PepsiCo 2014 sustainability report

Needs more pep

By Elaine Cohen

Soft drinks giant PepsiCo is an established sustainability reporter. In its latest report it could go further on the 'purpose' part of its strategy and say more on the role of its products in society

PepsiCo's reporting is commendably accessible to different stakeholders, with a full GRI-compliant, 127-page indicator-by-indicator report, a 24-page summary report and a dedicated website. However, while offering clarity, the two-report set lacks attractiveness and readability.

The report covers the issues but does not really reveal much. Indra Nooyi's opening message is as bland and generic as it is unenlightening. Nooyi is welcomed globally as an influential icon in sustainability circles and personifies how the leader of a large and complex business can turn sustainability into a differentiator and even a profit-booster. But her opening message in 2014 makes no reference to key achievements, challenges or ways in which PepsiCo is changing to meet evolving sustainability priorities. The general message is "more of the same" Performance with Purpose – this could be an any-year statement. Something a little more incisive could have set the tone for this report and offered a more credible affirmation of leadership engagement.

A very positive feature of PepsiCo's reporting is the linkage between sustainability performance to business growth and profitability. Most companies keep financial and non-financial messaging conveniently separate and it is rare to find an economic expression of sustainability benefits in standalone sustainability reports. PepsiCo's press release leads with a highlight of financial benefits: "Environmental sustainability programs, including efforts to use less packaging and energy, have saved the company more than $375m since 2010."

Throughout the report, these references are specific: in 2014 PepsiCo recycled and reused 90% of waste with estimated savings of $3.5m compared with 2009; decreased absolute water use by one billion litres, generating $17m in cost savings; removed over 89m pounds of packaging materials resulting in $48m of cost savings; and improved energy efficiency delivering energy cost savings of more than $83m. This is good for the financial community who use sustainability reports, and for PepsiCo stakeholders who are interested in impacts on society, and it also serves as an encouragement to other companies, demonstrating that sustainable practice can also be profitable practice. In other areas, PepsiCo incudes outcome-type statements that show

the impacts of performance which are less easily quantifiable in money terms. For example, in 2014, PepsiCo India supported water-saving programmes that benefited more than 50,000 people.

PepsiCo could go further here. Workplace and social impacts are not linked to financial outcomes. For example, in 2014, PepsiCo's total lost time incident rate (LTIR) reduced by 23% compared with the previous year, continuing a trend of improving safety performance. This too must have a financial impact for PepsiCo, and the cost avoidance for medical claims and safety-related business disruptions must be significant. PepsiCo could consider linking investment in safety and other workplace performance improvements to the financial outcome for the business.

PepsiCo reports many positive impacts as a global player engaged in the drive to improve health and wellness. Social initiatives such as Food for Good (meal programmes for low-income families), Spoon (improving child nutrition in South America) and collaboration with the World Food Programme are immensely important. However, where it counts most, in the core business, the purpose part of Performance with Purpose seems to be less ambitious.

In the area of health and nutrition, for example, arguably PepsiCo's most significant area of impact, the strategy focuses broadly on lowering salt, sugar and saturated fat content, and ensuring clear product labelling. The "reduce salt-sugar-fats" story is old news in the food business these days. There's still much to be done, but the next level of action for food companies would involve considering the role of food in society, the changing ways consumers are relating to food, food-health education needs and the food to health-risk ratio. These issues are laid out by PepsiCo in its sustainability reporting, but the strategic response lacks bold, innovative and systemic solutions.

In terms of reporting, critical information is omitted in some cases. For example, PepsiCo discloses the removal of 434,000 tons of added sugar (compared with 2006), but does not disclose improvements in product nutritional profiles relative to sales volume, thereby preventing an assessment of the company's relative performance and impact overall.

PepsiCo is clearly invested in driving sustainable growth and meeting reporting obligations to stakeholders. Beyond this, further insight into how PepsiCo is contributing to shaping global food consumption habits could be an interesting evolution. ■

Snapshot:

Follows GRI? UG4 Core Option
Assurance? EHS data
Materiality analysis? Yes
Goals? Yes
Targets? Yes
Stakeholder input? Not directly – stakeholders referenced
Seeks feedback? Yes
Key strengths? Clarity of presentation against strategic goals
Chief weakness? Weak leadership message
Pleasant surprise? Link of sustainability performance to financial impacts

Elaine Cohen is a sustainability consultant and reporter at Beyond Business and CSR blogger.
elainec@b-yond.biz
www.b-yond.biz
www.csr-reporting.blogspot.com