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Good for all
is good for business.

At PepsiCo, Performance with Purpose means delivering sustainable growth by investing in a healthier future for people and our planet.

As a global food and beverage company with brands that stand for quality and are respected household names — Pepsi-Cola, Lay’s, Quaker Oats, Tropicana and Gatorade to name but a few — we will continue to build a portfolio of enjoyable and healthier foods and beverages, find innovative ways to reduce the use of energy, water and packaging, and provide a great workplace for our associates. Additionally, we respect, support and invest in the local communities where we operate, by hiring local people, creating products designed for local tastes and partnering with local farmers, governments and community groups. Because a healthier future for all people and our planet means a more successful future for PepsiCo.

This is our promise.
Defining Performance with Purpose

At PepsiCo, we believe that what is good for society and what is good for business can and should be the same. When we first launched Performance with Purpose, we were clear that our long-term profitable growth was linked inextricably to our ability to deliver our sustainability objectives.

We defined them as Performance — a promise to strive to deliver superior, sustainable financial performance; Human Sustainability — addressing global and complex nutrition needs; Environmental Sustainability — being a good steward of our planet’s natural resources; and Talent Sustainability — creating employment opportunities and developing associates while fostering a diverse and inclusive workplace. Today we are as committed to these objectives as ever.

As our business continues to grow and develop around the world, we continue to evolve our thinking around Performance with Purpose. Over the past two years, as we have worked to embed our sustainability objectives firmly into our business model, we have learned a great deal — about what we are capable of, about the impact of our actions, and about the priority areas that the business must focus on in order to continue to grow and serve the global community for the next decade.
Dear Fellow Stakeholders

By any standard, this is an inspiring paragraph to read in an annual report: “To ensure a continuing climate in which it can prosper, the modern company … must take an active role in civic, cultural and community programs. While results in this area are less tangible and harder to measure than sales or profits, they are no less important.”

The idea that ethics and growth are connected is a broadly shared understanding in today’s business world. But these words appeared in the PepsiCo Annual Report back in 1968 — just three years after the Pepsi-Cola Company and the Frito-Lay Company merged to form PepsiCo. It is a testament to how long we have treasured the belief that corporate capabilities and corporate character are not just integrated, but inseparable. Back then, it led PepsiCo to become early corporate leaders on everything from civil rights to scholarships to community programs. While results in this area are less tangible and harder to measure than sales or profits, they are no less important.

The Promise of PepsiCo is not about altruism. It is not about environmentalism. It is, instead, about enlightened self interest: we believe these are the benchmarks that PepsiCo must meet to succeed in today’s economy while ensuring, as we said in 1968, a continuing climate in which PepsiCo can prosper.

We’ve made progress. As you will see, in some areas, we have made more progress than others — but we are moving in the right direction. Based on what we have learned in this challenging process, we are also determining how to best focus our efforts, in order to have the greatest impact. As with any complex initiative, it’s important to be flexible and responsive to a changing world. As part of this learning process, we are working to create better measurements to track our progress; invest in long-term research and development to expand our innovation; and build new partnerships to help achieve our Performance with Purpose goals.

From a business standpoint, this is about both the short term and the long term, today and tomorrow. On the one hand, Performance with Purpose has helped PepsiCo be competitive and profitable today: in 2010 alone, our net revenue grew by 33 percent* and our core division operating profit rose 23 percent* — both on a constant currency basis — which enabled us to return $8 billion to our shareholders. On the other hand, Performance with Purpose keeps us ahead of the global challenges shaping our industry — which are articulated in the pages that follow — setting us up for market leadership and profitable growth into the next decade.

As this report demonstrates through four case studies, Performance with Purpose is not a stand-alone initiative. Instead, our sustainability goals, across the four planks — Performance, Human, Environmental and Talent sustainability — are woven into the fabric of our brands, guiding how they do business, while generating significant sourcing, operational, and consumer impacts that improve both our top and bottom lines.

* Core results and core results on a constant currency basis are non-GAAP measures that exclude certain items. Please see page 108 in our 2010 Annual Report at www.pepsico.com for a reconciliation to the most directly comparable financial measures in accordance with GAAP.

Indra K. Nooyi
Chairman and Chief Executive Officer
As our shareholders and stakeholders increasingly seek information on a wider range of topics, we strive to adhere to the highest standards of transparency and accountability. As such, we articulate our challenges, risks and opportunities to show the effort required to deliver on our promises. Being a member of the Ceres network, we strongly believe in the value of engaging in a dialogue with our stakeholders and soliciting feedback for continued progress.

This report covers our strategy of maximizing shareholder value (Performance), providing customers with a variety of product choices and information to help them live balanced and healthier lives (Human), implementing efficient technologies and processes to minimize our use of natural resources (Environmental), and helping our associates and the communities where we do business succeed (Talent).

Performance with Purpose is woven into everything we do at PepsiCo. The four case studies of PepsiCo brands in this report — Lay’s potato chips, Pepsi-Cola, Quaker Oats and Tropicana juice — illustrate how our sustainability initiatives are realized in every part of our global business, and demonstrate how we creatively and collaboratively make progress toward our sustainability ambitions.

As a large company with frequent acquisitions, it is important to develop consistent, reliable data around the world on our products and operations. Performance with Purpose includes goals that are time-bound and measurable and commitments that are not time-bound, but still critical to our business. We continue to define and measure our success against these, as we refine and prioritize Performance with Purpose to make the greatest impact with the resources we have.

This year, our online report has incorporated the Global Reporting Initiative (GRI) protocol, specifically the Food Processing Sector Supplement. To view our GRI self-reported Application Level B report, please go to www.pepsico.com/purpose.
PepsiCo is the largest food and beverage business in North America and the second-largest in the world.

