

FINAL TRANSCRIPT

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PEP - PepsiCo Annual Shareholders Meeting

Event Date/Time: May. 05. 2010 / 2:00PM GMT



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CORPORATE PARTICIPANTS

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PepsiCo - Chairman, CEO

Larry Thompson

PepsiCo - SVP - Government Affairs, General Counsel, Secretary

Arthur Martinez

PepsiCo - Chairman - Compensation Committee

CONFERENCE CALL PARTICIPANTS

Greg Quinlan

PFOX - President

Randall Smith

Corporate Accountability International - Senior Recruitment Organizer

Peter Flaherty

National Legal and Policy Center - President, Co-Founder

Kristin Urquiza

Corporate Accountability International - Director - Think Outside the Bottle Campaign

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Gregory Hughes

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Dave Dudus

PepsiCo - Employee

Mike Martin

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Richard Faye

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Tom Kinak

PepsiCo - Employee

Louis Malencia

International Brotherhood of Teamsters General Fund - Representative

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Corporate Accountability International - Senior Researcher

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PepsiCo - Shareholder

PRESENTATION

Operator

Ladies and gentlemen please take your seats for PepsiCo's 2010 annual meeting of shareholders. Kindly take a moment to turn off all cell phones and pagers. Today's meeting is being webcast and professionally photographed so please refrain from using video or photo equipment that will interfere with the quality of our webcast. Before we begin, please take note of our cautionary statement.



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This presentation includes forward looking statements based on currently available information, operating plans and projections about future events and trends. Our actual results could differ materially from those predicted in such forward looking statements but we undertake no obligation to update any such statements whether as a result of new information, future events or otherwise. Please see our filings with the Securities and Exchange Commission including our report on Form 10-K and subsequent reports on Form 10-Q and 8-K for additional information.

And finally, you should refer to the investor section of PepsiCo's website under Investor Presentations to find disclosures and reconciliations of non-GAAP financial measures used when discussing PepsiCo's full year 2009 financial results and the investor section of PepsiCo's website under Financial News and Events to find disclosures and reconciliations of non-GAAP financial measures used when discussing PepsiCo's Q1 2010 financial results.

Indra Nooyi - PepsiCo - Chairman, CEO

Good morning, everyone. On behalf of the PepsiCo Board and our entire management team I'd like to extend a warm welcome to all of you in the room and all those who are joining us via webcast. I thank all of you for attending PepsiCo's 2010 Annual Meeting.

I would also like to acknowledge those shareholders who have taken their time to share their views with us with the proposals they've submitted and by being with us here today. Of the three proposals that have been submitted, two with the proposals they've submitted and by being with us here today.

Of the three proposals that have been submitted, two related disclosure policies and one to the right of shareholders to call a special meeting. I don't know if Greg Quinlan is here. Is Greg Quinlan here? No. Greg Quinlan is one of the people who introduced a proposal. Then there's Peter Flaherty, Peter you're here? Welcome.

And Richard Truman, a representative of [Richard Truman,] Randall Smith are here to present those proposals. Thank you all for attending. Next, I'd like to extend a warm welcome to the PepsiCo leaders whose great visions shaped our company and whose legacy still benefit us today. First, I want to introduce a very special leader, our co-founder and former Chairman and CEO, Don Kendall. Don?

Next, I'd like to recognize Jan Calloway. Jan's late husband, Wayne Calloway succeeded Don Kendall as our chairman and CEO and Jan, thank you very much for making the trip to be with us here today. Jan Calloway, ladies and gentlemen.

I'm also extremely pleased to tell you that another former Chairman and CEO, Roger Enrico is here with us today. Roger? We're also grateful to have representatives from one of the founding families of Frito Lay, the Doolin family. I'm sorry Doolin. Some of the Frito Lay founders C.E. Doolin and his wife Kitty. Doolin, I think El is here, isn't he? El. Thank you for coming. I'm sorry we missed Kitty but please give her our regards.

June 8 of this year marks the 45th anniversary when the shareholders of the Pepsi Cola Company and the Frito Lay Company approved the merger to form PepsiCo. And this was a momentous occasion in PepsiCo's history and I'm delighted to be standing here with one of the members of the founding families as well as Don Kendall, the two families that sort of engineered this merger. And this shows how strong that partnership that was set up many, many years ago remains today. So thank you to both of you.

Now I'd like to welcome the members of our Board of Directors and I'd like to have them stand as I call their names. Shona Brown. Ian Cook. Ray Hunt. Albero Iburguen. Arthur Martinez. Sharon Percy Rockefeller. James Schiro. Lloyd Trotter. And Dan Vasella. Unfortunately, Dr. Victor Dzau is unable to be with us today as he's been asked by the President to serve on the National Cancer Task Force reviewing the performance of the National Cancer Institute.



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Next, I'd like to welcome our experienced leadership team whose dedication to the future success of our company is second to none. We have several members of the team here today and let me just introduce them to you. There's John Compton, a 26 year veteran of PepsiCo who leads PepsiCo Americas Foods, which spans all our snack and food businesses in the North America -- in the Americas. John Compton.

Massimo D'Amore. With 30 years in the global consumer space and 15 years with PepsiCo provides leadership for PepsiCo Beverages Americas as well as operational leadership for Gatorade, Tropicana and our Latin American franchise businesses.

The newest member of the PepsiCo family is Eric Foss. He has 28 years, you know, in the past when the bottling company was part of PepsiCo, now he's back with PepsiCo and he brings extensive operation experience to the role of being the leader of the -- the newly acquired bottling company. And we'll talk more about this beverage system and the bottling acquisition later, but Eric, I'd like to extend a warm welcome to you and all of the bottling associates here in the room. So welcome back to the PepsiCo family.

And then Hugh Johnston is a 23 year veteran of the Company. He's brought broad experience in finance, M&As, [tragedy], general management and he recently took on the roll of the Chief Financial Officer of PepsiCo succeeding Richard Goodman who stepped into another role. So Hugh, welcome to your new role.

And I'd like to mention two other members of my leadership team who are over seas running their businesses. Zein Abdalla. A 30 year veteran in the consumer goods business and more that 14 years at PepsiCo. He runs our European business and he's there busy running the business.

And Saad Abdul-Latif, a 28 year PepsiCo veteran who leads our Asia, Middle East and Africa regions. I'd also like to give special thanks to our General Counsel Larry Thompson. Larry, thank you for helping us run this meeting efficiently and thank you for being such a great partner. Really appreciate it.

And then a very, very special welcome to Al Carey. Al Carey is the CEO and President of Frito Lay North America, the host to this shareholder meeting. Al has been a special, special employee of PepsiCo for over 29 years, 21 of those right here in Frito Lay and Frito Lay, as most of you know is the Company's largest North American business and as of year-end, 2009, it's the fastest growing consumer packaged goods company in the United States. So Al has done a brilliant job leading Frito Lay North America. So Al, thank you very much for serving as host and thank you for all you do for PepsiCo. Thank you.

So let me now turn to 2009 and provide a recap. You know, 2009 was quite an eventful year for the global economy and certainly an action-packed year for PepsiCo. The economic environment was challenging to say the least. We saw GDP declines across the developed world, across eastern Europe. We saw significant slow down in growth rates in other markets. We saw the rapid rise of unemployment in many, many countries of the world and the resulting change in consumer spending patterns in many countries of the world.

