




Nine in 10 consumers globally (92%) say it is very or extremely important for companies to address “safe drinking water” as part of their products, services or operations, followed by health care (87%), fair wages and safe working conditions (87%), jobs and economic opportunity (86%) and waste reduction (86%)

“...universal agreement on the top priority: safe drinking water.”

Most Important Issues



Note: 1=not at all important, 5=extremely important

% who chose 4 or 5 shown

Question 13: How important is it for companies to help solve each of the following?



Delivering
Access to
Safe Water
through
Partnerships

Measurement Framework

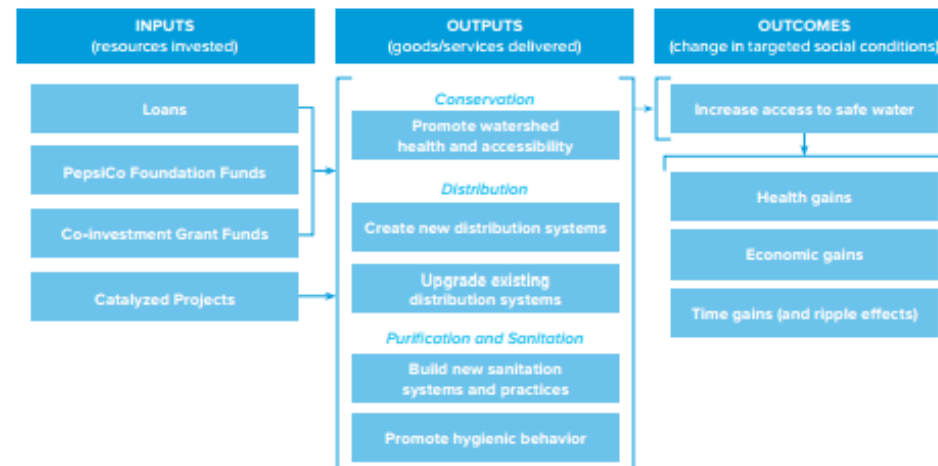
To capture the overall impact of PepsiCo Foundation's various safe water investments across the globe, we first developed an integrated theory of change model to harmonize social-outcome objectives across our implementation partners.

Then, we developed standardized performance indicators — including social value generated, cost per outcome and select process performance metrics — to ensure accountability and

promote continuous improvement for our investment decisions and among our implementation partners.

We envision expanding this measurement structure, inviting any safe water access funder or implementer to contribute to and learn from the successes and failures of the broader network, to help us all achieve our goals.

Theory of Change: Safe Water Access Investment Portfolio (Composite Model)



Investment and Managerial Metrics

INVESTMENT METRICS	MANAGERIAL METRICS												
<p>Social Value.</p> <p>How much are our investments improving the social problems we care about? E.g.:</p> <ul style="list-style-type: none">• X million people provided access to safe water• \$X additional income generated for X families• Prevented X thousands of cases of [specified disease] <p>Cost per Outcome.</p> <p>How efficiently are our investments creating the social value we've targeted (i.e., are we maximizing our return on investment [ROI] compared to other program designs or investment options)? E.g.:</p> <ul style="list-style-type: none">• Option A: \$40 = 1 person provided safe water access• Option B: \$25 = 1 person provided safe water access	<p>Process.</p> <p>How well are the standardized components within our investments performing (vs. the rest of our portfolio or the sector overall)? Are there opportunities to improve (i.e., best practices to leverage or weaknesses to address)? E.g.:</p> <table><tr><th>Standardized Components</th><th>(\$) Avg. cost / unit</th><th>(#) People served / unit</th><th>(%) Success Rate</th></tr><tr><td>Hygiene Training</td><td>\$2,750</td><td>35</td><td>72%</td></tr><tr><td>HH Rainwater Harvest</td><td>\$325</td><td>4.3</td><td>99%</td></tr></table>	Standardized Components	(\$) Avg. cost / unit	(#) People served / unit	(%) Success Rate	Hygiene Training	\$2,750	35	72%	HH Rainwater Harvest	\$325	4.3	99%
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Columbia Water Center
EARTH INSTITUTE | COLUMBIA UNIVERSITY



http://www.pepsico.com/Assets/Download/PEP_WP14_Safe_Water_2014.pdf