Our brands include Pepsi-Cola, Lay’s, Quaker Oats, Tropicana and Gatorade, as well as Naked, Aquafina, Cheetos, 7UP (outside the U.S.), Sabra and Izze, to name a few. We also have a variety of strong international brands in our key markets, such as Mirinda in Europe and Gamesa in Latin America. Within these markets, we offer products that satisfy local tastes, including Quaker Congee in China, Sabritas in Mexico and Kurkure in India.

PepsiCo is a company of approximately 294,000 dedicated people who work in 700 facilities around the world, including manufacturing sites, research and development facilities, distribution centers and offices. We sell our products in more than 200 countries and territories, and have a presence through our supply chain and partnerships in countless communities around the world.

Perhaps most importantly, PepsiCo is a company of diverse people and wide-ranging expertise, so we are able to respond quickly to our markets and customers, as well as the evolving needs of the countries, cultures and communities in which we operate. From forming research partnerships with leading scientific minds on innovations in sustainable farming … to collaborating with small businesses in local markets to identify local needs … to focusing our innovation efforts to provide greater choice to consumers … to establishing community improvement initiatives where our people live and work … PepsiCo and our people are always focused on making a positive impact.

It all starts with Performance.

Our long-term profitable growth is linked inextricably to our ability to deliver our sustainability objectives, and our strong performance both enables and is enabled by Performance with Purpose.

2010 Financial Highlights
PepsiCo, Inc. and Subsidiaries
(in millions except per share data; all per share amounts assume dilution)

<table>
<thead>
<tr>
<th>Summary of Operations</th>
<th>2010</th>
<th>2009</th>
<th>Change</th>
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<tr>
<td>Total net revenue</td>
<td>$57,838</td>
<td>$43,232</td>
<td>34%</td>
</tr>
<tr>
<td>Core division operating profit*</td>
<td>$10,626</td>
<td>$8,647</td>
<td>23%</td>
</tr>
<tr>
<td>Core total operating profit*</td>
<td>$9,773</td>
<td>$7,856</td>
<td>24%</td>
</tr>
<tr>
<td>Core net income attributable to PepsiCo*</td>
<td>$6,675</td>
<td>$5,846</td>
<td>14%</td>
</tr>
<tr>
<td>Core earnings per share attributable to PepsiCo*</td>
<td>$4.13</td>
<td>$3.71</td>
<td>12%</td>
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* Core results and core results on a constant currency basis are non-GAAP measures that exclude certain items. Please see pages 64 and 108 in our 2010 Annual Report at www.pepsico.com for a reconciliation to the most directly comparable financial measures in accordance with GAAP.
About PepsiCo
In 2010, we announced goals and commitments under the headings of Performance, Human Sustainability, Environmental Sustainability and Talent Sustainability.

**Grow international revenues at two times real global GDP growth rate.**

In 2010, our revenues outside the U.S. grew approximately 30 percent, well ahead of our goal to grow at double the rate of real global GDP growth.

**2010 Overall Revenue Mix**

<table>
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<th>Outside U.S.</th>
<th>U.S.</th>
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<td>53%</td>
<td>47%</td>
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Source: PepsiCo’s 2010 Annual Report

**Reduce the average amount of saturated fat per serving in key global food brands, in key countries, by 15 percent by 2020, compared to a 2006 baseline.**

By aggressively pursuing the use of alternative cooking oils for our savory snacks, we have begun to make progress in reducing saturated fat in our products. Using sunflower oil in the U.K. and rice bran oil in India has reduced saturated fat by more than 15 percent and 39 percent, respectively. In Latin America, we’re also working with suppliers to develop new domestic sources of healthier oils.

**Reduce the average amount of added sugar per serving in key global beverage brands, in key countries, by 25 percent by 2020, compared to a 2006 baseline.**

Reducing added sugar is a big challenge because consumers love the taste, but also because sugar alternatives face complex regulatory hurdles. We’re making solid progress with the international growth of Pepsi Max; the successful launch of Tropicana’s Trop50, which delivers the benefits of orange juice with 50 percent less sugar and fewer calories; Gatorade’s G2, a low-calorie sports drink; SoBe, an all-natural and zero-calorie drink; and Lipton Naturals, which has reduced sugar by half. We’re meeting consumers’ desire for lower-calorie drinks, juices, waters and teas that are reflective of their lifestyles and increased focus on healthier options. We’re also investing in alternative lower-calorie sweeteners, while maintaining the great taste our brands are known for.

**Reduce the average amount of sodium per serving in key global food brands, in key countries, by 25 percent by 2015, compared to a 2006 baseline.**

We have focused on reducing sodium in our key brands since 2006. This year, Frito-Lay in the U.S. will reduce sodium by nearly 25 percent, on average, across its entire flavored potato chip portfolio, including Lay’s.

**Increase the amount of whole grains, fruits, vegetables, nuts, seeds and low-fat dairy in our global product portfolio.**

Our strategy has been to increase the number (and reach) of healthy products we offer by expanding existing Good-For-You brands in new markets and through acquisitions such as Lebedyansky juice and Wimm-Bill-Dann dairy businesses in Russia.
Improve our water-use efficiency by 20 percent per unit of production by 2015.

With five years left, we have almost achieved our target, improving our overall water-use efficiency by 18.3 percent for manufacturing operations through 2010. These conservation efforts translate to a global water savings of nearly 13.8 billion liters compared with the 2006 baseline. PepsiCo’s goal to improve water-use efficiency by 20 percent per unit of production by 2015 against a 2006 baseline applies to global manufacturing operations in our network in 2006.

Reduce our fuel-use intensity by 25 percent per unit of production by 2015.

We are well on our way to achieving this important energy-related goal. Through 2010, we have achieved an average combined reduction of 12 percent in per-unit use of thermal energy in our food and beverage plants. A specific example of the kind of progress we have made can be found in our Casa Grande facility, a “net zero” plant that runs almost entirely on renewable fuels and recycled water. PepsiCo’s goal to improve fuel-use intensity by 25 percent per unit of production by 2015 against a 2006 baseline applies to global manufacturing operations in our network.