But in spite of the fact that the environment was difficult, I believe PepsiCo did a terrific job managing costs, delivering profitability while investing for the long term. For example, even though in North America, the beverage category dynamics are very, very difficult, we continued to invest to refresh our beverage portfolio and put us in a position of strength as the economy recovers. And all the revamping activities we did in 2009 are completed. Our innovations are now beginning to appear on the shelves and the momentum looks pretty good.

And to create a more advantaged beverage system, we initiated a merger with our two largest bottlers and we successfully closed the transaction as planned in the first quarter of this year. This merger with our bottlers makes us more efficient, gives us more speed, gives us more flexibility. And as one PepsiCo, we can deliver cost savings while increasing our capabilities to meet the needs of our shoppers, our consumers and our retail partners.



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In spite of the fact that we did this major transaction in 2009, we refreshed all of our beverage portfolios, navigated through these difficult macros, we delivered pretty good financial performance. Net revenue grew 5% on a constant currency basis. Core division operating profit rose 6% on a constant currency basis. Core EPS grew 6% on a constant currency basis. And management operating cash flow excluding certain items reached \$5.6 billion up 16%.

And in 2009, we paid out \$2.7 billion in dividends. And last year, we increased our dividend for the 37th consecutive year from \$1.70 to \$1.80 which was a 6% increase last year. And just for your information, between 2002 and 2009, we returned \$37 billion to shareholders through share re-purchases and dividends. \$37 billion. And since last May, PepsiCo's stock prices performed pretty well. It increased 33% which is better than the S&P 500 and about ten points better than the average of all other consumer goods companies.

But as most of you know, PepsiCo's more than just a great performance story. The mission of our company is performance with purpose, something we've shared with you and discussed with you over the past few years. Simply put, performance with purpose is about doing better as a company by doing good for each of the communities that we interact with.

The first plank of purpose is human sustainability. Our goal is to offer consumers a range of high quality, enjoyable and wholesome foods and beverages. Our goal is to improve nutrient labeling, support nutrition education in order to make -- encourage people to make healthier choices and live healthy.

And we made significant progress in 2009. One of the major actions we implemented during the year was a complete revamp of our R&D team. With the addition of people like Dr. Heidi Sauter who came to us from a consumer packaged goods company, [Dr. McIntyre] who came with tremendous protein experience. Dr. [Greg Yip] who came with flavor experience. Dr. George Mensah who came to us from the CDC. Of course, under the leadership of Dr. Mehmood Khan who's our Chief Scientific Officer who comes to us with impeccable credentials. I believe we have assembled an R&D team second to none in the consumer goods space.

You should expect to see a lot of exciting science based innovations come out of this team and come out of PepsiCo. We maintained our drive to have healthier products. For example, in the United States, we launched Trop 50, a Tropicana with 50% less sugar and calories and we launched Zero Calorie Sobe Life Water. Both are naturally sweetened with Stevia. Trop 50 is already a \$100 million brand in the first year of its introduction and Sobe Life Water is drawing between 50% and 70% every quarter.

PepsiCo South America Foods launched Twistos, a bread snack, and extended Mexico's healthy Quaker snacks to Chile. And I'm just giving a few examples. In India, we introduced Baked Aliva Crackers. And in China we launched a line of products based on traditional Chinese medicine under the brand name of (inaudible). Great tasting products. But that's the portfolio transformation.

Beyond that, we're also supporting programs that encourage people to get active, including programs such as Vive Saludable Escuelas, this is a get active program in Mexico. We have a partnership in the United States with the YMCA supporting Activate America. In the UK, we are a key participant in the Change for Life Program which is aimed at encouraging parents to take their kids out to play more. In India we have a program called Get Active which is targeted at kids to increase physical activity.

But here in the United States, we are proud to have played a key part in the creation of the Healthy Weight Commitment Foundation. It's a US based collaboration of more than 60 companies who are food and beverage manufacturers, retailers and NGOs and our goal is to provide and promote solutions that will help people achieve a healthy weight by balancing the calories they consume and the calories they burn.

Lastly, on human sustainability. I'm proud of PepsiCo's Food for Good initiative. It began as Project Hope right here in Dallas and the goal of this program is to create sustainable social businesses that will help transform inner city communities by increasing access to affordable nutrition and providing local employment and jobs skill development through community partnerships. So we feel very good about all the work we've done on human sustainability.



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The second plank is environmental sustainability. Being a good steward of the planet's natural resources, be it water, energy or packaging waste. Let me just give you a few examples. Most recently, we opened a facility in Chong Ching in China that is designed to use 22% less water and 23% less energy than all other facilities that existed in China. Now, we have developed it there. We can export it around the world.

And in the United States, our Frito Lay brand has developed a fully compostable chip bag for Sun Chips and the facility in Arizona which produces them has just received the Environmental Contribution of the Year Award at the 2010 Global Water Awards.

One of our other goals is to achieve positive water balance across all of our businesses. For every liter of water we use, we would like to return one to the earth. I know it sounds impossible but let me tell you we've already achieved this across our PepsiCo India beverage operations and it's just one step in the overall journey to reduce our water balance.

Our progress in any of these initiatives would not be possible without the [total] aspect of purpose, our people. Talent sustainability is about creating an environment within PepsiCo. With that, our employees feel they can bring their whole selves to work. It's about allowing our people not to view PepsiCo as a place where they can make a living but a place where they can have a life as well. As part of this, we've made training and development extremely important to the Company and we are augmenting training and development now with experiential learning for key leaders so that they know what they have to do as the Company grows and expands globally.

Diversity and inclusion is also a key part of talent sustainability. To that end, we've increased the number of women and minorities in management across the globe and the current diversity tone over at approximately 4% is the lowest in PepsiCo's history. And our efforts in talent sustainability has earned us external recognition as well. Fortune Magazine's Top Companies for Leaders List ranks us there. CR Magazine's 100 best Corporate Citizens, Reputation Institute America's Most Respected Companies, the list goes on and on, but the world is noticing.

In every country, in every business of PepsiCo around the world you will see performance with purpose in action. It has truly energized our whole organization but more importantly, the wonderful thing about performance with purpose is that our purpose initiatives are not just the right thing to do for the corporation but these initiatives also make great economic sense.

For example, the transformation of our portfolio to better for you and good for you products is critical for us to sustain our top line growth. And environmental sustainability delivers cost savings because we reduce waste from packaging, we recycle more and the work we do with farmers promotes sustainable agriculture which improves farmers' yields and in turn, reduces cost of the produce to us.

As for our people, they are what make PepsiCo successful, so talent sustainability is critical to our performance. So performance and purpose go hand in hand. One cannot exist without the other and we feel great that we're leading by example because we know that a healthier future for all people and planet is what allows PepsiCo to deliver great performance.

Now let me turn to 2010 and beyond and discuss the exciting future in front of us. I'll be honest with you. The economic environment in which we are operating continues to be mixed. While it is true that we are seeing some signs of economic recovery, unemployment levels in the developed world still remain at historical levels -- historical low levels. I hope we are not in a statistical recovery and a human recession. Unemployment levels have to come down and that is the hope of people in economies across the world and that is our heartfelt hope too.

But beyond the economic trends that we're seeing around the world, we're seeing other trends that are, you know, increasing in importance. Consumers are getting more and more focused on health and wellness. There is a tremendous focus on childhood obesity. But while these trends happen, our goal is to be part of the solution. For example, we are providing more food and beverage choices that contribute to healthier eating and drinking for all ages. We are marketing responsibly and we're supporting physical activity programs around the world.



