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# EDITED TRANSCRIPT

PEP - PepsiCo Inc Annual Shareholders Meeting

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## CORPORATE PARTICIPANTS

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

**Tony West** *PepsiCo Inc. - EVP - Government Affairs, General Counsel, Corporate Secretary*

**Vincent Graffeo** *Computershare Trust Company - Inspector of Election*

## CONFERENCE CALL PARTICIPANTS

**Christopher Demetropoulos** *Trillium Asset Management - Representative*

**Donald Gilson** *Private Investor*

## PRESENTATION

### Operator

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. Statements made in this presentation should be considered together with the cautionary statements and other information contained in our 2014 annual report and subsequent filings 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 investor section of PepsiCo's website under the events and presentations tab as well as our 2014 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. On behalf of PepsiCo's board of directors and my colleagues on the senior leadership team, welcome to PepsiCo's 2015 annual meeting of shareholders. And thank you to everyone joining us both here in New Bern, North Carolina and those of you watching via webcast. I'm so happy to be here today.

In fact, I'd go so far to say that I'm humbled. Humbled to once again return to the place where Pepsi-Cola got a start. Humbled to reflect on just how far we have come all these decades later and humbled to share this moment with all of you who've made both a financial and a personal investment in the products and values that drive PepsiCo.

You know we're not just shareholders, we're stewards. Stewards of a proud legacy of great products and of uncompromising promises, a promise to do business the right way, a promise to live up to the expectations of our customers and our consumers, and most of all, a promise to drive responsible growth both today and in the future.

As we look back on 2014, a year in which I believe we fulfilled all of these promises and then some, I know that none of it would have been possible without the trust and support of so many people in this room. First I'd like to recognize our board members in attendance today, who will each stand while his or her name is read.

Shona Brown, George Buckley, Ian Cook, Dina Dublon, Rona Fairhead, Alberto Ibarguen, Lloyd Trotter, Alberto Weisser. And I'd like to welcome our four newest board members, who I'd request should stand up as well: Richard Fisher, former president and CEO of the Federal Reserve Bank of Dallas; Bill Johnson, operating partner of Advent International Corporation and former Chairman, President and CEO of H.J. Heinz Company; David Page, Director of the Whitehead Institute for Biomedical Research and a professor at the Massachusetts Institute of Technology; and Bob Pohl, president of Dakota Holdings, LLC. Richard, Bill, David and Bob, we are so happy to have all of you here as members of our board. Welcome.



You know two of our esteemed long time board members, Sharon Rockefeller and Ray Hunt, are retiring. Sharon and Ray are not here this morning but on behalf of PepsiCo, I want to thank them for their tremendous, thoughtful and honest guidance over the years. Additionally, one member of our board, Dan Vasella, is unable to attend today's meeting.

Next, I'd like to introduce to you members of the PepsiCo leadership team that are in the audience today. Would each of you please stand as I say your name?

Here on stage with me is Tony West, Executive Vice President, Government Affairs, General Counsel and Corporate Secretary.

We are also joined by Jon Banner, Executive Vice President, Communications; Albert Carey, Chief Executive Officer, PepsiCo Americas Beverages; Sanjeev Chadha, Chief Executive Officer of PepsiCo Asia, Middle East, and Africa; Hugh Johnston, Executive and Vice President and Chief Financial Officer; Mehmood Khan, Vice Chairman and Chief Scientific Officer, Global Research and Development; Laxman Narasimhan, Chief Executive Officer, PepsiCo Latin America Foods; and Cynthia Trudell, Executive Vice President in Human Resources and Chief Human Resources Officer. Thank you all for joining us today.

We're also very happy to be joined here by Jeff Minges, the President and CEO of the Minges Bottling Group, our franchise partner for a number of counties here in North Carolina and a respected business leader here in this area. Jeff is joined by his son Landon, welcome to both of you. Jeff and Landon welcome again.