Continue to lead the industry by incorporating at least 10 percent recycled polyethylene terephthalate (rPET) in our primary soft drink containers in the U.S., and broadly expand the use of rPET across key international markets.

We’re committed to the recyclability of our packaging and continue to lead the industry in the use of recycled PET in the U.S. In fact, we are the largest user of recycled resin of any single soft drink manufacturing company in the U.S.

Ensure a safe workplace by continuing to reduce lost-time injury rates, while striving to improve other occupational health and safety metrics through best practices.

We are continually working across our businesses to prevent occupational injuries and illnesses, and striving for an incident-free workplace through regular and rigorous safety training, strong oversight by the PepsiCo Health and Safety Leadership Council to make sure best practices are being used globally. In 2010, we reduced our Lost-Time Injury Rate by more than 30 percent in our global manufacturing operations. For more information, please go to www.pepsico.com/purpose/talent.
Resource Risk
Key Challenge 1

By 2050, the world’s population is expected to number nine billion. This population growth presents complex challenges and trade-offs for both the health of people and the planet. Even by 2030, it’s predicted that energy and food demand will be 45 percent and 50 percent higher, respectively, and two-thirds of the earth’s population will live in water-stressed countries.

As populations become wealthier, their consumption patterns are likely to change with an increase in protein sourced from meat and dairy. These require significant resources to produce, and contribute to climate change and other environmental issues when not managed sustainably. At the same time, there are currently almost one billion people with insufficient food, and billions more with micronutrient deficiencies. These numbers will also increase by 2050.

It is clear that the health of the planet and the health of people are becoming increasingly intertwined. Progress in achieving some of our environmental and health goals requires complex trade-offs to ensure that one set of goals doesn’t advance at the cost of others.

As a food and beverage company that both depends on food production for our raw materials and seeks to deliver nutritious, delicious foods and beverages to our consumers, we need to integrate and balance our goals in human and environmental sustainability in order to manage future resource risk.

Water stewardship is one area where that balance is critical for our business. We’re proud to be among the first companies to make a commitment to the Human Right to Water. We’re also working with partners such as Water.org, Safe Water Network, Earth Institute and Save the Children to bring this commitment to life by providing funding and on-the-ground support to make clean water available to more people. And we’re working with The Nature Conservancy and Conservation International to make sure the best water management practices are being used, including water risk assessments, water footprinting and watershed protection activities.

We are sharing our knowledge about best sustainable agricultural practices to increase the supply of affordable crops and improve efficiency. We are investing in, applying and scaling new technology, researching and testing hearty new varietals of crops used in our products, such as potatoes and oats that can thrive in unforgiving climates, and providing sustainability training and business support to farmers.

Corporations have a particular responsibility to utilize resources efficiently. And large companies like PepsiCo must balance this responsibility with delivering profitable growth to shareholders, while also considering the integrated impacts on nutrition, the environment and agriculture in all business activities.
Global Health
Economic progress in the developing world has sparked a mass movement from rural areas to urban centers. Half the world’s population now lives in cities, a figure that is expected to rise to 70 percent by 2050.

As a consequence, physical farm labor is being replaced by a more sedentary lifestyle that goes with urban living. And the rise of urban living has increased the demand for affordable snacks and convenient foods. One of the results of this transformation is a changing global health profile. Fewer people are dying from infectious diseases, and for the first time in human history, noncommunicable diseases are responsible for more deaths than any other causes.

According to the World Health Organization, diets high in salt, fat and sugar, combined with a lack of physical activity, are key risk factors for a range of chronic diseases. As a global leader in the food and beverage industry, PepsiCo is taking aggressive steps to address these problems.

First and foremost, we are broadening our range of products to offer consumers a wider variety of healthier choices that include more whole grains, fruits, vegetables and dairy, and less sodium, added sugar and saturated fat. We have taken a leadership position in making sure school vending machines provide healthier snacks and beverages, along with maintaining higher standards on advertising by only promoting our healthier products such as Tropicana and Quaker Oats to children.

And we continue to work with partners around the world to educate consumers about the benefits of a healthy lifestyle as we work to create healthier food and beverage choices. In Latin America, we support Vive Saludable Escuelas, a proven initiative that teaches children how to add physical activity to their daily lives.

Given our high-profile brands, we also believe that we can play a critical role in promoting health through sharing our expertise and developing partnerships involving governments, consumers and advocacy groups with an interest in these issues. PepsiCo is currently involved in partnerships that span nutrition, agriculture and science, such as working with Scientists Without Borders on a challenge to address maternal and infant health.

We have invested behind innovative agricultural partnerships to expand our ability to deliver healthier products in low- and middle-income countries. PepsiCo is one of the first private-sector companies to participate in one of the Inter-American Development Bank’s (IDB) regional trust funds for development activities. The inaugural agriculture project of the partnership will expand commercial sunflower crop production in Mexico and create a sustainable market for sunflower production. PepsiCo will also launch a small agriculture pilot in 2011 in Ethiopia to develop best practices in the cultivation of chickpea, a nutritious, protein-rich legume with environmental benefits as a nitrogen-fixing crop. Improvements in cultivation, storage and primary processing of chickpeas will likely benefit PepsiCo’s commercial business in Sabra hummus (a joint venture with Strauss Food Group), and Ethiopian farmer communities. The project will also help The World Food Programme’s development of a complementary feeding product to meet nutrition needs of undernourished children in Ethiopia and other countries.
Gender Diversity, Inclusion and Equality
Economies need educated and skilled workforces to ensure their economic health. Since women account for one-half of the potential talent base, it follows that a nation’s growth depends on whether and how it educates and utilizes its female talent. Economies in both developed and developing countries will never fully leverage their power to achieve sustainable growth until every woman has an equal right to learn, earn and succeed.

