

PepsiCo 2005 Sustainability Report

## The real thing, but still could be better

**Despite top-level oversight of sustainability issues, PepsiCo's reporting still lacks depth and rigour, says Aleksandra Dobkowski-Joy**

In 2004, PepsiCo was one of a few global reporters that attempted to combine its annual financial and sustainability reports – a rational though difficult approach. PepsiCo has since reverted to a printed annual and a web-based sustainability report for 2005, citing increased costs and environmental impacts associated with printing a large single report.

Despite the switch, PepsiCo effectively raises shareholder awareness of sustainability issues. The chairman's letter addresses public concern over obesity by describing PepsiCo's healthier product lines. By providing hard data – "In 2005, revenues from our Smart Spot eligible products grew at two-and-one-half times the rate of the rest of our portfolio" – PepsiCo at once illustrates the social and economic benefit that accrues from responsible operation.

The annual report's sustainability, and health and wellness sections include high-level overviews of priority issues supported by case studies and a smattering of data. The report then instructs readers to visit the PepsiCo website for access to the full GRI-based sustainability report. And there they may well be disappointed.

### New format, same problems

After the concise flair and fanfare of the annual report, the online sustainability report contains a loose assemblage of current-year data points, mostly centred on actions, not outcomes. Trendlines are nonexistent, as are forward-looking goals.

In our review of PepsiCo's 2004 Sustainability Report, we criticised the report for its lack of quantitative goals and targets and aggregated company-wide data, and we specifically noted the poor coverage of environmental issues. Though PepsiCo has developed more policies and has expanded qualitative descriptions of certain performance areas, the basic complaint remains – great intentions, poor documentation.

The problem of documentation is especially apparent in the environmental section. The opening letter from Steven Gold, the chairman of PepsiCo's Sustainability Task Force, states that PepsiCo has "company-wide targets for energy and water".

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These targets are, however, nowhere to be found. PepsiCo instead discusses energy use in a mere two paragraphs that fail to account for either total company energy usage or reduction or conservation targets. The water section is little better.

To be fair, though, PepsiCo's transparency on sustainability management processes allows readers to understand the company's measured, stepwise approach. PepsiCo also reflects on its role as a responsible corporate citizen, though a more rigorous discussion of challenges would further enhance credibility.

PepsiCo's description of stakeholder engagement has also improved. The sustainability report specifically references the results of outreach efforts around water, HIV/Aids, and political and charitable contributions.

Perhaps the most important improvement is in the tone of the report. The 2004 report discussed PepsiCo's product offerings with euphemistic language. This time, PepsiCo adopts a more serious and practical attitude towards health and obesity problems, laying out its position on the opportunities inherent in developing healthier products while underscoring the limits of company influence on individual consumer well-being.

The 2005 report is based on the 2002 GRI Guidelines, and PepsiCo has included a partial, hyperlinked GRI Content Index to help readers navigate to sections of interest.

Unfortunately, PepsiCo's indicator index is somewhat misleading. For example, the company states that it reports on total water use, direct energy use, and greenhouse gas emissions but provides little of the information sought by those indicators. That the GRI table offers no explanation as to whether this data may be facility-specific or incomplete is a serious oversight.

As PepsiCo moves to the use of the newly issued GRI G3 Guidelines, it should rigorously apply the indicator technical protocols in presenting environmental and other performance data. Application of the G3 Guidelines may also help the company move away from qualitative narratives and into quantitative reporting on material issues. ■



### Snapshot: PepsiCo 2005 Sustainability Report

**Follows GRI?** Yes, 2002 Guidelines.

**Assured?** No

**Goals?** No

**Targets?** No

**Stakeholder input?** Yes

**Seeks feedback?** Some

**Key strengths:** Reporting on HIV/Aids programmes; sustainability section in annual report.

**Chief weaknesses:** Limited quantitative data; anecdotal presentation.

**Pleasant surprise:** Continued emphasis on sustainability in annual report despite move to parallel report structures.

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#### Useful links:

PepsiCo online 2005 Sustainability Report [www.pepsico.com/Pep\\_Citizenship/sustainability/index.cfm](http://www.pepsico.com/Pep_Citizenship/sustainability/index.cfm)  
PepsiCo 2005 Annual Report [www.pepsico.com/PEP\\_Investors/AnnualReports/05/index.cfm](http://www.pepsico.com/PEP_Investors/AnnualReports/05/index.cfm)