I also want to give a warm welcome to Chris Demetropoulos for being here today. Chris will be presenting our three shareholder proposals this morning. And before we get to that, let me take a few minutes to talk about the state of PepsiCo, where we are now and where we are headed.

You know, Pepsi-Cola's founder, Caleb Bradham, never could have imagined the heights to which his small soft drink business would soar. He could have never imagined that it would one day join hands with another iconic American company, Frito-Lay, to create a food and beverage powerhouse. And he could have never imagined that the combined business would evolve into one of the most consistently successful companies of the last 50 years.

And, you know, throughout our history PepsiCo has been driven by a singular focus on growth, both on the top and bottom lines. And we've consistently adopted, retooled and reshaped the company for rapidly changing environment. Whether it was globalizing the company and building high-quality brands in every one of our markets to capitalize on the world's emerging middle class, or retooling our distribution system to meet the changing needs of our retail partners, or taking proactive steps to future proof our portfolio by improving the nutritional profile of our products, and creating a global leading nutrition business. You know, PepsiCo's embraced all of these opportunities for growth and we have performed while we've transformed. And the numbers speak for themselves.

In 1965, when the two companies came together, Pepsi-Cola and Frito-Lay, our combined revenue was \$510 million. At the end of 2014 it was nearly \$67 billion. When we first started out, none of our brands generated \$1 billion dollars in estimated annual retail sales. Today we have 22 brands that each generate over \$1 billion dollars in retail sales. At the end of 1965, the year in which Pepsi-Cola and Frito-Lay merged, PepsiCo's market capitalization was \$842 million. That's very impressive I must say. But it's nothing compared to the \$141 billion market cap at the end of 2014.

And finally, for you, our shareholders, if you had invested \$100 in PepsiCo at the end of 1965 and reinvested your dividends and distributions, your shares would be worth nearly \$43,000 at the end of 2014. Thank you.

This history of performance continued in 2014. Last year, we met or exceeded everyone of our financial targets. Organic revenue grew 4% with PepsiCo outpacing other consumer package goods companies in organic revenue growth. Core constant currency earnings per share grew 9%, core gross margins improved by 55 basis points, and core operating margins improved by 30 basis points. Core net return on invested capital improved 110 basis points to 17.5%. Free cash flow excluding certain items was strong at \$8.3 billion. And most importantly PepsiCo increased its annual dividend for the 42nd consecutive year in 2014, and returned \$8.7 billion to our shareholders through share repurchases and dividends which was a 36% increase over 2013.



And in February this year, we announced a 7.3% increase in our annualized dividend to \$2.81 per share which is a 43rd consecutive annual dividend increase. In 2015, we expect to return a total of \$8.5 billion to \$9 billion to shareholders through dividends of approximately \$4 billion and share repurchases of between \$4.5 billion and \$5 billion.

You know, I'm proud of what you were able to achieve in 2014 and our results show that the investments we're making in innovation, productivity and talent are paying off in a big way. Strong innovations led to increase retail sales in North America. In fact, PepsiCo was the largest contributor to U.S. retail sales growth among all food and beverage manufacturers last year. We delivered in North America nearly \$1 billion of retail sales growth, which is more than the next 27 largest companies contributed combined. The PepsiCo billion dollars of growth, the next 27 companies combined contributed about a billion dollars.

While 2014 was a year of impressive growth, it was also year of streamlining. Our investments and productivity led to approximately \$1 billion dollars of savings last year. Not only did we meet the productivity goals that we laid out in 2012, we extended the program with the goal of continuing the approximately \$1 billion dollars in productivity savings through 2019.

Our investments in talent are positioning PepsiCo for continued success. From new training programs to an emphasis on diversity and engagement, to a relentless focus on developing high-potential associates, PepsiCo's strong talent management capability earned us top spots of numerous high profile talents ranking in 2014. So by all measures, 2014 was a successful year. But we cannot rest on our laurels. The trends I mentioned a moment ago, international growth, a changing retail environment, the consumer trend towards health and wellness, I think will all continue to accelerate.