Equal opportunity for women and girls, however, is still a vision and not a reality. More than 70 countries haven’t even achieved gender parity in primary education. The gap between women and men in economic participation also remains wide in the business community. A review of Fortune 500 companies published in May 2011 by Catalyst found that only 14.4 percent of executive officers, 76 percent of top earners and 2.4 percent of CEOs are women.

In every society, women’s educational development and professional growth must be championed in a deliberate and purposeful way. To encourage corporate leadership for gender equity, PepsiCo’s Chairman and CEO Indra Nooyi has signed a CEO statement of support for the Women’s Empowerment Principles — Equality Means Business. The Principles offer guidance to companies on how to empower women in the workplace, marketplace and community. As the CEO statement recognizes, “a broad concept of sustainability and corporate responsibility that embraces women’s empowerment as a key goal will benefit us all.”

PepsiCo Foundation grants focused on clean water, sanitation, food security and health are helping to create enabling environments in which women and girls in developing countries can advance. For example, 95 percent of the beneficiaries of WaterCredit loans through Water.org are women. PepsiCo’s businesses, along with our employees, are also helping women and girls to empower themselves. Frito-Lay Turkey’s “Kızlarımız Okuyor” project, for example, helps girls in economic need continue their high school education, while PepsiCo Europe’s partnership with the Trestle Group Foundation helps female entrepreneurs in emerging markets by providing them with a specially selected female PepsiCo executive as a mentor.

Within our company, our commitment to diversity and inclusion encompasses the goal of achieving parity between women and men in our management and leadership ranks. We have made progress. Thirty-three percent of our Board members and 31 percent of our executives in the U.S. are women. While we are proud of the progress we have made, we remain focused on supporting the advancement of women at PepsiCo to achieve even greater gains.
PepsiCo is one of the leading purchasers of potatoes in the world, and a dedicated global partner on sustainable agriculture and responsible sourcing.

Find out how PepsiCo’s sustainability strategy has affected the way we grow, make and sell our savory snacks to benefit people and our planet.
We rely on the earth’s natural resources to create the potato chips that people enjoy around the world. As we expand our agricultural footprint in developed and developing markets, we are committed to minimizing the impact that our business has on the environment with practices that use less fertilizer yields more uniform chips and lowers carbon footprint.

For the second consecutive year, PepsiCo’s operations in India achieved positive water balance, enabling us to give back to society more water than we used to manufacture our products. To expand this achievement to other water-distressed areas where we have a presence, we began working with The Nature Conservancy, with a focus on selected watersheds in China, Mexico, Europe, India and the U.S. We plan to pilot the development of a locally focused, multifaceted assessment tool that will allow any of our global sites, including our potato chip manufacturing facilities, to identify its level of risk as well as watershed restoration strategies that are appropriate in that site’s specific physical, economic and community context.

Our Global Sustainable Agriculture Policy is designed to encourage all of us to operate in a way that protects and nourishes land and communities. Case in point: we are trialing the use of low-carbon fertilizers on potatoes, which will not only reduce the company’s carbon footprint, but has the potential to produce potatoes that are more uniform in size and yield more chips per acre.

With 350 British farmers, we launched an initiative in 2010 to cut carbon emissions and reduce the impact of applied water on U.K. farms by 50 percent over five years. We’re exploring a host of innovations with our growers, including i-crop “precision farming” technology to reduce applied water and The Cool Farm Tool software for measuring carbon emissions.

PepsiCo has its own potato breeding program, based in Rhinelander, Wisconsin, to develop new varieties of potatoes that have better disease resistance and storage lifetimes, leading to improved yields and solids. This can mean less land, water, pesticides, fertilizer and/or fuel needed to grow the same amount of potatoes. The better, longer storage lifetimes also mean we have to ship fewer potatoes over fewer miles.

In 2010, we announced numerous investments that will support emerging economies, including $2.5 billion in China over the next three years (in addition to the company’s $1 billion investment announced in 2008), and $250 million in Vietnam over the next three years. PepsiCo is also investing $3 million in Peru to create the Agricultural Development Center of Peru, the first of its kind for PepsiCo in Latin America, which will focus on new varieties of potatoes and other tubers and roots, with the goal of creating new products, and new income opportunities for Peruvian farmers.

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In the U.K., Walkers has significantly reduced sodium by 25 to 55+ percent in its products since 2005. In 2011, Frito-Lay in the U.S. expects to reduce sodium by nearly 25 percent, on average, across its entire flavored potato chip portfolio, including Lay’s. We continue to invest in new approaches to reduce sodium in our savory snacks that deliver great taste with a very significant reduction in sodium.

The company’s ability to reduce emissions and energy use is reflected in Existing Buildings Gold Certifications from the U.S. Green Building Council Leadership in Energy and Environmental Design (LEED). All together, PepsiCo has 27 LEED-certified facilities, including seven Frito-Lay sites in the U.S., its first in Russia and three certified facilities in China.

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Using heart-healthy oils to reduce saturated fats.

After removing nearly all trans fats from our U.S. product portfolio and many of our global products, we’re committed to reducing the saturated fat content of our key global food brands. One way is to use heart-healthy oils such as sunflower oil and rice bran oil. In India, for example, blended rice bran oil has led to a 39 percent decrease in saturated fat in leading products such as Lay’s potato chips.

Improving children’s health through exercise and better nutrition.

In the U.S., PepsiCo Foundation is cofounder of and a major contributor to the Healthy Weight Commitment Foundation—a coalition of businesses, nonprofit organizations and athletes committed to reducing obesity through a public education campaign for moms and kids, as well as school-based programs. PepsiCo also continued to support the YMCA of the USA to improve the health and nutrition of underserved African-American and Latino populations—a collaborative program that has reached nearly 40,000 people in 85 communities. And with the help of Frito-Lay associates, PepsiCo launched “Food for Good” in Dallas, Texas, in 2009. In the summer of 2010, Food for Good’s flagship initiative—a summer mobile feeding program that delivers healthy meals to children who depend on meals from school during the year—served more than 320,000 healthy meals, engaged more than 10,000 children in physical activities and created more than 100 jobs in Dallas and Chicago.