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The other trend we're seeing is that the retail environment is evolving and it's consolidating in some places and fragmenting in other places as our retail partners search for ways to differentiate themselves in this very difficult environment. Many of our retail partners are launching different types of store brands, different tiers of store brands, all the way from value offerings to premium offerings. And in quest for the differentiation, retailers are now beginning to become marketers and merchandisers. So in a way they are our partners and they're our competitors. So what we have to do in turn is to re-tool our capabilities for this new retail environment.

The good news is that, in this new retail world, we are uniquely positioned to succeed because we have world class direct store door delivery systems and we believe PepsiCo has an advantage over any food and beverage company to provide outstanding service to retailers and increase (inaudible).

Putting all the things that are happening in the environment together, I believe as we go into 2010, the environment remains complex, it remains dynamic, it remains difficult. Delivering great performance in this environment is only for the best and the most agile companies. And I'd like to offer to you that PepsiCo clearly is among the best and the most agile because with nearly \$60 billion in revenues, we are the second largest food and beverage business in the world and the largest food business -- food and beverage business in North America.

And we're not just large among the food and beverage companies, we're the third largest consumer packaged foods company in the world and the largest consumer packaged goods company in the North America. I think this is an incredible position of strength but we have more than size in our favor. We are a formidable company because of the incredible structural and operational capabilities we possess. For example, we have a terrific portfolio of products that have become increasingly global. The balance between developed markets and emerging markets. There's also good balance between food and beverages. We're also becoming increasingly balanced between fun for you products and good for you products.

And our brand portfolio is phenomenal. We have 19 brands which generate more than \$1 billion of retail sales each. You know, what's even more amazing is ten years ago, the number was only ten brands. So in the period of ten years, we've added nine brands which have retail sales of more than \$1 billion each.

We have a highly integrated business system and our reach as a company is terrific. We reach 1 billion retail outlets every year globally. 1 billion retail outlets as PepsiCo globally. But most importantly, we have an excellent, experienced leadership team. And that's what makes PepsiCo such a special place. So going into 2010, we remain more committed to performance of purpose than ever before.

So let me spend a little bit of time talking about performance. We've outlined four imperatives to help us deliver strong performance in 2010 and beyond. The first is to build and extend our macro snacks portfolio. You know, PepsiCo is the largest player in the category that is huge and there's tremendous room for growth.

Our goals in this business worldwide are to grow the core salty snack business that we're in and expand into adjacent categories like crackers, baked snacks and we'll do that in existing markets and in all new markets, we will rapidly expand our core business. So that's the core strategy of our macro snack business. But while we're doing that, we will incorporate local tastes, local heritage into our products and we will engineer layers of advantage so we can make a pretty good buck in each of these markets.

We're going to invest in proprietary C technology proprietary processing technology and proprietary packaging technology. And while we're doing all of this, we will invest to make the portfolio healthier while maintaining the great taste our products are known for. So that's the macro snack story.

The second imperative is to sustainably and profitably grow our beverage business worldwide. The first goal here is to take our very profitable North American beverage business and sustainably grow it into the future. And in emerging and developing markets we have to keep investing because the growth there is simply spectacular.



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While we're doing that, we will also continue to provide more beverage choices made with natural and wholesome ingredients and those beverage choices that contribute to a healthier living. The great news is that all of efforts we started on refreshing our beverage portfolio in late 2008 and 2009 are beginning to pay dividends. Brand equity scores for our key beverage brands are up across the board and most encouragingly, all of the innovation in the market is now beginning to deliver growth. So that's the beverage story.

The third imperative is to build and expand our nutrition business. You know, PepsiCo currently in its portfolio and its \$60 billion company has a \$10 billion portfolio of what we call good for you products. Products such as Tropicana, Quaker Oats, [Sabra] Dips and if you're an athlete, Gatorade.

And then in the dairy business, we have a joint venture with a company called Almarai. So we have a pretty good portfolio of good for you products. Our goal is to rapidly build out this good for you business globally both organically and through certain acquisitions. And we believe this \$10 billion good for you company within PepsiCo has the potential to grow to \$30 billion by the year 2020. So that's the imperative on nutrition -- expanding the nutrition business.

beverages and snacks. Both these businesses have high velocity. They have great relevance for retailers across the globe. Because they are high velocity, they drive a lot of retail traffic, they are very profitable and they deliver exceptional cash flow to retailers. And our goal is to leverage this portfolio which has high coincidence of consumption by offering tremendous bundled value to consumers. We want to enhance our marketing activities for these two categories. And leverage in-store merchandising to leverage this coincidental consumption.

We will also accelerate power of our supply chain and back office synergies in many regions to reduce costs, improve profitability and enhance customer service. We are committed to delivering on these goals which we believe will enable us to deliver total shareholder returns in the top quartile of our industry group. So those are the four imperatives to drive our performance.

And if you look at our performance in quarter one as stated in our recent earnings call, we are starting off the year quite strongly. In constant currency, net revenue grew 11%. Core division operating profit was up 10% and core earnings per share grew 8%. But most importantly, we reaffirmed our full year guidance for 11% to 13% core constant currency EPS growth.

Now for all of you shareholders, we also recently raised the annual dividend by 7% as of June 30, 2010. And this is the 38th consecutive increase for the dividends. And we also authorized the share buy back of up to \$15 billion of PepsiCo common stock to through 2013. And this is all decisive action to return value to all of you, our shareholders. So at this point if you want to give us a round of applause we'll take it.

So we feel pretty good about the performance we've achieved. Let me turn briefly now to talk about what we're going to do on purpose going forward. Let me talk about the progress we're going to make on human, environment and talent sustainability. The progress we've made through 2009 has been terrific as I talked to you about earlier, but we're going to take all of our activities to new levels.

We recently published our goals in a document called The Promise of PepsiCo. I think all of you have it either with your papers or under your chair. And they are also on the display board on the side, if you get a chance to read them. What we've done in this document is we've made commitments to really, you know, indicate to everybody where PepsiCo is headed as a company over the next decade. And our commitments here underscore our belief that delivering our purpose goals was critical in order to deliver superior sustainable financial performance. And if you read through this, you'll see that performance and purpose go hand in hand, one cannot exist without the other.

For example, in human sustainability, we've committed to reduce sodium, saturated fat, added sugar in addition to providing more food and beverage choices made with wholesome ingredients such as whole grains, fruits and vegetables. Our commitments also include continuing to actively work with global and local partners to address global nutrition challenges. Let's take a look at human sustainability at work.



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(VIDEO PLAYING)

Indra Nooyi - PepsiCo - Chairman, CEO

In environmental sustainability, we have committed to bold goals around the globe which includes reducing our water usage, increasing recycling levels, reducing our carbon footprint, engaging in sustainable farming and helping local communities in the areas of water conservation, efficient agricultural methods and increasing access to safe water. As an example, on Earth Day a couple of weeks ago, we launched the Dream Machine. It's a recycling initiative designed around PepsiCo's goal of increasing US beverage container recycling rate from 34% to 50% by the end of the year. Let's listen to what people are saying about it.

(VIDEO PLAYING)

Indra Nooyi - PepsiCo - Chairman, CEO

Let me explain. These recycling machines are going to go all over the country and the whole idea is we want to encourage you to first of all tell you that the machine is at arm's length. You can find it all over the place. You drop the bottle into that machine, whether it's a bottle or a can and it will print out a little receipt and with those points you can either redeem it for all kinds of merchandise and all of the recycling waste is then sent to a waste management depot which then grinds it up into ground plastic or rolls it up into can waste and that ground plastic comes back to our bottling plant so that we can incorporate it into our bottles.