And these trends as well as three additional future forces, provide great opportunities to sustain PepsiCo's growth in the years ahead. The first key force is the impact, the Internet and digital technologies are having on every aspect of our operation. Social media and mobile technology are disrupting old ways of doing business. But it's also creating new opportunities from manufacturers, retailers, shoppers and consumers to interact.

As consumers spend more and more time online, we have directed a growing percentage of our advertising dollars towards digital media. Campaigns like "Lay's Do Us A Flavor" and the "Doritos Crash the Super Bowl" contest, have given consumers a personal stake in the brands they love and have built lasting brand equity. In addition to the tremendous advances in the way we market our products, the rise of digital is also changing the way we sell them. E-commerce is shaping up to be the next great revolution in the food and beverage industry. To that end we are building new capabilities to accelerate our trajectory across this fast-growing channel. This involves retooling the form and function of our products, our packaging structures and our fulfillment models.

Inside our company, digital technology is also enabling greater and more granular visibility into any data we want. And we're learning to harness, process, and leverage that data to deliver insights to positively impact our top and bottom lines. So that's the first force.

The second force is sustainability. Through Performance with Purpose, which we started way back in 2006, we have integrated sustainability into every aspect of our company. And over the past nine years, Performance with Purpose has grown from the seed of an idea, to the very lens through which we view our business. Our expanded portfolio, our environmental stewardship and our ability to attract and retain top talent have grown PepsiCo, reduced our costs, given us a license to operate in many societies, and positioned us for future returns.

In the future years, there will be a growing expectation from all stakeholders that businesses positively contribute to the environment in the communities in which they operate. That's why we will continue to refine and evolve Performance with Purpose to take on newer, more complex challenges that will have a greater impact on our business and society as a whole. Few organizations have the size, scope, and scale of PepsiCo. And this puts us in a real position to effect real change by aligning what is good for business with what's good for society. So that is the second force, sustainability.

The third key force is ethics and corporate governance. You know, PepsiCo over the years has been built on the unshakable foundation of our company's long-standing commitment to transparency, engagement, and the highest ethical conduct. This commitment is as core to PepsiCo as our New Bern roots and it's stronger than ever. Healthy and active oversight from our Board along with an open and transparent partnership with all our shareholders has been key to PepsiCo's success and it is a tradition we continued it in 2014.

Last year, for the eighth consecutive year, PepsiCo was named one of the World's Most Ethical Companies by Ethisphere. Corporate Secretary Magazine honored PepsiCo for Best Shareholder Engagement. And these are just a couple of examples from a long list of honors and accolades we received. And our hope is that we will continue to build on this in the years ahead.

The second and third forces, sustainability and corporate governance, are not new. Their importance, however, has been amplified in recent years with the rise of digital technology and the increased access to information which has stimulated a lot more discussion of these topics. But thanks to Performance with Purpose and our solid foundation of governance, we're well-positioned to lead in a world that will continue to be defined by these key forces.

Standing here in my 9th annual shareholder meeting in New Bern, North Carolina, not ninth in New Bern, the ninth as CEO, in the birth place of one of our most iconic brands and on the eve of PepsiCo's 50th anniversary, I can't help but be humbled by history. PepsiCo has been on a remarkable journey. From a small town in North Carolina to the Fortune 50, from a primarily domestic business in the United States to a truly global enterprise that now generates more than half of its revenue outside the United States and touches every corner of the world. From a local drink served right here on Middle Street to global food and beverage brands that are now enjoyed by consumers more than a billion times a day.

You know, a journey like this takes trust, patience, and most of all, support from people to form the foundation of the company. I am of course talking about you, our shareholders. The PepsiCo journey would not have been possible without all of you. Regardless of whether we are talking about the past, present or the future, one thing is constant. This is your company. Over the years, you've stood by PepsiCo, because you believe in what we're doing, because you subscribe to the values that make our business strong. And because you know that we have so many more great things in store for you over the years ahead. We are extraordinarily lucky to have such passionate and committed shareholders.