Helping consumers manage their diets with smaller packages.

Since 2007, Frito-Lay North America has offered many portion-controlled options, including 100-calorie packs, singles and multipacks of several products, to help consumers manage their caloric intake.

Increasing market share by responding to demand for all-natural ingredients.

We’re committed to introducing new product options in markets where consumers are looking for a variety of choices while maintaining great taste. In 2011, to build on Lay’s status as the number one snack brand in the U.S., 50 percent of all Frito-Lay’s snacks are expected to be made with all-natural ingredients, meeting the increasing needs of consumers for all-natural products.
Case Story Two

Pepsi-Cola

Pepsi-Cola, the company’s flagship brand, is known and enjoyed all over the world. PepsiCo also makes and markets a variety of other iconic beverages, including Gatorade, Mountain Dew, 7UP, Mirinda, Aquafina, Sierra Mist and Lipton Teas.*

* Lipton Teas made in partnership with Unilever.
Sourcing Impacts

Reducing the impact of packaging on the environment through new bottle technologies and recycling, and reducing added sugar to improve health, are important initiatives for Pepsi.

Developing bottles out of plants that can be recycled with regular plastic. PepsiCo has developed the world’s first 100 percent plant-based bottle — a 100 percent resin, zero-percent petroleum bottle that will help dramatically reduce our carbon footprint. The new bottle meets stringent performance requirements for our beverages and is fully recyclable with current PET streams. We will be scaling up the technology in 2011 for a pilot test market in 2012.

Leading the U.S. industry in reuse of plastic bottle resin. We’ve been an industry leader in the innovative use of food-grade rPET in beverage containers in the U.S. market. In 2010, we continued to meet our commitment by including an average of 10 percent rPET in our primary soft drink containers in the U.S.

Conserving water in our bottling operations. The China Beverage Industry Association honored 15 bottling plants in PepsiCo’s Greater China Region (GCR) with the 2010 Excellent Water-Saving Enterprises award, which is given by a panel of industry experts. Of a total of 44 award recipients, the 15 PepsiCo awardees represent 65 percent of PepsiCo GCR bottling plants.

Operational Impacts

From reducing the caloric content of our beverages to reducing the weight of our packaging, our operations are on a perpetual “diet” to reduce or eliminate our environmental impacts.

Helping consumers make easier choices on calories. In countries where we’ve already provided basic nutritional information, we’re working toward an additional goal — displaying calorie or energy counts on the fronts of packages. We have already implemented front-of-package labeling on a variety of our foods and beverages in many European countries, as well as in Australia. And we are rapidly expanding implementation in other countries, including the U.S., Canada, Mexico and Brazil.

Reducing packaging weight with lightweight closures. We continued to reduce the weight of our beverage containers in 2010 with the rollout of short-neck and lightweight closures for beverage packaging in sizes ranging from 355ml–2L. By the end of 2010, about 60 percent of our North American system (U.S. and Canada) converted to the new lighter-weight design, which reduced total packaging weight by more than 40 million pounds (equal to 1,664 million 500ml Eco-Fina 10.9g bottles). Conversion will be completed by the end of 2011. Similar success was achieved in Mexico, Peru and Argentina, as well as markets in Asia, the Middle East and Africa, which collectively reduced plastic resin use an estimated incremental 12 million pounds.

Developing sweeteners with fewer calories. Pepsi Max, containing no sugar but with a full flavor, is our fastest-growing beverage brand internationally since 2008, with significant product launches across the Middle East and China in 2010. Pepsi ONE, with only one calorie, is another successful brand. Pepsi Next, with 60 percent less sugar, will launch in test markets in the U.S. in 2011, and through our continued R&D investment, we will develop additional lower-calorie products.
Finding new uses for waste keeps landfills from filling.

In 2010, PepsiCo, including Pepsi-Cola facilities, generated an estimated 1.25 million metric tons of solid waste from our manufacturing facilities in the U.S. and U.K. Of that total, only 15.4 percent was discarded to a landfill, and 84.6 percent of waste generated was sent off-site for beneficial use, such as recycling.

MORE THAN 40 million POUNDS OF PACKAGING WEIGHT REDUCED

Partnering on the Dream Machine expands bottle and can recycling.

To improve can and plastic bottle recycling, the Dream Machine recycling initiative is introducing recycling kiosks and bins at popular public locations across North America. Since its launch in 2010, we have installed almost 500 kiosks, placed roughly 2,000 bins, and created recycling programs in more than 350 schools in 32 states. We also collected approximately nine million units and more than 450,000 pounds of plastic bottles and aluminum cans. The campaign is a PepsiCo partnership with Waste Management, Greenopolis and Keep America Beautiful. The kiosks are computerized receptacles that include a personal reward system, which allows consumers to earn points for every bottle or can they recycle in the kiosk. Those points can then be redeemed for local discounts on entertainment, dining and travel.

Developing sports-performance beverages supported by science.

Available in 80 countries, the Gatorade brand is backed by the Gatorade Sports Science Institute, which provides hydration and nutrition expertise, as well as extensive research on sports nutrition and exercise science, for health professionals, athletes and other active consumers. The leading facility of its kind, the Institute tests athletes in the lab and in the field of play to understand the unique challenges of maintaining optimal performance. With this perspective, Gatorade introduced in 2010 the G Series, a new line of tailored sports beverages that go beyond hydration to provide fuel, fluid and nutrients before, during and after intense exercise.

Creating products for changing tastes grows liquid refreshment share.

