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# EDITED TRANSCRIPT

PEP - PepsiCo Annual Shareholder Meeting

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## CORPORATE PARTICIPANTS

**Indra Nooyi** *PepsiCo, Inc. - Chairman, CEO*

**Larry Thompson** *PepsiCo, Inc. - EVP, Government Affairs, General Counsel and Corporate Secretary*

## CONFERENCE CALL PARTICIPANTS

**James Mackie** - *Shareholder*

**Tamara Williams** - *Representative of Shareholder*

**James Kiszka** *Computershare - Senior Relationship Manager*

## PRESENTATION

### Unidentified Company Representative

Before we begin, please take note of our cautionary statement. This presentation includes forward-looking statements based on currently available information.

Forward-looking statements inherently involve risks and uncertainties that could cause our actual results to differ materially from those predicted in such forward-looking statements.

Statements made in this presentation should be considered together with the cautionary statements and other information contained in our most recent earnings release and in our most recent periodic reports filed with the SEC.

Also, to find reconciliations of non-GAAP measures that we may use when discussing PepsiCo's financial results, please refer to the "Investors" section of PepsiCo's website under the "Events and Presentations" tab as well as our 2013 annual report.

And now, please welcome the Chairman and Chief Executive Officer of PepsiCo, Indra Nooyi.

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**Indra Nooyi** - *PepsiCo, Inc. - Chairman, CEO*

Good morning everyone and welcome. On behalf of PepsiCo's Board of Directors and our senior leadership team, welcome to PepsiCo's 2014 Annual Meeting of Shareholders.

Whether you're here in New Bern, North Carolina or listening via webcast, I want to thank you for joining us this morning.

You know, this is our third straight year of coming home to New Bern, the birthplace of Pepsi-Cola for our shareholder meeting. And for us, there are few things more humbling and more inspiring than the special connection between PepsiCo and New Bern. From the moment we arrive in town, we can feel a sense of pride. Our shareholders, here and across the country, are proud to own a part of PepsiCo.

It's a pride in knowing that this town, this country and PepsiCo all hold the same values dear. Values like ingenuity, dependability and accountability, the cornerstones of great communities and great institutions alike.

They are the values we demonstrate every day and they are the values that Caleb Bradham demonstrated when, after closing up his drugstore in the corner of Middle and Pollock for the day, he would go to work perfecting his recipe for Brad's Drink, which would later become Pepsi-Cola.

You know, we outgrew that drugstore but we have not outgrown our values. And as we continue to transform and grow, they will guide us and help us achieve the strong and consistent performance that has defined PepsiCo for decades.



It's in that spirit that I want to take a few minutes to discuss our performance from last year and the steps we've taken to position ourselves to continue delivering the sustainable performance you, our shareholders, have come to expect. Before we officially get underway, I'd like to take a moment and recognize some special attendees.

First, I'd like to thank Mr. James Mackie as well as Ms. Tamara Williams, who's here on behalf of Mr. Kenneth Steiner, for being here today. Each of them will be presenting a shareholder proposal this morning.

And it's wonderful to have a number of our partners and members of the PepsiCo family here in attendance today. I'd like to take a special welcome to my predecessor, our former chairman and CEO, Steve Reinemund, who's finishing a fantastic stint as the Dean of the Wake Forest School of Business. Steve Reinemund. Where is Steve? Steve. Welcome.

And it's a great honor for all of us to have Jan Calloway join us this morning, whose late husband Wayne Calloway, a proud native of North Carolina I may add, who also served as PepsiCo Chairman and CEO. Welcome, Jan. Where's Jan? Hi, Jan.

We're also very happy to be joined by Jeff Minges, the President and CEO of Minges Bottling Group, a respected local business leader and our franchise partner for a number of counties here in North Carolina. Jeff is joined by his son Miles. Jeff and Miles, welcome to the shareholder meeting.

And I want to extend a very special welcome to members of the Brown family. They're long-time PepsiCo shareholders who've also been important distributors for PepsiCo in the Wilmington, North Carolina area over the years. I want to say thank you to Debbie, Bill, Pam, Allison, Amy and Clint for coming, the Brown family. Where are you? Welcome.