So, on behalf of all of us, the board, the leadership team, and all of our associates around the world who make up PepsiCo, let me say, thank you. And to everybody in the world, gracias, shukran, xie xie, nanri, spasiba, just a few. With that, let me turn the meeting over to Tony West to begin the formal proceedings. Thank you.

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**Tony West** - PepsiCo Inc. - EVP - Government Affairs, General Counsel, Corporate Secretary

Well, 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 under our bylaws.

If anyone has not yet voted and would like to do so by ballot at this meeting, please raise your hand. We have staff assistants, I see some hands raised. We have staff assistants who will distribute ballots to you. And these ballots must be completed and turned in before the inspectors of election announce the closing of the polls.

Now if you are a holder of convertible preferred stock, please let the staff assistants know that so that he or she can give you the appropriate ballot. Please remember to vote on all of the items not just those items on which you may want to change an earlier vote. And please remember to print your name clearly and to sign your ballot.

Now if you have previously voted by proxy, you don't need to vote today unless you wish to change your vote. If you have a legal proxy, please hand that in with your ballot. The ballots and proxies will be held in the possession of the Inspectors of Election, Vincent Graffeo and Joseph Varca from Computershare Trust Company who have previously taken their oath as Inspectors of Election at this meeting. Mr. Graffeo and Mr. Varca, please stand up to be recognized.

Now, 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 this meeting. Madam Chair?

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

Thank you Tony. Now that we have a quorum, I declare this meeting to be duly convened for the purpose 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. Would the Inspectors of Election please open the polls.

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**Vincent Graffeo** - Computershare Trust Company - Inspector of Election

I hereby declare that the polls are opened.

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**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 KPMGLLP, as the company's independent registered public accountants for the fiscal year 2015. The third is the advisory approval of executive compensation. And three shareholder proposals will then be voted on if properly presented.

In proceeding with this meeting, we will introduce all agenda items and then we will open the floor to questions relating to the agenda item only. I ask you to hold all questions in 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 ballots and then ask our Inspector of Elections 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 this meeting and we appreciate your cooperation. And I've asked Mr. West to directly address any issues that arise under these rules.

So let's begin with the first agenda item which is the election of our directors.

I place before this meeting to serve as directors for the coming year, the 14 individuals whose names and biographies appear in our proxy statement. Our board recommends a vote for each of the nominees for director.

Let me turn now to the second agenda item. The ratification of the appointment of KPMG as the company's independent, registered public accountants for 2015 which I place before this meeting. Doug Ruud is here with us representing KPMG and will be available to answer questions or make a statement if you would like to do so later on the meeting. Our board recommends a vote for the ratification of the appointment of KPMG as PepsiCo's independent registered public accountants for 2015.

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'll now move onto the shareholder proposals in the order that they appear in the agenda. The representative of each of the shareholder proposals will present their respective proposals.

Now we turn to our first shareholder proposal submitted by Mr. John Harrington of Harrington Investments regarding a sustainability committee of the board of directors. Would Mr. Demetropoulos, the representative of Mr. Harrington, please introduce himself and the proposal.

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**Christopher Demetropoulos** - *Trillium Asset Management - Representative*

Good morning Ms. Chair, members of the board and fellow shareholders. My name is Christopher Demetropoulos. I'm representing John Harrington of Harrington Investments and move item number four, creating a board committee on sustainability.

First, John would like to thank PepsiCo's Amy Carriello, Paul Boykas, and Jessica Lau for their thoughtful, professional, and pleasant dialogue on this proposal. During our dialogue, PepsiCo staff clearly acknowledged our governance concerns and proposed explicitly adding sustainability oversight to the board of director's guidelines.