Pepsi-Cola has been a leading brand for decades, and we continually look for ways to expand the Pepsi line to meet the needs of a broader variety of consumers. Sierra Mist Natural, for example, launched in 2010, is made with nothing artificial — no preservatives, no artificial flavors and no caffeine — a reinvention of traditional lemon-lime soda made with only five simple and natural ingredients. We are also using an all-natural sweetener innovation in Gatorade, the number one sports drink brand in the U.S., to produce G2 Gatorade, which delivers the same electrolytes as Gatorade to help maintain hydration, but with only 20 calories per eight-ounce serving. And Mirinda, a popular soft drink around the world, is available in a range of fruit varieties, including orange, grapefruit, apple, strawberry, raspberry, pineapple, banana, passionfruit, lemon, hibiscus, tangerine and grape.

Giving back to the community through the Pepsi brand.

Launched in the U.S. and Canada in 2010, the Pepsi Refresh Project provided more than $20 million to fund a wide variety of projects across the U.S. — everything from building playgrounds, to providing musical instruments to students, to supporting energy-efficiency installations. In 2010, 84 million votes were cast for thousands of ideas, and 400 grants were awarded as Pepsi Refresh Project grantees were estimated to have touched more than one million people across the country. The Pepsi Refresh Project is going global in 2011.
Case Story Three

**Quaker Oats Products**

**Quaker Oats are good**

*for heart health, adaptable to local tastes and easy to prepare.* Oats can also be *grown with minimal environmental impact.*

Find out how PepsiCo is promoting sustainable agriculture and more food choices with this healthy grain.
Promoting “no till” techniques helps sow more oats.

While oats consume considerably less fertilizer than many other crops, we’re actively using and encouraging the use of safer agricultural chemicals and the recycling of agrochemical containers and packaging around the world, to minimize their negative impact on the environment. We’ve also promoted “no till,” a way of growing crops from year to year without disturbing the soil through excessive use of cultivation practices in the production of oats.

Reducing water-use intensity in manufacturing.

Water and energy efficiencies have long been an environmental focus at PepsiCo. Through 2010, PepsiCo has improved water-use efficiency by 18.7 percent for foods manufacturing, and 17.8 percent for beverage manufacturing. These conservation efforts translate to a water savings of nearly 13.8 billion liters compared with the 2006 baseline.

Redesigning packaging lowers emissions and fuel consumption.

Beginning in 2008, we reduced CO2 emissions by replacing the PVC tamper-band film with a PLA corn-based biopolymer film on all 18-ounce Quaker oatmeal and grits canisters. Since then, this change has removed 262.5 tons of PVC from the waste stream, which is equivalent to the CO2 emissions generated from 127,026 gallons of gasoline. This PLA film is made from a renewable resource and is certified to be compostable and biodegradable under certain conditions.

Reducing natural gas use with steam boilers.

Our Quaker Oats facility in Bridgeview, Illinois, installed two high-efficiency gas-fired steam boilers, which have reduced the facility’s natural gas use by 16 percent in 2010 compared with previous technologies, a savings of approximately $60,000 a year.
Creating biomass from oat hulls helps power a university.

The Quaker Oats Cedar Rapids plant supplies oat hulls, a milling byproduct, to the University of Iowa as an alternative energy source. Oat hulls represent approximately 20 percent of the fuel consumed at the University of Iowa power plant and 14 percent of its total purchased energy (fuel and electric).

Helping kids get a good start on the day with a healthy breakfast.

We know that Quaker Oats is a nutritious way to start the day. So we’ve worked with Magic Breakfast since 2007 to donate Quaker Oats and Tropicana orange juice to primary schools in the poorest parts of the U.K., where one in four children live in poverty and thousands go to school without having eaten breakfast. Magic Breakfast aims to provide a free, nutritious breakfast to each child who would otherwise start the school day too hungry to learn. By the end of 2010, the partnership supported 172 schools, up from 51 a year earlier, feeding more than 5,000 children each day in locations that include London, Birmingham and Manchester. Our target is to feed healthy breakfasts to 10,000 children daily by 2012.

Educating Chinese consumers through a cholesterol challenge.

In China, increased sales of our Quaker products have been a driver behind a 10 percent decrease in saturated fat per serving across our foods portfolio. The China Cholesterol Education Program, which launched a Quaker 30-Day Cholesterol Challenge Program, invites consumers with elevated blood cholesterol levels to participate. The program raised public awareness of the risks of high blood cholesterol and highlighted the importance of a healthy diet, along with regular exercise, to reduce cholesterol.

Drawing attention to our high-fiber, low-sodium and low-cholesterol products.

Three grams of soluble fiber daily from oatmeal, in a diet low in saturated fat and cholesterol, helps improve heart health. That’s why, in Canada, where consumers are looking for whole-grain foods, the company is elevating the entire Quaker portfolio, transforming more than 25 products by adding whole grain and reducing sodium and sugar. These changes are being signaled on Quaker packaging, as well. Meanwhile, Quaker Oats products are being offered as a healthy breakfast alternative in such leading food retail establishments as McDonald’s and Starbucks.
Case Story Four

Juices & Other Non-Carbonated Beverages

We’re growing our offering of great-tasting, nutritious, convenient and affordable juices and other non-carbonated beverages for consumers seeking variety and healthy options.

Find out how PepsiCo is sustainably expanding its portfolio of fruit juices, water and athlete-targeted G Series beverages from Gatorade that provide a range of health benefits.
Using less plastic to distribute more juice.

In the U.S., we are an industry leader in the innovative use of food-grade recycled PET in beverage containers. Our Naked juice is now in a 100 percent rPET RenewBottle in the U.S., and we are expanding use globally in 2011. In the third quarter of 2010, we began to sell 1.5-liter Tropicana containers made with 50 percent recycled PET in France, one of our busiest Tropicana markets. This change represents an annual savings of approximately 1.3 million pounds of resin. In 2011, we have plans to expand our use of recycled PET in countries outside the U.S. by more than 2.5 million pounds.

Certifying the impact of the orange juice product life cycle.

