

News &amp; Analysis

# Investors raise concern over PepsiCo's shift on plastics

*Food and beverage firm changed commitments on issues including reuse, reducing virgin plastics and recycled content.*

**Gina Gambetta** - 45 minutes ago



Investors have raised concerns over PepsiCo's decision to make changes to its plastic packaging commitments.

Last week, the food and beverage giant **announced** plans to "refine" parts of its PepsiCo Positive strategy, originally launched in September 2021.

These included abandoning a target of delivering 20 percent of all beverage servings through reusable models by 2030. Instead, the firm said it would

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the “various efforts on reuse as part of its goal around designing packaging to be reusable, recyclable or compostable”.

PepsiCo also changed its goal of cutting the absolute tonnage of virgin plastics by 20 percent by 2030, committing instead to cut usage by an average of 2 percent year-on-year through 2030.

According to **PepsiCo's 2024 sustainability report**, the firm had cut its absolute tonnage of virgin plastic by 6 percent at end-2023 against the 2020 baseline. However, this was a deterioration from its progress in 2022, when it hit an 11 percent reduction.

The newly announced changes also saw PepsiCo lower its recycled content goal from 50 percent by 2030 to 40 percent or greater by 2035 or sooner, and delay its target of using “100 percent recyclable, compostable, biodegradable and reusable packaging” by 2025, to 97 percent “or greater” by 2030. It also removed biodegradable from the scope.

PepsiCo also narrowed the scope of all the amended targets to its key packaging markets. According to its statement, it is focusing on key markets where it believes its efforts can make the most positive impact and “to better account for external factors outside of the company's control”.

The multinational company noted that this scope represents more than 80 percent of its 2024 global plastic packaging footprint by weight.

## Investor focus

PepsiCo has been a focus for investors on the issue of plastics for a number of years and several shareholder proposals have been filed on the topic.

At its AGM this month, 15.6 percent of investors backed a **resolution** by As You Sow which called on its board to issue a report describing how it could address flexible plastic packaging in alignment with the findings of the Pew Report, or other authoritative sources, to reduce its contribution to plastic pollution.

/ the supporters were Legal & General's asset management arm, ( ; Storebrand Asset Management, Robeco, Aegon Asset Management and the New York City Comptroller.

Michiel van Esch, head of voting at Robeco, told *Responsible Investor*: "While we acknowledge the complexity of the issue and the fact the company is making progress, it does not seem to be on track to meet its 2025 packaging goals. Therefore, we believe that additional disclosures would be helpful."

Commenting on the changes to PepsiCo's targets, van Esch noted that other companies have also scaled back packaging targets in the past year. "This is concerning given the continuing impact that microplastics have globally on ecosystems, as a result of growing application of single-use plastic," he said.

At the end of 2024, Coca-Cola **announced** that it had revised its goals to focus on the use of recycled materials instead of reducing virgin and single-use plastics, and also **dropped** its reuse target.

That followed Unilever's **revision** in April of its goal of halving virgin plastic consumption by 2025 to one-third by 2026.

A spokesperson for PGGM said the investor was not happy with the developments at Coca-Cola and PepsiCo but did not have an active engagement with either on the use of plastics.

### **'Not a surprise'**

Miranda Beacham, head of UK responsible investment at Aegon AM, one of the investors **engaging** PepsiCo for Nature Action 100, said that during its engagements with the firm, it had been noticeable that while the level of ambition had been good "the evidence of progress has not – so the rollback was not a surprise to us".

Aegon AM will continue to engage with PepsiCo on plastics as it believes it is a financially material matter, as well as being a major environmental concern, Beacham added.

Shalit, shareholder advocate at Green Century Capital Management, said the investor is disappointed to see PepsiCo dropping its reusability goal and weakening its plastics reduction goal.

"We understand the work is challenging, but ultimately it needs to be done. Single-use packaging isn't a long-term solution, and recycling only addresses a small percentage of plastic waste, even with the huge investment being made in recycling infrastructure," he said.

"PepsiCo is consistently identified as one of the three largest contributors to plastic pollution and experts agree that reusable packaging is one of the most effective ways to combat plastic pollution."

At PepsiCo's latest AGM, 17.7 percent of shareholders backed Green Century's proposal calling on the company to issue a report assessing the extent to which its supply chains and operations impact biodiversity and are vulnerable to biodiversity loss.

Shalit said Green Century has had heard from a number of other investors who share their concerns about PepsiCo's reduced commitments "and we plan to reach out to the company in the near future".

Conrad MacKerron, head of the circular economy programme at As You Sow, also plans to speak to PepsiCo this week to ask for more details on the rationale for the changes to its plastics policy.

"We might understand if they can show there are some sort of unsurmountable systemic issues. However, currently it seems like they are taking advantage of the deregulatory environment to lower ambitions," he said.

MacKerron noted that extended producer responsibility (EPR) regulations – which require companies take responsibility for end-of-life management of products – are coming into law in the US and Europe.

"California already requires producers to reduce their single-use plastic packaging by 25 percent by 2030, and about 10 percent of that reduction must come from switching to refillable or reusable packaging," he said.

Beachman also noted that if EPR laws are enacted, PepsiCo, as one of the largest plastic polluters in the world, "will be liable for a huge cost to the business".