Guidelines, however, are not fiduciary obligations and we have since learned that the modest proposal was not submitted to the board for consideration. This proposal is not questioning PepsiCo's commitment to environmental and social sustainability initiatives. This proposal addresses the fiduciary responsibilities of our board of directors.

As fiduciaries, our board has responsibility for stewardship for our company's strategic direction and corporate plan. However, according to our company governance documents, while the board has explicit and direct authority to review, approve, and amend the company documents governing the daily ins and outs of the company business, the board does not have that purview for our performance with purpose strategy. To reiterate, while our board may consider and oversee things like how chips are displayed in a convenient store, the board does not have stewardship for the seemingly more essential corporate strategy identified as our contract with society and the driver of our innovation and competitive advantage.

That sustainability equals success is lost on no one. And corporate boards across all industries are increasing their levels of concerns like never before, intensifying each year. Best practices including creating committees on sustainability as proposed with this resolution have been taken on at Monsanto, Coca-Cola, McDonald's and plenty of others.

Here at PepsiCo we do not have structural board level oversight for our most important driver. We have a plethora of staff level ad hoc policies, pledges or statements on a flurry of issues from land enforced stewardship to product placement in schools, but which come with no board level strategic oversight in design or implementation. It is not clear to shareholders if there is sufficient expertise at the board level to understand business strategies, implementation measures, or risk assessment necessary for sustainability oversight.

Does the board know the price of these initiatives? Is the return on investment of all these initiatives clear? Is our board able to provide strategic risk in corresponding opportunities analysis? As fiduciaries, our board of directors has a responsibility for stewardship and oversight for our company, strategic direction and corporate plan, our performance with purpose. Short-term planning and execution is for management. Long-term is for the board. Thank you for your consideration.

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

Thank you Mr. Demetropoulos. Let me take a minute to share with you our board's position on this matter as outlined in our proxy statement, but thank you for making the trip incidentally. While the board agrees that board oversight of sustainability matters is important, the board believes that this proposal is unnecessary in light of the board's current oversight of sustainability and public policy matters, and PepsiCo's strong commitment and performance in these areas. You know, at PepsiCo we are guided by performance of purpose which is our goal to deliver top tier financial performance while creating sustainable growth and shareholder value.

And at PepsiCo, sustainability is not viewed as tangential to the business or a program owned by a dedicated team. Instead, PepsiCo's clear focused sustainability agenda is ingrained into our daily operations. Because sustainability matters are integrated into and not separate from PepsiCo's business, the full board considers sustainability issues as an integral part of this business oversight.

For example, the board considers sustainability issues in its oversight of such areas of focus as capital allocation, supply chain management, talent retention and portfolio innovation. At least twice a year, the board receives information regarding the company's public policy matters and sustainability initiatives. And in addition to the full board oversight, the nominating and corporate governance committee is charged under its



charter with annually reviewing PepsiCo's key public policy issues, including its sustainability initiatives and its engagement in the public policy process.

The board firmly believes that it should have the flexibility to organize its oversight of sustainability and public policy matters in the manner that it considers to be most effective. And given that oversight of sustainability issues is inherent in the full board's oversight of PepsiCo's businesses, our board believes that a separate sustainability committee is unnecessary and would not enhance the effectiveness of the board's oversight of sustainability and public policy matters at this time. Therefore, the board recommends the shareholders do not support this proposal.

The second shareholder proposal on the ballot was submitted by Mr. John Chevedden on behalf of Mr. Kenneth Steiner and requests adoption of a policy regarding a limit on accelerated vesting of equity awards upon the change of control.

With Mr. Demetropoulos, the representative Mr. Steiner, please introduce the proposal.

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**Christopher Demetropoulos** - *Trillium Asset Management - Representative*

Thank you. On behalf of Kenneth Steiner, I hereby move item number five.