Now I'd like to recognize our Board Members in attendance today who will each stand as his or her name is read. Shona Brown, George Buckley, Ian Cook, Dina Dublon, Ray Hunt, Alberto Iburguen, Sharon Percy Rockefeller, Lloyd Trotter, Dan Vasella, Alberto Weisser, and our newest Board Member, former chairman and CEO of the Financial Times Group, Rona Fairhead. Rona welcome to your first PepsiCo shareholder meeting. One member of the board, Jim Schiro, is unable to attend today's meeting.

Next, I'd like to introduce you to the members of the PepsiCo leadership team who are in the audience today. Will each member please stand as I say his or her name? Here on stage with me is Larry Thompson, Executive Vice President, Government Affairs, General Counsel and Corporate Secretary.

We're also joined by Zein Abdalla, President of PepsiCo; Al Carey, Chief Executive Officer of PepsiCo Americas Beverages; Brian Cornell, Chief Executive Officer of PepsiCo Americas Foods; Hugh Johnston, Executive Vice President, Chief Financial Officer; Jim Wilkinson, Executive Vice President of Communications; Mehmood Khan, Executive Vice President, Chief Scientific Officer, Global Research and Development; and Cynthia Trudell, Executive Vice President of Human Resources and the Chief Human Resources Officer. Thank you all for joining us today.

And now let me take a few minutes to talk about the state of PepsiCo, where we are today and where we are headed. Since the transformation of PepsiCo began in 2009, we have operated in service of two goals: to deliver top tier financial performance and to create long-term sustainable growth. I'm proud to say that in 2013 we met both of these goals. We performed as we transformed.

Last year we met or exceeded each and every one of the financial goals we announced to you, our shareholders, at the beginning of the year. Our organic revenue grew 4%, core constant currency earnings per share grew 9%, core gross margins improved by 90 basis points and core operating margins improved by 40 basis points, even while we increased investment in the company.

We captured more than \$900 million of productivity, exceeding our target, and keeping us on track to deliver the three-year, \$3 billion productivity program that we set for ourselves for the years 2012 to 2014.

In fact, this success gave a confidence to extend this goal of \$1 billion in annual productivity savings for five years beyond the 2014 timeframe. Core net return on invested capital improved 110 basis points, 60 points, 60 basis points, ahead of our target. And free cash flow excluding certain items was strong at \$8.2 billion.



And finally, we returned \$6.4 billion of cash to shareholders through dividends and share repurchases. Returning cash to shareholders remains a top priority. Yesterday, our board of directors increased our annual dividend by 15% to an annual rate of \$2.62 per share, which is our 42nd consecutive annual dividend increase.

And in 2014, we expect to increase total cash returns by 35%, with \$5 billion in share repurchases and \$3.7 billion in dividends. You know, 2013 was a great year for us, not just for our immediate successes, because it showed that the investments we've made to future-proof the company are beginning to pay off.

Our actions in 2013 were a continuation of six concrete steps we've taken over the past five years to position ourselves for the long-term. First, we invested to enhance the equity of our portfolio of \$22 billion brands.

And because of those stepped up investments, today we have 9 of the 40 largest packaged good trademarks in the United States, which is more than any other company out there; 9 of the top 50 packaged food and soft drink brands in Russia, again, number one; 7 of the top 50 in Mexico; and 6 of the top 50 in the United Kingdom.

And a great example of our brand push is Pepsi's global "Live for Now" campaign, which is generating worldwide buzz. And this year it's getting even bigger with new spots featuring soccer superstars like Lionel Messi with Pepsi and Lay's. So that's the brands.

The second thing we did was fine-tune and ramped up our innovation machine. And 2013 was PepsiCo's best year for innovation. We had nine of the top 15 new food and beverage product introductions across all measured channels in the United States, including Mountain Dew Kickstart, Tostitos Cantina Tortilla Chips, Starbucks Ice Coffee, Lipton Pure Leaf Tea, Muller Quaker Yogurt and Tropicana Farmstand, so great year for innovation.

Third, we continued to invest in the developing and emerging markets that are critical to PepsiCo's long-term growth. Despite significant volatility in many key regions, our developing and emerging markets posted 10% organic revenue growth. With particularly strong performances in China, Pakistan, Saudi Arabia, Mexico, Brazil and Turkey. So investments in these markets are beginning to pay off.