So we're reducing the carbon footprint because it's now a very distributed event and we get all of the recycled [PTTUs] in our bottles so it's a closed-loop system. But what is really exciting about this program is for every pound of recycling waste that we get back, we're going to make a contribution to this veterans' organization. These are veterans with disabilities and there's an organization that pays to send them to business school and get re-tooled. And we believe that we need to engage consumers with the heart rather than just the head and the hand.

And that's why we want to tell them, look, you can get a benefit for yourself, yes, you can recycle it keeps America beautiful but you're also serving a great cause which is putting veterans, you know, rehabilitating them. It's a wonderful program and that's why we call it the dream machine because it makes the dream of keeping America beautiful happen. It brings veterans' dreams to life and it does good for you. Now, there's a machine right behind this wall if you want to take a look at it and see what it looks like. Please feel free to do so after the meeting.

So that's our environmental sustainability commitment and where we're going with it. Look for these machines all over the country over the next few months and years. And in talent sustainability, we have committed to continue to invest in our employees to help them succeed and develop the skills they need to drive our group. Our commitment to diversity and inclusion remains as strong as ever. We're also committed to contributing to better living standards in the communities we serve by supporting associate volunteerism and through the PepsiCo Foundation, matching eligible associate chargeable contributions globally dollar for dollar. Giving back to the communities where we live and work is important to all of us at PepsiCo. And let me show you a brief video of how our associates give back.

(VIDEO PLAYING)

Indra Nooyi - PepsiCo - Chairman, CEO

Very proud of what we stand for as a company. I believe we are a company led by an incredible group of talented executives but more importantly supported by committed front line group of winners. But let me just draw my remarks to a close. I believe PepsiCo is a company with a soul, a company with a rich heritage but more importantly, a company with a bright future. We're



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a company that's poised to continue to grow and deliver steady and attractive cash flow and return to you, our shareholders, while being a responsible citizen in every community in which we operate. That is performance of purpose and that is the promise of PepsiCo. Thank you for listening. And I'll now turn the meeting over to Larry Thompson. Larry? It's all yours.

Larry Thompson - PepsiCo - SVP - Government Affairs, General Counsel, Secretary

Thank you Madame Chair. 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. It is now in order to proceed with the meeting and I hereby declare the polls to be open.

Now, if anyone has not yet voted, and wants to vote by ballot during the meeting, please raise your hand. We have staff assistants who will distribute ballots to you. Please remember to vote on all items, not just the ones on which you may want to change an earlier vote. If you've previously voted by proxy, you do not need to vote today unless you wish to change your vote. Now that we have a quorum, I declare this meeting to be duly convened for purposes of transacting such business as may properly come before it in accordance with state law and our bylaws.

Indra Nooyi - PepsiCo - Chairman, CEO

We have six agenda items this morning. The first is the election of Directors, second is the ratification of auditors, approval of an amendment to the PepsiCo Inc, 2007 long-term incentive plan and three shareholder proposals.

In proceeding with the meeting, we will introduce all agenda items and then we will open the floor for questions. I ask you to hold all questions on our agenda items until we actually open the floor and please direct your questions only to me. You will have five minutes to present each shareholder proposal so let's begin with the first item which is the election of Directors. I call for nominees for election of Directors of the corporation.

Unidentified Participant

(inaudible - microphone inaccessible)

Unidentified Participant

Madame Chairman, I second that motion.

Indra Nooyi - PepsiCo - Chairman, CEO

Thank you. We now turn to our second agenda item. May I have a motion with respect to the appointment of auditors for the year?

Unidentified Participant

Madame Chairman, I move that the appointment of KPMG LLP as the independent registered public accountants of the corporation for the ensuing year be ratified.

Unidentified Participant

Madame Chairman, I second this motion.

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Indra Nooyi - PepsiCo - Chairman, CEO

Thank you. I'd like to now introduce to you John Chapman, representing KPMG LLP. John? Thank you, John. Thank you. Our next item is the approval of an amendment to the PepsiCo Inc., 2007 long-term incentive plan. May I have a motion for the approval of the plan?

Unidentified Participant

Madame Chairman, I move that the amendment to the PepsiCo Inc. 2007 long-term incentive plan be approved.

Unidentified Participant

Madame Chairman, I second this motion.

Indra Nooyi - PepsiCo - Chairman, CEO

Thank you. Our next item of business is a shareholder proposal submitted by Ms. Estella Salvatierra regarding charitable contributions reporting. Mr. Greg Quinlan will now introduce the proposal. Greg good morning. Welcome.

Greg Quinlan - PFOX - President

Good morning. Thank you. Ms. Nooyi, last year at the same events you said that PepsiCo is committed to diversity and inclusion without imposition of personal judgment. So why does PepsiCo continue to fund organizations that hate ex-gays like me? PepsiCo Inc. is the leading corporate sponsor of Parents and Families, Friends of Lesbians and Gays known as PFLAG. PFLAG's latest publication, a religious guide book, instructs its members to protest against religious conferences which feature ex-gay speakers like me. PFLAG's religious guide book even directs members on how to create picket signs for these protests. It also urges members to hold press conferences and issue press releases against ex-gay religious events to remind people that there is more than one faith message.

My church welcomes the ex-gay community. Why does PepsiCo fund groups like PFLAG that disrupt Christian events which support former homosexuals like me? Why does PepsiCo fund an organization like PFLAG which issues religious publications urging readers to undermine other religions with which PFLAG disagrees? Why does Pepsi fund hate? Why?

Unlike CocaCola Company, dare I mention it, PepsiCo refuses to divulge the exact amount of money it donates to various groups. This secrecy by PepsiCo leads to misuse of corporate funds. For example, PepsiCo says that it gave over \$100,000 last year to PFLAG but refuses to specify the exact amount. In past years, that amount has meant as much as \$0.5 million.

This means that Pepsi may give away \$500,000 or more in corporate earnings to a controversial organization to help fund its religious viewpoints and political agenda. Pepsi helps fund religious bigotry and hatred. The Coca Cola Company lists the exact amounts of its corporate donations. Pepsi should do the same.

Why is PepsiCo hiding this information? Really, in the era of Bernie Madoff, Enron and bank failures and the like, Pepsi must be accountable. Pepsi must be transparent to her shareholders and customers but you're not. PepsiCo is listed on the PFLAG website as a founding sponsor of PFLAG's so called straight free quality program. This program is aimed at heterosexuals. It gives heterosexuals a list of ten things they can do to be what they call a straight ally in their church. This PepsiCo funded program also publishes a straight free quality in healthcare. Manual for heterosexual doctors and nurses. I happen to be a registered nurse, by the way.

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This PFFLAG manual misquotes medical associations in an attempt to discredit the ex-gay community. The manual also labels our lives as snake oil and deceitful. It makes a list of groups to avoid called Meet the Snake Oil Salesmen. Ladies and gentlemen, I am not a snake oil salesman. Three ex-gay groups are listed here. One of them is parents and friends of ex-gays and gays, PFOX. My name is Gregory Quinlan and I am the President of PFOX and I am an ex-gay man.

Madame Chair and Board of Directors, I can tell you that almost everything said about PFOX on page A29 of the PepsiCo funded manual is a lie. Why would you donate one dollar to spread this kind of hate against people like me? Why? I'm asking you here and now to correct these lies about PFOX on PepsiCo's website so you can immediately undo some of the damage you have paid for.