Tropicana Pure Premium orange juice became the first consumer brand in North America to be independently certified by the Carbon Trust. To measure its footprint, Tropicana partnered with third-party experts at the Columbia Earth Institute and the Carbon Trust to study every facet of the product life cycle—from growing and squeezing oranges to the packaging end-of-life recycling or disposal. We’ve also studied the components of our water footprint for Tropicana packaged in Belgium and produced with oranges from Brazil, to better understand the local impacts of our water use.

Making a statement with a 100 percent recycled bottle.

Naked juice became the first nationally distributed brand to transition to a 100 percent post-consumer recycled-PET plastic bottle. We use about 98 million pounds of bottle-grade post-consumer recycled-PET resin in our U.S. packaging portfolio—the largest by any soft drink manufacturing company in the U.S. It’s important to note that PepsiCo would use recycled plastic in all of its qualified bottles, if the supply of food-grade recycled-PET resin was available.

Piloting low-carbon fertilizers to lower the orange-growing footprints.

With almost 40 percent of the carbon footprint of orange juice production coming from farming—the main contributor is the manufacture of standard fertilizers—we launched a three-year, 7,200-tree pilot project in Florida in 2010, which is designed to compare low-carbon fertilizers with standard fertilizer and measure the impact on tree and soil health and juice quality. If successful, the greener fertilizers could lower the carbon footprint of PepsiCo’s citrus growers by as much as 50 percent and reduce the total carbon footprint of Tropicana Pure Premium orange juice by up to 20 percent.

Cleaning bottles with air saves billions of liters of water.

In the U.S., a technique for cleaning new Gatorade bottles with purified air, instead of water, has been so successful, we’re extending this and other conservation techniques to bottling plants around the world, with the opportunity to save billions of liters of water a year. The Aquafina brand also uses an innovative method to save water during its packaging process by feeding the pre-forms of bottles directly onto a blow molder. This technique produces a sanitary bottle and fills it directly, so there is no need to rinse the bottles with water.
Providing rewards to juice drinkers for active pursuits and to the planet.

The Juicy Rewards program was a first for Tropicana in 2010. Consumers who purchased participating Tropicana products entered codes at juicyrewards.tropicana.com for savings on thousands of healthy and family-friendly pursuits. In 2010, PepsiCo consumers redeemed 522,000 healthy rewards, which included everything from fitness equipment to a trip to a national park. In addition, through a partnership with Cool Earth, Tropicana consumers helped protect more than 341 million square feet of rain forest in Peru (juicyrewards.tropicana.com/rainforest).

Creating custom juices for digestion, energy and medicinal herbs.

In Russia, our Lebedyansky juice business has developed Tonus Active Plus, a new line of juices for health-conscious consumers. We are also growing our beverage portfolio in China with a variety of locally designed and developed products — Xian Guo Li seasonal juices and Cao Ben Le ("happy herb") drinks, which incorporate familiar Chinese medicinal herbs such as red dates and chrysanthemums.

Championing sustainable agriculture in support of human health.

One such example where we are integrating health, environment and agriculture is the sustainability-certification program we are developing for work with our suppliers, including our orange growers. This program is built on, and will fully integrate, three pillars: environmental, social and economic sustainability. The program brings growers along on the sustainability journey; it doesn’t presume that one day they’re unsustainable and the next they’re golden. And, most critically, participation in this program will help to let our growers know that sustainability is all about integrating multiple concerns.
Awards & Recognition

Ranked 1st in the Dow Jones Sustainability World Index Food and Beverage Sector
Listed for the 4th time to the Dow Jones Sustainability World Index
Listed for the 5th time to the Dow Jones Sustainability North America Index
Honored with ENERGY STAR’s “Sustained Excellence Award” in the U.S.
Awarded Mexico’s Social Responsibility Award for the 5th year
Recognized by 2010 Global Water Awards with “Environmental Contribution of the Year” Award
Acknowledged by Latina Style magazine as one of its Top 50 Companies
Scored 100 percent on the Corporate Equality Index, for seven consecutive years, for the Human Rights Campaign for our LGBT efforts
Ranked 2nd in World’s Most Admired Companies and 1st in 50 Most Powerful Women in Business by Fortune
Placed 3rd in Newsweek’s Green Rankings
Acknowledged by Black Enterprise as one of the Best 40 Companies for Diversity
Listed in Ethisphere’s World’s Most Ethical Companies
Ranked 5th by Reputation Institute CSRI of Boston College Center for Corporate Citizenship
Ranked 5th in America’s Most Respected Companies by Reputation Institute
Ranked 28th by Fast Company as one of the World’s Most Innovative Companies
Ranked 3rd in CR Magazine’s 100 Best Corporate Citizens
Ranked 49th in FT Bowen Craggs Index by Financial Times UK
Ranked 23rd in Best Global Brands by Interbrand
Ranked 35th in Asia 200 of Wall Street Journal Asia
Acknowledged by Working Mother as one of the Best Companies for Multicultural Women
GRI/UNGC Index
Self-checked Application Level B

Profile Disclosures

Strategy and Analysis
1.1 p. 4 CEO letter
1.2 p. 10–15 Key impacts, risks and opportunities

Organizational Profile
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2.2 W p. 6 Primary brands, products and services
2.3 W Operational structure of PepsiCo
2.4 W Headquarters location
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2.6 W Nature of ownership and legal form
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Report Parameters
3.1 FY2010 Reporting period
3.2 FY2009 Date of most recent previous report
3.3 Annual Reporting cycle
3.4 performancewithpurpose@pepsico.com Sustainability contact point
3.5 p. 5 Process for defining report content
3.6 W Boundary of the report
3.7 W Specific limitations on the scope or boundary of the report
3.8 W Basis for reporting on joint ventures, subsidiaries and other entities
3.9 W Data measurement techniques and the bases of calculations
3.10 W Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement
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3.12 W Table identifying the location of the Standard Disclosures
3.13 W Policy and current practice for report external assurance