Fourth, we increased investment in, and expanded our portfolio of, nutritious products, which in 2013 accounted for approximately 20% of PepsiCo's total revenue. Building from positions of strength across four platforms and brands - Quaker, Tropicana, Gatorade and Naked Juice - we've developed new products that will unlock growth opportunities, categories such as dairy, hummus, baked grain snacks are all showing special promise.

Fifth, we reinforced PepsiCo's global go-to-market capability, which is a critical strategic advantage for us. We increased number of routes in key markets, we improved our in-store presence and put mobile technology in the hands of our sales team. And sixth, we redoubled and refocused our efforts on talent development. And we prioritized comprehensive leadership training for our leadership positions.

And these are some of the reasons why our 2013 Organization Health Survey scores are impressive, 89% of our professional executive populations responded that they are proud to work for PepsiCo, which is well above the industry standard. All these efforts have been financially rewarding for PepsiCo and our shareholders too.

Over the past decade our net revenue compound annual growth rate was 9%, earnings per share over the past decade has grown at 8% and through year-end 2013 we returned \$57 billion to shareholders.

Today our operating margins stands at 15% which puts us in the top tier of our food and beverage peer group. From 2000 to year-end 2013 PepsiCo's cumulative total shareholder returns outpaced the S&P 500 on an annualize basis by 170 basis points. And these numbers tell the story of a company that's been a model of durability, delivering for our consumers, our customers and most importantly our shareholders. We are poised to win now and for years to come.

But that future success is continued in our ability to capitalize on the trend shaping the marketplace, and there are five trends in particular I want to spend a moment highlighting.



First, as we look out over the next 5 to 10 years, growth in developing and emerging markets will continue to outpace the growth in developed markets. Additionally, by 2030, experts estimate that another 3 billion people might join the middle class, all in developing and emerging markets. These are both enormous opportunities we're committed to maximizing by further developing our people, skills and tools.

Second trend, the ongoing consumer shift towards more nutritious products will continue to accelerate. You know, we anticipated these trends early, we took the necessary steps to transform our portfolio. And in 2014 and beyond, we will keep innovating to deliver the convenient and functional nutritious snacks and beverages that consumers demand today, while never sacrificing on taste.

Third, digital technology will disrupt business at every point in the value chain. The way we interact with retailers, shoppers and consumers is changing dramatically. To keep up with the technological advancement and adapt to the dynamic digital landscape, we are laser focused on evolving all points where technology touches our business.

Fourth, geopolitical and social instability is now the norm and it requires new levels of vigilance against threats to our people and supply chains. Fortunately our PepsiCo local teams have an intimate understanding of the communities and how to do business in volatile environments.

And finally we are facing increasingly extreme weather affecting everything from commodity prices to our ability to operate during extreme weather events. While our size and scale allows us to manage the risks, our R&D team is working on developing formulations for new products to be able to cope with changes in raw material availability and prices.

We believe these five mega-trends make up the "new normal." And with our focus, investment strategy, product diversity, operating model and people, we believe PepsiCo is well prepared to deliver great returns going forward.

As we look to the future, we believe one of PepsiCo's important strategic advantages as we address global challenges is the power of our combined food and beverage portfolio. Our consumers can wake up to a breakfast of Quaker Real Medleys and Trop 50, enjoy Pepsi Max and Sun Chips at lunch and unwind in the afternoon with Stacey's Pita Chips, Sabra hummus, and Lipton Iced Tea after work. No matter the time of day or the occasion, PepsiCo has a product for you.

Our combined portfolio along with our scale and relationships with retailers allows us to create in-store destinations featuring a wide range of PepsiCo products. You know, for example during the fourth of July season last year, the combination of Pepsi and Lay's at one major retail chain drove about a 40% increase in display inventory.

Our relationships with retailers also help us grow complementary categories. For example, an existing PepsiCo beverage business in a market can enable us to enter the snacks business in that market. And this advantage extends to food service as well.

Look at one of our biggest wins last year, Buffalo Wild Wings. We will now serve our products at more than 1,000 Buffalo Wild Wings locations because of the combined strength of our food and beverage portfolio. And for structural standpoint, a combined business model has driven numerous cost benefits saving us approximately \$1 billion a year by integrating everything from procurement, to go-to-market, to human resources.