Ms. Nooyi, you lead PepsiCo's diversity in the inclusion governance counsel. I don't want to hear any more words from you about diversity and inclusion. I want to actually see you practice it. As for Peggy -- thank you -- as for Peggy Moore who represents PepsiCo on the PFFLAG board workplace diversity committee, she should be fired because she doesn't know the first thing about diversity if she can't respect people like me.

And PepsiCo should resign immediately from PFFLAG's so-called diversity committee. Why would PepsiCo sit on a committee that defines diversity to only include those people whose religious ideology they agree with? Miss Nooyi and PepsiCo's Board of Directors, you make these decisions because of replicated scientific studies supporting specific biological etiology for homosexuality? I can answer that for you. It doesn't. because there's zero evidence. Zero that anyone is born homosexual. Zero.

Once again, I urge the PepsiCo Board of Directors, yes, each and every one of you to do your jobs and hold PepsiCo to the ideals and standards it claims to follow. I shouldn't have to come here year after year asking PepsiCo to stop funding hate against people like me.

The PepsiCo charitable contributions shareholder proposal asks PepsiCo to fully divulge its funding to groups and account for how the Company's charitable contributions are actually used. A reasonable request, otherwise, PepsiCo's actions will adversely affect its public image and good will. Thank you.

Indra Nooyi - PepsiCo - Chairman, CEO

Thank you, Mr. Quinlan. And before we call for a second, let me just take a minute to share PepsiCo's position on this matter as outlined in the proxy statement. You know, PepsiCo and the PepsiCo foundation are committed to developing sustainable partnerships and programs in under served regions that provide opportunities for improved health, environment and education. We're also committed to diversity and inclusion in our businesses so that we can serve and appreciate our many different communities and consumers without the imposition of personal judgments.

As previously mentioned to you in years past, PepsiCo's shareholders and the public in general are provided with abundant information regarding PepsiCo's corporate social responsibility and foundation activities. And the details regarding PepsiCo and PepsiCo's foundation grant guidelines and a list of donations by PepsiCo and the PepsiCo foundation are featured prominently on the PepsiCo website.

Accordingly, it is very clear that the goal underpinning the proposal under consideration has already been accomplished. Our preparation of such a report will not be an effective use of PepsiCo's resources. But with that said, is there anyone to second Mr. Quinlan's motion?

Unidentified Participant

I second the motion.

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Indra Nooyi - PepsiCo - Chairman, CEO

Thank you. Our next item of business is the shareholder proposal submitted by Mr. Richard R. Truman concerning the right to call a special shareholder meeting. Would the representative of Mr. Truman please introduce himself and the proposal?

Randall Smith - Corporate Accountability International - Senior Recruitment Organizer

Good morning. My name is Randall Smith and I'm an organizer with Corporate Accountability International and we've been asked to introduce a proposal entitled A Right to Call Special Shareholder Meetings, Proxy Item Number Five, as a courtesy to the sponsor, share owner, Richard Truman of Highland, New York.

For the record, we want the following resolution be adopted as follows -- resolved, share owners ask our Board to take the steps necessary to mend our bylaws in each appropriate governing document to give holders of 10% of our outstanding common stock or the lowest percentage allowed by law above 10% the power to call special share owner meetings. This includes that a large number of small share owners can combine their holdings equal to the above 10% of holders. This includes that such bylaw and/or charter text will not have any exception or exclusion conditions to the fullest extent permitted by state law that apply only to share owners but not to management and/or the Board.

Special meetings allow share owners to vote on important matters such as electing new Directors that can arise between annual meetings. If share owners cannot call special meetings, investor returns may suffer. Share owners should have the ability to call a special meeting when a matter merits prompt attention.

This proposal does not impact our Board's current power to call a special meeting. This proposal topic has won more than 60% support of the share owners of the following companies in 2009 -- CVS Caremark, Sprint-Nextel, Safeway, Motorola and RR Donnelley.

Proponents encourage our Board to respond positively to the proposal. In addition, for the record, Corporate Accountability International supports proposals such as this one that foster more transparent and equitable corporate governance and gives shareholders as well as other stake holders the opportunity to hold corporations and corporate executives responsible for their actions. Thank you.

Indra Nooyi - PepsiCo - Chairman, CEO

Thank you, Mr. Smith and we appreciate your input. But before we call for a second, let me take a minute to share PepsiCo's position in this matter as outlined in our proxy statement. PepsiCo believes that the right to call a special meeting of share holders is an important right because our shareholders play an important role in PepsiCo's corporate governance processes. As such, PepsiCo's bylaws were amended earlier this year to permit a special meeting to be called by shareholders owning a minimum of 20% of PepsiCo's outstanding stock.

You know, special shareholder meetings are expensive, they're time consuming for a company of our size due to the legal cost to prepare, print and mail the required documents and the time commitment required of our Board of Directors and members of our senior management to prepare for and conduct such a meeting, a meeting much like the meeting you're attending today, all of which creates significant diversions of management time and financial resources.

Furthermore, the proposal provides no basis as to why a 10% ownership threshold would benefit PepsiCo or its shareholders. In fact, the proposal could require PepsiCo to hold an unlimited number of special meetings even when the same matter has recently been addressed or is expected to be considered by PepsiCo shareholders at another scheduled meeting such as, you know, the annual meeting we're having today.

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So to avoid such unnecessary costs, our bylaws currently provide that we're not required to hold a special meeting to address a matter that our shareholders are scheduled to address in an upcoming annual meeting or that our shareholders have recently addressed at a prior annual or special meeting.

We believe that PepsiCo's current 20% threshold better protects the interests of our company and our diverse shareholder constituency and is consistent with the governance practices at other large public companies that allow shareholders to call special meetings.

In addition, the rights stated in our bylaws strikes the appropriate balance between the shareholder right to call a special meeting and the need for careful safeguards and responsible use of the Company's resources. Therefore, shareholders need not support this proposal. With that said, is there anyone to second this motion?

Unidentified Participant

I second the motion.

Indra Nooyi - PepsiCo - Chairman, CEO

Thank you. Our next item of business is the shareholder proposal submitted by the National Legal and Policy Center regarding an annual report on public policy activities. Mr. Peter Flaherty will now introduce the proposal. Mr. Flaherty?

Peter Flaherty - National Legal and Policy Center - President, Co-Founder

Thank you, Madame Chairman. I am Peter Flaherty, President of the National Legal and Policy Center. I regret that PepsiCo opposes this resolution asking for a report on its lobbying priorities. I would think that management would welcome the opportunity to explain its priorities.

PepsiCo is a member of the US Climate Action Partnership, a coalition of corporations and environmental groups. Its mission is to "quickly enact strong national legislation to require significant reductions in greenhouse gas emissions." The House of Representatives has obliged in the form of the Waxman-Markey's Bill. According to the Heritage Foundation this bill would destroy over 1.1 million jobs, hike electricity rates 90% and reduce the US gross domestic product by nearly \$10 trillion over 25 years.

Madame Chairman, if consumers have to spend all their money on their electric bills how are they going to have any money left over to buy potato chips? Cap and trade was purportedly formulated, of course, as a response to global warming. But then along came Climate Gate. Hacked e-mails and other documents originating from the Climatic Research Institute of the University of East Anglia were placed on the internet.

