[PEP – PepsiCo Corporation: Rule 14a-8 Proposal, November 19, 2020]
[This line and any line above it – *Not* for publication.]
ITEM 4* – External Public Health Cost Disclosure

RESOLVED, shareholders ask that the board commission and disclose a report on the external public health costs created by the food and beverage business of our company (the "Company") and the manner in which such costs affect the vast majority of its shareholders who rely on overall market returns.

Our company recently signed the Business Roundtable Statement of the Purpose of a Corporation (the "Statement"), which reads, "we share a fundamental commitment to all of our stakeholders. . . . We commit to deliver value to all of them, for the future success of our companies, our communities and our country."

However, the Company is a conventional corporation, so that directors' fiduciary duties emphasize the company and its shareholders, but not stakeholders (except to the extent they create value for shareholders over time). Accordingly, when the interests of shareholders and stakeholders such as workers or customers clash, the Company's primary duty excludes all but shareholders. North Carolina has not adopted any laws to let corporations avoid this duty.[1]

The World Health Organization assesses the unpriced social burdens of obesity as equaling almost 3% of global GDP annually.[2] This cost, year after year, is devastating to economic growth. Yet the Company does not disclose any methodology to address the public health costs of its business. Thus, shareholders have no guidance as to costs the Company is externalizing and consequent economic harm. This information is essential to shareholders, the majority of whom are beneficial owners with broadly diversified interests. As of the 2020 proxy statement, the Company's top three holders were Vanguard, BlackRock and State Street, which are generally indexed or otherwise broadly diversified.

Such shareholders and beneficial owners are unalterably harmed when companies follow Delaware's "shareholder primacy" model and impose costs on the economy that lower GDP, which reduces equity value.[3] While the Company may profit by ignoring costs it externalizes, diversified shareholders will ultimately pay these costs, and they have a right to ask what they are.

The company's prior disclosures and prior shareholder proposals do not address this issue, because they do not address the *costs the public health costs that the business imposes on shareholders as diversified investors who must fund retirement, education, public goods and other critical social needs*. This is a separate social issue of great importance. A study would help shareholders determine whether to seek a change in corporate direction, domicile, structure, or form in order to better serve their interests and to match the commitment made in the Statement.

Please vote for: External Public Health Cost Disclosure – Proposal [4*]
[This line and any below are *not* for publication]
Number 4* to be assigned by the Company

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[1] https://scholarship.law.unc.edu/cgi/viewcontent.cgi?article=4777&context=nclr
[2] https://www.schroders.com/en/sysglobalassets/digital/insights/2019/pdfs/sustainability/sustainex/sustainex-short.pdf
[3] See, e.g., https://www.advisorperspectives.com/dshort/updates/2020/11/05/market-cap-to-gdp-an-updated-look-at-the-buffett-valuation-indicator (total market capitalization to GDP "is probably the best single measure of where valuations stand at any given moment") (quoting Warren Buffet).