And because PepsiCo is a food and beverage company, we have the ability to find growth and efficiencies in places that competitors just don't have access to. And this combination has proven successful in the past and is positioned to do so in the future.

To ensure our continued success, we must keep an eye on the long term and take actions that result in sustainable growth. And I believe the way we do that is by continuing to demonstrate our commitment to Performance with Purpose. This means that we at PepsiCo will continue to uphold our promise to provide a range of products from treats to healthy eats, minimize our impact on the environment, provide a safe and inclusive workplace for our employees globally and respect, support and invest in local communities in which we operate.

Performance with Purpose is how we "future-proof" our company at a time of increased unpredictability and competition, and today it's more important than ever. By staying true to Performance with Purpose, we will uphold our promises to shareholders and stakeholders and remain strong not just for future quarters, but for future generations.



You know, I began this morning talking about values. Value that define a community and a company. As shareholders, these values are what you are investing in when you invest in PepsiCo.

So when we tell you that our goals are to give you the highest quality, best tasting products, contribute to the communities in which we operate, and focus on principled, long-term success for the benefit of all of our shareholders and all those who have a stake in PepsiCo, you'll know that it's not just talk, it's the core way we do business.

When you invest in PepsiCo, you're investing in a lasting American born and bred institution that is now global. When PepsiCo is strong, you are strong, because after all PepsiCo is your company and these values are your values.

So to all of PepsiCo's shareholders - you are stewards of a great legacy and a great company. A company committed to responsible, sustainable growth. A global company rooted in fundamental great American values. And a company that will work every day to do right by its consumers, customers, shareholders and communities just like this one.

Thank you very much for your time.

Now I'll turn the meeting over to Larry Thompson. Larry?

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**Larry Thompson** - *PepsiCo, Inc. - EVP, Government Affairs, General Counsel and Corporate Secretary*

Thank you Madam Chairman. I am pleased to report that a majority of the votes entitled to be cast at this meeting are represented today in person or by proxy and therefore we have the necessary quorum under state law and our bylaws. If anyone has not yet voted and would like to do so by ballot during the meeting, please raise your hand. We have staff assistants who will distribute ballots to you.

Now these ballots must be completed and turned in before the Inspectors of Election announce the closing of the polls. If you are a holder of convertible preferred stock, please tell our staff assistant so he or she can give you the appropriate ballot. Please remember to vote on all items, not just those on which you may want to change an earlier vote.

Please also remember to print your name clearly and sign your ballot. If you have previously voted by proxy, you do not need to vote today unless you wish to change your vote. If you have a legal proxy, please hand it in with your ballot.

Now the ballots and proxies will be held in the possession of our Inspectors of Election, James Kiszka and Sharon Tucker-Lockett, from Computershare Trust Company, who have previously taken their oath as Inspectors of Election at this meeting. Mr. Kiszka and Ms. Tucker-Lockett will you please stand and be recognized. Thank you.

Consistent with state law and our bylaws, a list of the shareholders entitled to notice of this meeting is available for inspection at the registration desk throughout the meeting.

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**Indra Nooyi** - *PepsiCo, Inc. - Chairman, CEO*

Now that we have a quorum, I declare this meeting to be duly convened for purposes of transacting such business as may properly come before it in accordance with state law and our bylaws. It is now in order to proceed with the meeting. Will the Inspectors of Elections please open the polls?

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**James Kiszka** - *Computershare - Senior Relationship Manager*

I hereby declare the polls to be open.



**Indra Nooyi** - PepsiCo, Inc. - Chairman, CEO

We have six agenda items this morning: the first is the election of directors, the second is the ratification of the appointment of KPMG LLP as the company's independent registered public accountants for fiscal year 2014.

The third is the advisory approval of executive compensation, the fourth is the approval of the material terms of the performance goals of the PepsiCo, Inc. Executive Incentive Compensation Plan, and two shareholder proposals will then be voted on if properly presented.

In proceeding with the meeting, we will introduce all agenda items and then we will open the floor to questions on just the agenda items. I ask you to hold all questions on our agenda items until we actually open the floor and to please direct your questions only to me.

The proponents of the shareholder proposals, or their representatives, will have five minutes to present each shareholder proposal. Because we did not receive notice in accordance with our bylaws of any additional matters to be considered, no other proposals or nominations may be introduced at this meeting.