Indra Nooyi: Thank you Chris. I guess I don't have to give you a point of view on this. Yes. No, I appreciate it Chris I'm -- the final item on the ballot today is the shareholder proposal submitted by Trillium Asset Management on behalf of Susan Mead; the Sustainability Group on behalf of the William B. Perkins Trust; and the Green Century Equity Fund. Would Mr. Demetropoulos, the representative of the proponents, please introduce the proposal.

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**Christopher Demetropoulos** - *Trillium Asset Management - Representative*

Good morning again.

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

Good morning.

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**Christopher Demetropoulos** - *Trillium Asset Management - Representative*

My name is Christopher Demetropoulos and I'm from Trillium Asset Management, which along with the Sustainability Group of Loring Wolcott & Coolidge and Green Century Capital Management filed proxy item six. I hereby move the proposal which focuses on the risks to Pepsi resulting from the decline in the number of pollinators and the ways in which the company's supply change is contributing to this problem.

Representing investment advisory firms with a commitment to integrating environmental, social and governance issues into our stock selection process, we applaud Pepsi's commitment to sustainable business practices and are pleased to be shareowners.

This shareholder proposal comes in the midst of rising concern for the sharp declines in the numbers of bees and other important pollinators which poses potentially serious risks to our food system, the economy and Pepsi's supply change. Multiple factors are cited for the population decline, however, evidence has emerged that neonicotinoid pesticides or neonics, the most widely used class of insecticides, are a major contributor.

In response to this science, a number of large companies such as Lowe's, Home Depot and Whole Foods, have made commitments to label and or reduce the use and sale of this class of pesticides in the supply chain.



While some companies are taking voluntary actions, regulators in the U.S. and abroad are responding as well. In December 2013, the European Union set a two-year moratorium on the use of three neonics. Just last month, the EPA announced the more moratorium on new or expanded usage of neonics while it evaluate the risks these chemicals have on pollinators.

We are pleased Pepsi recognizes in its proxy that pesticides and their impacts on pollinators is an important issue. However, as a buyer of specialty crops that require pollination, Pepsi potentially faces significant risks, yet the company fails to provide adequate information on how it is mitigating and managing this potential risks. Further, as major purchaser of key commodity crops grown from seeds pre-treated with neonics, PepsiCo's supply chain practices are potentially endangering the health of pollinators and other beneficial organisms. As a result, this is not a single issue but one that crosscuts the company's brand and supply chain.

Pepsi has an opportunity to make a positive impact on this global concern. Bees not treated with neonicotinoid are available. The growth of this alternative in the market place will depend on companies like PepsiCo dedicated to supporting sustainable, agricultural practices.

We believe the company and its shareholders will benefit from greater disclosure on the issue. We urge all shareholders to vote in support of the proposal. We look forward to continue to dialogue with the company. Thank you for your consideration.

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

Thank you Chris. Let me share you our board's position in this matter as outlined in our proxy statement. The issue of the decline of pollinators such as honey bees is something which PepsiCo is keenly aware of. And I have to tell you, I want to thank you because after you introduced this proposal, you know, PepsiCo is doing a lot of stuff but I've spent days reading the EPA's studies on neonics and I now know more about our honey bee populations in the U.S. and Canada than I ever thought I would know, exactly how they re-pollinated the whole thing.

But, you know, it's interesting, PepsiCo has long realized that we rely on pollinators such honey bees to enable our agricultural supply chain. And we recognize that pesticides can have a negative impact on beneficial insects such as bees. And in fact, we are implementing procedures and policies to address this issue through our Sustainable Farming Initiative or SFI as we call them.

SFI was designed as a holistic way to address numerous interconnected issues such as climate change, water, pesticides, productivity, as well as social issues such human rights and farmer income. Through the SFI, PepsiCo is in the process of gathering additional information on pesticides, their use and application rates. We're exploring how pesticides used in our supply chain are, both positively and negatively, impacting productivity.

As an example, in Florida, we are blending orange peel and other food waste to create an organic spray that replaces or significantly reduces the need for pesticides and fertilizers that are sprayed on trees.