The e-mails showed that the scientists there and those that they collaborate with elsewhere had to exaggerate data supportive of global warming. They sought to suppress data at odds with global warming even including the use of a "trick" to "hide the decline in temperatures". They sought to exclude scientists skeptical of global warming from peer review journals so that the research could be dismissed because it was not peer reviewed. They destroyed original climate data on which some of their findings were based. They also exhibited a harsh and politically motivated prejudice towards skeptics contrary to the spirit and ethics of scientific inquiry.

CRU Director Phil Jones characterized the death of a skeptic as "cheering news." Phil Jones had to step down and no matter how cheery he is, he has now conceded that there's been no statistically significant warming since 1995. Jones also has conceded the possibility that the world was warmer during Medieval times suggesting that global warming may not be manmade. And



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by the way, Ms. Nooyi, I was encouraged that before the meeting, when we had a chance to chat, you said that you agree with me that the evidence is not conclusive on either side of this debate.

PepsiCo distributes Aquafina, reportedly the largest selling brand of bottled water in the United States. Bottled water has come under attack by the same people who push global warming. They argue that "Aquafina is just tap water anyways" so it adds to carbon emissions to bottle it and truck it around. Instead of defending the rights of its own customers to buy its product, PepsiCo seeks to appease these critics by jumping on the global warming bandwagon. It has even come up with something called the Eco-Fina bottle which uses 50% less plastic.

Of course, the anti-business activists are not fooled, accusing PepsiCo of green washing. So for PepsiCo, it's a slippery slope. Once you accept the dubious premise that your plastic bottles made from petroleum are destroying the earth, you end up having to support grandiose plans to save it which, of course, necessitates massive government intervention in the economy.

BP, ConocoPhillips and Caterpillar have withdrawn from the climate action partnership. This company should do the same. Like BP, PepsiCo runs TV commercials full of windmills. BP tried to pretend it was not an oil company. We're supposed to believe that BP stood for Beyond Petroleum. Maybe if BP had stuck to its core mission, we would not have this disaster in the gulf. PepsiCo should stick to its core mission. The Company is not a political organization but it acts like one. And you and I chatted a little bit about this before the meeting.

But yesterday I had a member of my staff go through this document, performance with a purpose 2009, the word green appears three times, climate change six times, carbon 12 times, sustain or sustainability 23 times, environment or environmental 40 times. Now, of course, there's nothing wrong with these words. But when they're presented in a certain context, they become euphemisms for a set of political positions.

Conversely, the words consumer choice or consumer preference appear five times, freedom appears zero times, liberty zero times, free enterprise zero, capitalism zero, free choice zero. The Federal government is in the process of becoming the dominant force in the energy, financial services, housing and health care sectors of our economy. One would think this would raise alarms about what's in store for the rest. One would think that PepsiCo would be at the barricades trying to protect shareholders and customers.

And if the Company can't do that, can't it at least be neutral? Instead, PepsiCo functions as an instrument of the political and cultural left. I won't even go in to Pepsi's bankrolling of Jessie Jackson, Al Sharpton and campaigns for gay marriage.

Earlier this week Venezuela's leftist strong man Hugo Chavez announced he was expropriating a PepsiCo warehouse. Why do you say something like that couldn't happen here except that it's happening right now. Just ask GM bondholders. Thank you.

Indra Nooyi - PepsiCo - Chairman, CEO

Thank you, Mr. Flaherty. Before we pause for a second, I'd like to take a minute again to outline PepsiCo's position on this matter as outlined in the proxy statement. You know, I stated earlier in the meeting PepsiCo's dedicated to creating shareholder value as is evidenced by our embrace of performance of purpose. Performance with purpose. And such Performance with Purpose is at the heart of PepsiCo's legislators, regulatory and public policy activity.

Our shareholders can easily obtain detailed information about PepsiCo's public policy and sustainability initiatives. And such information is simply accessed on PepsiCo's website through its Annual Report to Shareholders and its many publicly available Sustainability Report, press releases and news stories.

Shareholders already have ample opportunity to learn about PepsiCo's public policy interests, programs and issues of interest. In addition to public policy matters, PepsiCo's website contains PepsiCo's political contributions policy that provides shareholders

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with frequently updated details regarding PepsiCo's political contributions. Accordingly, the creation of an Annual Report to Shareholders, as proposed, would be duplicative and not an effective use of PepsiCo's valuable resources. With that said, is there anyone to second Mr. Flaherty's motion?

Unidentified Participant

I second the motion.

Indra Nooyi - PepsiCo - Chairman, CEO

Thank you. Is there any ballots still outstanding at this time? We'd like to collect them. Please raise your hand and one of our assistants will pick up your ballots. And let me remind you again that you must remember to vote on each item.

Larry Thompson - PepsiCo - SVP - Government Affairs, General Counsel, Secretary

We now seem to have all of the ballots and since all those desiring to vote by ballot have done so, I hereby declare the polls closed. The ballots and proxies will be held in the possession of the Inspector of Election [You nee Lee] from the Bank of New York Mellon.

Miss Lee? Miss Lee's responsibility as Inspector of Election is to tabulate the voting results and she will begin to do so now. The meeting is now open for general questions. I would like to remind you that in order to accommodate all of you who wish to pose a question, our question will be limited to three minutes. And then to facilitate this, you will hear a chime indicating when it is time for you to begin to wrap up your question.

Kristin Urquiza - Corporate Accountability International - Director - Think Outside the Bottle Campaign

So with that question. Good morning. Thank you for the opportunity to speak here today, Madame Chairman - woman. My name is Kristin Urquiza and I'm with Corporate Accountability International Think Outside the Bottle Campaign and my question is about water and water bottling.

For several years now tens of thousands of individuals and organizations across the country have taken action with the Think Outside the Bottle Campaign to build support for strong public water systems and to call in the bottled water corporations to address the social and environmental impacts of bottled water. And in 2007, Pepsi took initial steps to respond to public concerns by changing the label of its Aquafina brand to include public water source.

We recognize this action as a positive step in addressing the concerns surrounding PepsiCo's water practices. Yet there's so more that Pepsi needs to do to address the full scope of concerns people have about bottled water. Pepsi needs to make information about the water quality testing and results for its Aquafina brand fully available to the public in a manner comparable to reports by public water systems.

The Think Outside The Bottle Campaign has called for water bottlers to take this step from the start and his past summer, our concerns were confirmed by hearings held in the United States government. Last July members of congress held a hearing to discuss shortcomings in the regulations of bottled water and in this hearing, they heard findings from a two-year study conducted by the Government Accountability Office which stated that the current regulatory requirements and oversights for the bottled industry regarding product quality and testing disclosure falls short as your current industry practices.

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And in response congress sent a letter to the CEOs of 13 bottled water producers in the US including PepsiCo requesting you to provide detailed information about product quality testing and quality reporting practices. These findings are a central concern to the Think Outside the Bottle Campaign, Ms. Nooyi, and underscore the need for Pepsi to act.

Yet over the past year as Think Outside the Bottle has called on Pepsi to take this step. Pepsi has responded by claiming that the company follows the letter of the law required by the FDA, that its treatment processes alone for Aquafina ensures its water is of a reliable quality and that the company does not feel compelled to do more than what is merely required of them. This position seems to set on shaky ground given the findings of the GAO report.