After we address any questions regarding the agenda items, we will collect all the ballots and then ask our Inspectors of Election to tabulate the voting results. And at the end of the meeting, we will open the floor to general questions.

You should have a copy of the rules of procedure that we will follow in the conduct of the meeting. And we please appreciate your cooperation. I've asked Larry Thompson to address any issues that arise under those rules.

So let's begin with our first item, which is the election of directors. I place before the meeting to serve as directors for the coming year the 13 individuals whose names and biographies appear in our proxy statement. Our board recommends a vote "for" each of the nominees for director.

We now turn to our second agenda item, the ratification of the appointment of KPMG as our independent registered public accountants for 2014, which I place before the meeting. Doug Ruud and Alan Colaco are here with us representing KPMG and will be available to answer questions or make a statement, if they would like to do so, later in the meeting. Our board recommends a vote "for" the ratification of the appointment of KPMG as our independent registered public accountants for 2014.

The third agenda item is the advisory vote to approve the compensation of the executive officers named in our proxy statement, which I place before the meeting. Our board recommends a vote "for" the advisory resolution to approve executive compensation.

We now come to our fourth agenda item, the approval of the material terms of the performance goals of PepsiCo Inc. Executive Incentive Compensation Plan, which I place before the meeting. Our board recommends a vote "for" approval of this agenda item.

We'll now move on to the shareholder proposals in the order in which they appear in the agenda. Each of the shareholders or their representatives will present their respective proposals.

Now we turn to our first shareholder proposal submitted by Mr. James W. Mackie regarding a political contributions policy. Would Mr. Mackie please introduce himself and the proposal?

**James Mackie** - - Shareholder

Madam Chairman and directors, my name is James W. Mackie, I reside in Bryn Mawr, Pennsylvania. Madam Chairman, directors and officers, thank you for the opportunity to present my proposal concerning political contributions.

I move the adoption of the proposal concerning political contributions as stated in the proxy statement. I bring this proposal strictly on my own and do not represent any group, any organization or political party. In the simplest terms, I'm requesting that the board of directors prepare a clear

and easily understood policy stating the circumstances under which PepsiCo will make political contributions in cash or in kind and submit the proposal to the stockholders for approval.

After the stockholder approval, no political contributions would be permitted unless they were in accordance with the corporate policy. In the current political environment, we have seen candidates at all levels spend enormous sums of money to win an election.

This has been spent to elect individuals who support political and, in particular, positions that may or may not be in the best interest of the public. The use of super PACs and the large individual contributors has raised the stakes in the pay to play political arena and often the super PAC donors are not identified until after the election is over.

The unfettered ability of a corporation or organization to contribute large sums to political campaigns can only lead to a lowering of the quality of governance and regulation. And that would be detrimental to both PepsiCo and the public.

I chose to present my proposals to PepsiCo because I hold the current management in high esteem. And believe that Pepsi can be a leader in corporate governance with the publication of a corporate policy setting forth clear parameters for making political contributions. This would also benefit the directors and management if and when pressured by political groups to make a significant contribution.

The current PepsiCo policy on political contribution relies on the integrity of the current management. With changing management in the future and without a stated corporate policy, stockholders might find PepsiCo funding candidates with whom they have severe differences of opinion.

Having been employed by a large corporation, where I worked with state and federal regulatory agencies and with the state legislature, I recognize a need for business to provide honest and accurate input through direct and indirect contact with government and regulatory agencies.

PepsiCo products are subject to many regulatory requirements, and it is imperative that the company provide transparent and truthful communication with appropriate agencies and regulatory bodies. I move that PepsiCo adopt a corporate policy clearly stating the criteria for making political contributions and have the policy submitted to the stockholders for approval. Thank you.

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**Indra Nooyi** - PepsiCo, Inc. - Chairman, CEO

Thank you Mr. Mackie and thank you for taking the time to share your proposal with us.

And let me take a minute to share with you our board's position on this matter as outlined in our proxy statement. You know, your proposal calls for a political contributions policy to be approved by at least 75% of shares outstanding and provides that no political contributions can be made by PepsiCo unless they are consistent with that policy.