Governance, Commitments and Engagement
4.1–4.3 (UNGC 1–10) W Governance structure
4.4 (UNGC 1–10) W Mechanisms for shareholders and employees to provide feedback to the board
4.5 (UNGC 1–10) DEFMA, p. 24 Pay-for-performance policy
4.6 (UNGC 1–10) W Processes in place for the board to ensure conflicts of interest are avoided

Performance Indicators

Economic
4.7 (UNGC 1–10) W Process for determining the qualifications and expertise of the members of the board for guiding PepsiCo’s sustainability program
4.8 (UNGC 1–10) W Internally developed statements of mission or values, codes of conduct and principles relevant to sustainability
4.9 (UNGC 1–10) W Procedures of the board for overseeing PepsiCo’s identification and management of sustainability performance
4.10 (UNGC 1–10) W Processes for evaluating the board’s sustainability performance
4.11 (UNGC 7) W Addressing precautionary approach by PepsiCo
4.12 (UNGC 1–10) W Externally developed sustainability charters, principles or other initiatives that PepsiCo endorses
4.13 (UNGC 1–10) W Memberships in associations
4.14–17 W Stakeholder identification, selection and engagement

Environmental
4.18 (UNGC 1–10) W Materials used and recycled input materials
4.19 (UNGC 1–10) W Energy-related activities
4.20 (UNGC 1–10) W Waste and disposal methods
4.21 (UNGC 1–10) W Transporting products and other operational impacts

Food Processing
4.22 (UNGC 1–10) W Process for determining the qualifications and expertise of the members of the board for guiding PepsiCo’s sustainability program
4.23 (UNGC 1–10) W Internally developed statements of mission or values, codes of conduct and principles relevant to sustainability
4.24 (UNGC 1–10) W Procedures of the board for overseeing PepsiCo’s identification and management of sustainability performance
4.25 (UNGC 1–10) W Processes for evaluating the board’s sustainability performance
4.26 (UNGC 7) W Addressing precautionary approach by PepsiCo
4.27 (UNGC 1–10) W Externally developed sustainability charters, principles or other initiatives that PepsiCo endorses
4.28 (UNGC 1–10) W Memberships in associations
4.29–37 W Stakeholder identification, selection and engagement

Labor Practices and Decent Work
LA3 W Benefits provided to full-time employees
LA7 (UNGC 1) W LTIR and fatalities
LA8 (UNGC 1) W Programs to assist workforce members, families and community members regarding serious diseases
LA9–12 W Employee training hours and career development programs and reviews
LA13 (UNGC 1 & 6) W Composition of governance bodies and workforce diversity

Human Rights
HR1 (UNGC 1–6) W Significant investment agreements that include human rights clauses or undergo screening
HR3 (UNGC 1–6) W Employee training on human rights

Society
SO3 (UNGC 10) W Percentage of employees trained in organization’s anti-corruption policies and procedures
SO4 (UNGC 10) W Actions taken in response to incidents of corruption
SO5 (UNGC 1–10) W Public policy positions and participation
SO6 (UNGC 10) W Political contributions

Product Responsibility
PR1 (UNGC 1) W Life cycle stages in which health and safety impacts of products and services are assessed for improvement
PR3 (UNGC 8) p. 22 Products and service information required by procedures, and subject to such information requirements
PR5 W Customer satisfaction practices and results
PR6 W Programs for adherence to laws, standards and voluntary codes related to marketing communications

Food Processing
FP1 p. 27 Programs and practices that promote healthy lifestyles; the prevention of chronic disease, access to healthy, nutritious and affordable food, and improved welfare for communities in need
FP6 p. 6 Products that are lowered in saturated fat, trans fats, sodium and sugars
FP7 p. 6 Products that contain increased fiber, vitamins, minerals, phytochemicals or functional food additives

W – Website AR – Annual Report DEFA4A – Proxy Statement
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Environmental Profile

This sustainability summary paper is certified by the Forest Stewardship Council (FSC), which promotes environmentally appropriate, socially beneficial and economically viable management of the world’s forests. This report was printed with the use of 100 percent certified renewable wind power resources, preventing approximately 2,280.80 pounds of carbon dioxide greenhouse gas emissions from reaching the environment. This amount of wind-generated electricity is equivalent to approximately 1,978.85 miles not driven in an automobile or approximately 155.16 trees being planted.

All of the inks used in this sustainability summary were formulated with soy-based products. Soy ink is naturally low in VOCs (volatile organic compounds, chemical compounds that evaporate and react to sunlight) and its usage can reduce emissions causing air pollution.

PepsiCo continues to reduce the costs and environmental impact of sustainability report printing and mailing by utilizing a distribution model that drives increased online readership and fewer printed copies.

We hope you can agree that this is truly Performance with Purpose in action. You can learn more about our environmental efforts at www.pepsico.com.

QR Code

A QR (Quick Response) code is a two-dimensional code that directs users to a specific Web destination, video or application. Readers should scan the code using the camera on their smartphone and an application specific to the phone’s operating system. Here are a few QR code readers we recommend: www.scanlife.com, www.i-nigma.com, www.neoreader.com.

PepsiCo Values

Our commitment:
To deliver SUSTAINED GROWTH through EMPOWERED PEOPLE acting with RESPONSIBILITY and building TRUST.

Guiding Principles

We must always strive to:
Care for customers, consumers and the world we live in.
Sell only products we can be proud of.
Speak with truth and candor.
Balance short term and long term.
Win with diversity and inclusion.
Respect others and succeed together.

PepsiCo’s sustainability summary contains many of the valuable trademarks owned and/or used by PepsiCo and its subsidiaries and affiliates in the United States and internationally to distinguish products and services of outstanding quality. All other trademarks featured herein are the property of their respective owners.

PepsiCo Website

www.pepsico.com

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