I also note that your request seeks greater transparency in PepsiCo's reporting. You know, we are proud of our consistent public disclosure on a wide variety of critical and social and government issues impacting our business for utilization by shareholders and external stakeholders.

These are, first of all, interconnected to ensure PepsiCo manages against the unintended consequences of focusing on just one issue. That's why I don't think it makes sense to segregate the issue of neonics for a special report when we feel that we should be examining the entire ecosystem when deciding how best to work with farmers to ensure our supply chain. You have my assurance that we will continue to be transparent on efforts and consistent in our public disclosures on these matters. Therefore, we recommend that shareholders do not support this proposal.

Are there any questions about any of the agenda items we just reviewed? We will open the floor to general questions and other topics at the end of the meeting. As a 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 on what we talked about so far. And to facilitate this process, you will hear a chime, a chime indicating when it's time for you to begin to finalize your questions or remarks.

So anybody with questions on the agenda items we've talked about so far? Please speak up. There is a mike there. Yes.

## QUESTIONS AND ANSWERS

**Donald Gilson** - - *Private Investor*

Madam President, it is great to see you again and the Pepsi team. I would like to congratulate you on the good work you're doing, and I like you being so thrifty and holding pennies captive like you say.

So what I want to say is that graph was a lot like myself, that you just seen. 50 years ago, I bought 10 shares of Pepsi stock for \$780. My boss was on my case to buy some stock where I worked, because I was young. So anyway I bought 10 shares for \$780, got married, had a 30-year mortgage, and I looked at the mortgage after paying one year and I said, "Geez, I don't want to pay for this thing the rest of my life." So I sold it and knocked seven years off of my payments. The worst mistake I ever made in my life.

So down the road, I bought back in when there was food scare or the like. And I bought a thousand shares, my brokers says, "Don, are you out of your tree? You could lose all your money?" I said, "I missed the boat," I said, "I'll either lose all of my money or I'll make a lot of money."

So, anyway, I was here last year and Maritza Vicole, she sent me a nice print out showing me about like that graph. I made a \$450,000 mistake. So for the young people, after the meeting, I want you to get with Marissa and give them a hand so they can become millionaires.

So anyway, I bought back in a thousand shares that split once, and now I have 2000 shares plus a thousand of the spinoff. So anyway, on my own, after the meeting, I loved Pepsi, the mistake of my life. So, on my own, I bought this shirt over at the Pepsi store, and so I went to all of these places like a walking billboard.

I went to -- let see if I can see it here. I went on the Gateway Clipper in Pittsburgh, Pennsylvania, I went to a baseball game in Pittsburgh versus the Chicago Cubs. I went to the Strawberry Festival in Centreville, PA, Old Home Days in Townville, PA, my hometown, and I've seen these two girls selling beverages, both are Pepsi and Mountain Dew and that swear word, C-O-K-E. But anyway, I go all over the place -- is there anybody waiting. I got about one more minute, because I want to tell you all these places I went.

I went to the Packard Car Show, I went to Packard Car Show, it was a big huge car, and this one king in Austria owns 17 of these Packards. So it's a beautiful car, I went there. I went to several places, fairs, and I wore this Pepsi shirt, I went to the ball game like in Cleveland, in Pittsburgh and seven Minor League games. Every place, I was wearing the shirt and people would say different things, they'd say, "Well you must know people in high places to get a shirt like that. Do you work for a Pepsi?" This and that. And I said well, kind of. I love this company and today after the meeting -- today after the meeting, as stockholders, we should help our company.

So if you see a construction worker, you see a farmer out in the farm, he's out there sweating. Stop with the ice chest and hand him a Pepsi. If there's a construction worker, they love Mountain Dew.

So anyway, I love this company. It was a mistake of my life and my granddaughters was talking about something like a...

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

Thank you.

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**Donald Gilson** - - *Private Investor*

One of those things on the internet, they said papa, when you go, they should make a selfi of you drinking your Pepsi, it's a New Bern. And...