But it all seems like a departure from your own statements about leadership, Ms. Nooyi. At a conference held at Yale University in March 2010 that I attended, you spoke on a panel with Business School Dean Sharon Oster about practices of leadership in the global age where you said, and I quote, "Don't wait for someone to tell you to change. Go and make it happen." Yet when given the opportunity for Pepsi to show leadership on an issue of public importance, Pepsi has hidden behind regulatory requirements and industry self regulation measures that clearly fall short of what is required for people to make informed choices about where to get their drinking water.

Ms. Nooyi, my question to you is this. When will you put action to your words and show leadership by making information about the water quality testing and results for your Aquafina brand fully available to the public in a manner comparable to reports by public water systems? Thank you.

Indra Nooyi - PepsiCo - Chairman, CEO

Thank you. Thank you for your question and you know, really thank you for making the trip down to Boston. You do this every year and last year you shared with me five or six hundred letters from various people you'd collected. I actually went through every one of them.

And if I remember, last year one of the suggestions we had for you is that you come and visit one of our plants. And the reason I wanted you to visit one of our plants is I wanted you to see how we make Aquafina. Yes, we take municipal water. We put it through a seven-stage reverse osmosis process and what comes out is the cleanest water you can see on the face of the planet.

We are proud about the water we supply. Aquafina is a simply spectacular water. We stand by it. We all drink it. We're all citizens of the community too. Unfortunately your schedules have not allowed you to come and visit our plant.

And I said to you earlier today any day of the week, any day of the year, any plant in the country you want to visit for -- to see our Aquafina being made, you're welcome. And why don't you see it? You will conclude that you don't need the FDA. You don't need the EPA because private companies do the right thing by society. Now we operate under the laws of the land and we comply with every law that's there on the books. But we do more. We do more by making this water incredibly clean and providing the best water to the consumer.

You talked about the yearly investor meetings. Thank you for referring to that. I enjoyed meeting you there but what you didn't talk about is the other part of my talk at the university. I talked about public/private partnerships. I talked about the fact that NGOs and companies have to work together to address issues. Let us work together on this issue. Come and visit us. Come and see our plant and then tell me if we need to put out anything that says what our quality report is. If you feel, after you see our plant, that we have to put out a water quality report just to prove that we've gone through the seven-stage reverse osmosis process, we'll do that. That's the deal I have with you. Come and visit us.

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Kristin Urquiza - *Corporate Accountability International - Director - Think Outside the Bottle Campaign*

Thank you.

Indra Nooyi - *PepsiCo - Chairman, CEO*

You're welcome.

Minerva Rodriguez - *SER Jobs for Progress National Inc. - Representative*

Madame Chairwoman, Board of Directors, my name is Minerva Rodriguez. I'm pleased to be here again this year --

Indra Nooyi - *PepsiCo - Chairman, CEO*

Minerva, good to see you.

Minerva Rodriguez - *SER Jobs for Progress National Inc. - Representative*

-- representing by proxy SER Jobs for Progress National Incorporated. We are a service education and redevelopment nonprofit organization founded in 1965 to address workforce development issues for Hispanics and other underserved minorities. I don't have a question but several comments, Madame Chair.

It is great to know that you feel strongly about your employees and that they're the greatest asset to this company. It is also pleased to hear that your -- that you put a lot of emphasis in training and development of your employees and that you feel strongly about diversity and inclusion. At [Sare] we share the same philosophy as Pepsi. Performance with a purpose.

We would like to thank you for all the support that you give your many employees and the many stories that can't be told today of their efforts in the community and their involvement in the community. I want to thank you personally for Mr. Ron Parker who is a wonderful representative of PepsiCo and many more employees. I also want to thank you for the investment that you make at Sare. Because at Sare we put people back to work. We train them. We re-tool them and we put them back to work so thank you, Madame Chair.

Indra Nooyi - *PepsiCo - Chairman, CEO*

Thank you Minerva. Good to see you.

Gregory Hughes - *Pepsico - Shareholder*

Madame Chairman, ladies and gentlemen and the Board of Directors, I'm Gregory Hughes, Gregory James Hughes in Cedar Rapids, Iowa. I wanted to address you. I applaud you on what you've done for the PepsiCo Corporation but on the negative side of it I'm trying to understand with the World Wide Code of Conduct and things like that that you allow in your plants, physical contact or physical assaults to employees that has happened in our plant from the plant manager to engineers. I did bring documentation to prove it.

And I'd also like you to address some of the explosions that you had at the Cedar plant and also some of the fires you've had. As you know, you -- since December 14 of last year you've had four fires, one explosion, sent three people to the hospital. A year ago today, the anniversary today, a gentleman with 34 years of employment there, not me, not yet but got fired for cleaning



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out a plugged dust collector. And then you turn around and you talk about all this greatness for people but you turn around and have a female have female surgery and is a cancer survivor today get fired for that. Fired for that. A cancer survivor.

And then we have somebody who goes to the President's Counsel on Cancer to help them and then you fire them. I'm still trying to figure this out. I don't understand. I mean, on the good side of it, we do have an employee that reached through the legs of a female employee and did what he shouldn't have done and he's still working today. I don't understand it. I don't understand why you allow this stuff with this Worldwide Code of Conduct and lastly, I ask you to address is the lawsuit that was filed Monday in Linn County because of these assaults. Thank you.

Indra Nooyi - PepsiCo - Chairman, CEO

Thank you for making the 14 hour trip from Cedar Rapids here and Larry, if you could have [Steve Notten] follow up on this issue. You know, PepsiCo is a company has a Speak Up Line. Any employee who has a grievance calls the Speak Up Line and every one of the Speak Up calls are followed up. No matter how important or how great they are, smallest to the most serious ones. And I know that the complaint that you've made is undergoing a followup action right now as we speak.

Cedar Rapids is one of our finest plants. It's an old plant and we're investing to modernize it. And let's work together to address the issues you're talking about in Cedar Rapids but don't use some incident in Cedar Rapids which is in the process of being addressed, okay? It happens in large companies. Issues happen. We have to address them because human error does happen. We're all human. But don't let that allow you to make inflammatory comments about all of PepsiCo.

We're running a fine company, a great company, a company with an incredible set of values. And let me assure you the Cedar Rapids issues will be addressed. They will be followed up and they will be addressed. I saw the e-mail trail between you and Steve Notten. They will be addressed.

Gregory Hughes - Pepsico - Shareholder

And before that, Ms. Chairman, I did thank you --

Larry Thompson - PepsiCo - SVP - Government Affairs, General Counsel, Secretary

You have asked your question and we're ready for the next question.

Gregory Hughes - Pepsico - Shareholder

Okay. So --

Indra Nooyi - PepsiCo - Chairman, CEO

They will be addressed. I assure you personally.

Gregory Hughes - Pepsico - Shareholder

I hope so. Because I --



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Indra Nooyi - PepsiCo - Chairman, CEO

I thank you for making the trip.

Gregory Hughes - Pepsico - Shareholder

I have -- believe me, I will tell you I followed the proper steps. And it's -- should be frustrating to you, gentleman that I'm here to have to speak about it today. I know I look stupid, but I'm not that stupid.

Larry Thompson - PepsiCo - SVP - Government Affairs, General Counsel, Secretary

Thank you.

Gregory Hughes - Pepsico - Shareholder

I did do the right steps.

Good morning Madame Chairman.

Indra Nooyi - PepsiCo - Chairman, CEO

Good morning. And fellow shareholders. My name is Dave Dudas from Teamster's Local 52 in Cleveland, Ohio and I also am representative of the Teamster's National Bakery and Laundry Conference, USA. and Canada.