PepsiCo's active participation in public policy matters, including political expenditures and participation in lobbying activities on topics of relevance to our business, is essential and appropriate for our company and PepsiCo has already adopted a political contributions policy which we've clearly stated on our website.

We've also developed various processes designed to further promote corporate accountability and transparency to shareholders including a requirement that all contributions must reflect PepsiCo's business or strategic interests and not that of individual officers or directors.

It is important to note that PepsiCo's political contributions are focused on business issues that are critical to our company and our stakeholders. And PepsiCo's Public Policy and Government Affairs team works with the senior management to develop annual and long-term public policy priorities.

And our board has active oversight of PepsiCo's public policy activities through the Nominating and Corporate Governance Committee which annually reviews and assesses PepsiCo's political expenditures.

All political expenditures are made in a non-partisan manner and after careful consideration of specific criteria, including a candidate's commitment to the long-term public policy goals of PepsiCo. We understand that our engagement in public policy matters is an important issue for shareholders and we too believe that transparency and accountability are warranted.

Accordingly our shareholders can obtain very detailed information on PepsiCo's website about our policy and procedures governing public policy matters including political contributions.

On our website, you will find the specific criteria that are considered in connection with all political contributions. You will also find disclosure of the total amount of PepsiCo's annual corporate political contributions in the United States, as well as our annual expenditures on federal lobbying-related activities in the United States.

I note that PepsiCo follows all applicable campaign finance, disclosure and other rules regarding both political giving and reporting on lobbying activities and has implemented internal controls to promote compliance with all these rules.

We recommend that shareholders do not support this proposal. By setting an unduly high standard for shareholder approval, this proposal would be impractical to adopt and would virtually shut down PepsiCo's ability to make political expenditures in support of public policy issues that are critical to the success of our business.

The final item on the ballot today is a shareholder proposal submitted by Mr. Kenneth Steiner requesting adoption of a policy requiring our senior executives to retain a significant portion of stock. Will Tamara Williams, the representative of Kenneth Steiner please introduce herself and the proposal?

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**Tamara Williams** -- *Representative of Shareholder*

Hello, my name is Tamara Williams and this is proxy item number six, policy regarding executive retention of stock by Kenneth Steiner of Great Neck, New York. Resolved: Executives to retain significant stock. Shareholders urge that our executive pay committee adopt a policy requiring senior executives to retain a significant percentage of shares acquired through equity pay programs until reaching normal retirement age and to report to shareholders regarding the policy before our company's next annual meeting.

For the purpose of this policy, normal retirement age would be an age of at least 60 and determined by our executive pay committee. Shareholders recommend that the committee adopt a share retention percentage requirement of 50% of net after-tax shares. This single unified policy shall prohibit hedging transactions for shares subject to this policy which are not sales but reduce the risk of loss to the executives.

This policy shall supplement any other share ownership requirements that have been established for senior executives and should be implemented so as not to violate our company's existing contractual obligations or the terms of any pay or benefit plan currently in effect. Requiring senior executives to hold a significant portion of stock obtained through executive pay plans would focus our executives on our company's long-term success. A Conference Board Task Force report stated that hold-to-retirement requirements give executives an ever-growing incentive to focus on the long-term stock price performance.

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**Indra Nooyi** - *PepsiCo, Inc. - Chairman, CEO*

Thank you, Ms. Williams. And let me share with you our board's point of view on this topic as outlined in our proxy statements. Our board agrees with the proponent's view that our executive officers should own a significant amount of PepsiCo stock in order to align their interest with those of shareholders.

However, PepsiCo's executive compensation programs and robust governance policies are already designed to accomplish the objectives of this proposal. Our proxy statement contains substantial detail regarding these programs and policies, but here are some key points I'd like to highlight for you.

First, PepsiCo's executive officers are already subject to strong stock ownership requirements. As PepsiCo's Chief Executive Officer, I'm required to hold PepsiCo's stock having a value equal to eight times my annual salary. As noted in the proxy statement, I own PepsiCo stock worth more than 19 times my annual salary.

Other executive officers of the company are required to hold PepsiCo stock having a value equal to either four or two times their annual salary, depending on their position. So while the shareholder proposal seeks a policy requiring executive officers to retain a certain percentage of the total shares granted to them, our current policies require stock ownership based on an executives' annual salary.