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

Thank you.

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**Unidentified Company Representative**

Thank you so much for your commitment to Pepsi. Thank you very much.

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

And that's a fabulous t-shirt, fabulous t-shirt, very stylish. Any other comments on any of the agenda items we just talked about? Anybody else?

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**Unidentified Audience Member**

Good morning. I have a similar story, in that my husband? He inherited PepsiCo stock and we sold to my Mom, who is sitting here. In order to buy our land. Now our land has gone up in value, but nowhere near like PepsiCo did because we sold to her for \$1,500 in '77.

Thankfully, we bought stock again, so that's why we're today. But I wanted to ask you specifically in your nine years here. Have you ever had the board vote for a shareholder proposal? You always seem to be against. So whatever it is, the shareholders propose. Am I mistaken? Or have you all actually ever suggested that you vote for the shareholder proposal?

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

That's a great question. So let me tell you what happens in the process. We got a lot of shareholder proposal ahead of time, okay? Well before the meeting. And for about 60 and 90 days before this meeting, we actually have constructive conversation with the people who turn in shareholder proposals.

Sometimes we agree with them, so that they take it off the ballots. They take it off the proxy. So it's not that people submitting the shareholder proposals and we just say no. We actually engage in hours and days of constructive dialog. So there are areas that we agree with them. We agree to implement something then say, we don't need to bring it to the shareholder meeting.

What comes to the shareholder meeting is where we really have differences. That's all that comes in, okay? Remember the end of day, we're trying to run a company that's better. And if you the shareholder has an idea that makes the company better, we'd love to adopt it.

So thank you for your comment, I appreciate it. Any other comments? Okay. Has everyone who wishes to vote, done so? And if there are any outstanding ballots at this time, please raise your hand and we will collect them. I will remind you again to vote on each item.

We now seem to have all of the ballots do we? Yes, OK. And since all of those desiring to vote have done so. I would ask inspectors of elections to close the polls.

Mr. Graffeo and Mr. Varca.

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**Vincent Graffeo** - Computershare Trust Company - Inspector of Election

I now declare the polls are closed.

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**Tony West** - PepsiCo Inc. - EVP - Government Affairs, General Counsel, Corporate Secretary

Thank you. The responsibility of the inspectors of election is to tabulate the voting results. And they will begin to do so now while we take a brief break.

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

And while the votes are being tabulated, then let's watch a brief video by PepsiCo.

(video playing)

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

Tony West, our secretary, will now announce the preliminary results of the balloting. Mr. West?

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**Tony West** - PepsiCo Inc. - EVP - Government Affairs, General Counsel, Corporate Secretary

Thank you madam chairman. I'd like to report the preliminary results of the voting. I remind everyone that 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 the majority of the votes cast.

Ballot item number two, the appointment of KPMG as our independent auditors for 2015, that has been ratified by the affirmative vote of approximately 99% of the votes cast. Ballot item number three, the advisory vote on executive compensation that has been approved on an advisory basis by the affirmative vote of approximately 91% of the votes cast.

Ballot item number four, shareholder proposal to establish a board committee on sustainability, that has received support of approximately 5% of the votes cast and thus did not receive enough votes to pass.

Ballot item number five, a shareholder proposal regarding a policy limiting accelerated vesting of equity awards, that has received support of approximately 29% of the votes cast and thus did not receive enough votes to pass.

Ballot item number six, a shareholder proposal regarding a report on minimizing the impacts of neonics, that has received support of approximately 8% of the votes cast and thus did not receive the best 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 the inspectors of election. The final results will be disclosed on form 8-K that will be filed with the Securities and Exchange Commission.

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

Thank you Tony. And this concludes the business portion of our meeting. And also, this meeting is adjourned. We will open the floor to general questions.

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**Editor**

This transcript is incomplete due to a portion of the audio being unavailable. The following summary is not a verbatim representation of this missing audio portion and has been provided by the Company.

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

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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