Second, executive officers who have not yet achieved their stock ownership requirement are subject to PepsiCo's strict share retention policies. Our executive officers have five years from the date of appointment to their position to meet their ownership requirement.

Until the ownership requirement is satisfied, our policies limit the cash proceeds that executive officers may receive upon exercise of stock options and upon payout of any PepsiCo units, which is PepsiCo's performance share rewards.

Additional policies we already have in place to motivate our executive officers to deliver long-term performance include post-employment stock holding requirements, a strong clawback policy that continues to apply following an executive officer's retirement or termination and a prohibition on our executive officers engaging in any hedging involving PepsiCo stock.

Finally, given that our executive compensation programs are designed with the objective of focusing our executive officers on PepsiCo's long-term success, our board is very confident that the underlying goal of this proposal has already been met.

The annual long-term incentive award, which rewards business performance measured through a combination of critical internal operating metrics and market-based stock performance, is weighted more heavily than any other component of total direct compensation for our executive officers. And for all these reasons, we recommend that shareholders do not support this proposal.

We will open the floor to general questions on other topics at the end of the meeting. For now, are there any questions on the agenda items we just reviewed?

As reminder, in order to accommodate all of you who wish to pose a question, each shareholder will be limited to three minutes for questions or comments. And to facilitate this process, you will hear a chime indicating when it's time for you to begin to finalize your question or remarks.

So questions on just on the agenda items? Comments on just the agenda items? Comments, questions, yes, what we just talked about. Thank you.

Has everyone voted who wishes to do so? Please put your hand up if somebody has a ballot to be collected. Have all the ballots have been collected? Anyone? Two outstanding, okay.

All the votes collected, good.

We now seem to have all of the ballots and since those desiring to vote have done so, I will ask our Inspectors of Election to close the polls. Mr. Kiszka and Ms. Tucker-Lockett?

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**James Kiszka** - *Computershare - Senior Relationship Manager*

I now declare the polls closed.

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**Indra Nooyi** - *PepsiCo, Inc. - Chairman, CEO*

All right.



**Larry Thompson** - PepsiCo, Inc. - EVP, Government Affairs, General Counsel and Corporate Secretary

The responsibility of the Inspectors of Election is to tabulate the voting results and they will begin to do so now while we will take a brief break.

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**Indra Nooyi** - PepsiCo, Inc. - Chairman, CEO

So while votes are being tabulated, we wanted you to enjoy this video about PepsiCo.

(Video Presentation)

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**Indra Nooyi** - PepsiCo, Inc. - Chairman, CEO

Larry Thompson will now announce the preliminary results of the balloting. Larry?

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**Larry Thompson** - PepsiCo, Inc. - EVP, Government Affairs, General Counsel and Corporate Secretary

Thank you, Madam Chairman. I'd like to report the preliminary results of the voting. I remind everyone that the holders of our common stock and the holders of our convertible preferred stock vote together on all matters as a single class. With respect to the nominees for director, I'd like to report that all director nominees have been duly elected by the affirmative vote of a majority of the votes cast.

Ballot item number two, the appointment of KPMG as our independent auditors for 2014, has been ratified by the affirmative vote of approximately 99% of the votes cast.

Ballot item number three, the advisory vote on executive compensation, has been approved on an advisory basis by the affirmative vote of approximately 89% of the votes cast.

Ballot item number four, the material terms of the performance goals of PepsiCo Executive Compensation Plan, has been approved by the affirmative vote of approximately 96% of the votes cast.

Ballot item number five, a stockholder proposal calling for a political contributions policy, has received approximately 3.6% of the votes cast and thus did not receive enough votes to pass.

Ballot item number six, a shareholder proposal regarding a policy on executive retention of stock, has received approximately 25% of the votes cast and thus did not receive enough votes to pass.

Again, I remind you that these are preliminary voting results and final results will be available after the votes have been certified by our Inspectors of Election. The final results will be disclosed on a Form 8-K that will be filed with the SEC.

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**Indra Nooyi** - PepsiCo, Inc. - Chairman, CEO

Thank you, Larry. And this concludes the business portion of our meeting. I thank you all for your time and attention today. All of the proposals eligible for consideration by the shareholders at this annual meeting have been presented and the formal business portion of the meeting is now adjourned.

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