As a 21-year Teamster Representative of Frito Lay employees, I ask for yours and the Board of Directors' commitment and PepsiCo's combative history in trying to de-unionize Frito Lay employees and respect the collective bargaining process so that workers may peacefully voice their needs on the job and both labor and management can come to a mutual, acceptable and constructive agreements.

To this end, Frito Lay needs to adopt a responsible position of neutrality and communicate to all its employees that it will refrain from taking any position with regards to union representation of its employees. Most recently in St. Louis, we uncovered evidence that management at that location provided one of its employees with the names and addresses of fellow employees from which that employee prepared a mailing flier to a portion of the union workforce urging them to sign a de-certification petition to vote out the Teamsters. Without this list, the employee who admittedly sent the flier would have not been able to mail out this anti-union propaganda.

Also in recent past de-certification attempts local management tells us and the labor board that no one from the company is involved in any way in these de-certifications. But I have a letter of a promotion and a transfer from Frito Lay announcing how an H.R. representative of Frito Lay supported the first union de-certification in 60 plus year history of the plant. This needs to stop.

This action is not only unlawful under federal labor laws but most certainly with giving out the names and mailing address constitutes a breach of the company's security policy on dissemination of employees' information. Action as this, again, needs to stop.

We need to collectively tear down the wall between Frito Lay and the Teamsters. We need to make this a working partnership. The Teamsters have a partnership with IBC, known as Hostess Brands now and George Weston known as Bimbo USA. Together we built a partnership. We've been able to work together getting working agreements, grievances, work place issues resolved

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all while rebuilding the business, growing the business and gaining market share for the members and the shareholders. We encourage you to do this here at Frito Lay and make this a working partnership with the Teamsters nationally Thank you.

Indra Nooyi - PepsiCo - Chairman, CEO

Thank you. Thank you for your comments and again, thank you for making the trip to share your concerns with us. Let me just say that as an employer PepsiCo proudly treats all of the employees equally whether they're union or non-union. We provide all our employees with great benefits, pension benefits, medical benefits. We provide everybody with great benefits and only recently we contributed significantly to the US pension plan to demonstrate our commitment to all employees. And Frito Lay in particular practices what [Al Cady] calls servant leadership where we believe the front line and the Teamsters are part of the front line are the most important people in the company. Okay? That's the principal on which Frito Lay operates.

Now, what we do provide is provide information to all of the people as to you know, what PepsiCo offers them, what benefits we offer them, what kind of a working environment and it's up to the employees to decide whether they want to join a union or not. But let me just offer one thing. The brotherhood of Teamsters and PepsiCo have a great partnership. We strongly believe that your interests and our interests are fully aligned. We both create job creation -- we both support job creation. We both believe in business growth.

We believe that we need to work together to address all of the issues we face around the country where people are impacting our business model and affecting job creation. I think that's what we ought to focus on. We ought to figure out how PepsiCo can remain a healthy company going forward. I appreciate the partnership you have with IBC and I think you should look forward to an outstanding partnership with PepsiCo also and we look forward to the dialog with you.

Mike Martin - PepsiCo - Employee

Madame Chairman. Fellow shareholders. My name is Mike Martin. I'm a 40-year Teamster and a 15 year Union Representative for about 470 Frito Lay employees in the Michigan area. I'm deeply concerned about the escalating amount of hours the employees are working. Most employees are putting in 12 to 14 hour days and with DOT regulations this maxes out the hours on your bulk 24 employees.

This is a huge physical toll on our route sales representatives and it can negatively impact customer service and is a serious road safety issue. Further, there is little incentive for the employees to work those extra hours because the company's interpretation of the flexible work week allows them to pay an overtime reduced rate structure called variable rate overtime which means each employee's hours of overtime -- excuse me -- each hour of overtime the employee works will results in less incremental pay received per hours worked.

After receiving a check for 55 or 60 hours of work, the employee knows that working extra hours for Frito Lay reduces their average hourly wage calculation. When will Frito Lay management set realistic, safe work hours and more importantly, begin hiring adequate number of sales people to meet the demands of the job which would also give the employees a better balanced quality of life? Thank you.

Indra Nooyi - PepsiCo - Chairman, CEO

Thank you. Let me suggest Al, you (inaudible) take up this issue and come back to me with a report in a couple of weeks as to how you address it. So we will address this issue right away.

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Mike Martin - PepsiCo - Employee

Thank you.

Richard Faye - PepsiCo - Employee

Good morning Madame Chairman, my fellow shareholders. My name is [Richard Faye] I'm a 20 plus year Frito Lay route sales representative. I'm deeply concerned about some of the changes to our distribution center that were recently highlighted at our company's investor day in Yankee Stadium in March. The presentation on Global Enterprise Solutions GES, showed how Frito Lay employees would essentially be handing over of the distribution process to third party warehousing.

One of the greatest attributes of our company, one which has helped drive profits year in and year out has been the hands on personal delivery and product integrity that we offer our customers which insures that Frito Lay product will be delivered and displayed on time every time.

I have great confidence that our distribution center employees are picking the correct orders for our customers and that our RSRs are servicing stores each day in the best way possible. Similar to our brothers and sisters at UPS, I've been able to create a lasting strong relationships with customers on my route because I notice -- because they know our service is dependable, that we deliver the best service and freshest product without delay or mishap. How is giving up control of our product going to make us better at customer service especially when to do so means loss of our side jobs, warehouse jobs and reduction in pay among Frito Lay employees. How was Frito Lay acting responsibly by implementing GES at the sacrifice of loyal company RSRs and warehouse persons who need to support their families?

Indra Nooyi - PepsiCo - Chairman, CEO

I suggest you have a conversation with Al Caddy and the development people at Frito Lay on the whole GES program. There is no plan to go to third party warehousing. It's a new way of thinking about distribution to improve service to the customer. To be able to put most queues through the distribution system because innovation is driving you know, most queues into the system.

Al, maybe again, as part of the ongoing discussion, why don't we include a whole debrief on GES and talk about you know, this is not about going to third party warehouses. This is about thinking about how to manage our own system to be able to put three times as many queues through the system as oppose to having to rationalize the number of queues than you know, offer less service.

The one thing I tell you, PepsiCo is a DSD Company. We just spent billions of dollars buying a DSD company which is a bottling entity. We believe in the route salesmen stocking the product on the shelves whether it's beverages or snacks. We would love for the whole company to be DSD. So don't for a minute that we're not committed to the route salesmen and you know, stocking our products on the shelves. That is the power of PepsiCo North America. So you shouldn't worry about that part of our business at all.

As for the rest of it is concerned Al Carry will give you a full briefing and in a couple of weeks Al, if you could come back and tell me what the result of your conversation, I'll appreciate it. Thank you.

Richard Faye - PepsiCo - Employee

Thank you.

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Tom Kinak - PepsiCo - Employee

Chairman Nooyi and shareholders. My name is [Tom Kinak] I'm a teamster representative of Frito Lay distribution workers out of Milwaukee, Wisconsin. I'm very pleased to hear of your commitment to the DSD system. I'm troubled by the news coming from the investor day in March though regarding GES, global enterprise solutions. Our company, like every other one, has felt the sting of these hard times in the US economy.

Nothing destroys communities and erodes families' abilities to buy our products than the loss of good jobs. If these GS changes become the norm throughout the system, we could be closing most of our distribution centers and closing and destroying thousands of jobs. I do not believe PepsiCo and Frito Lay want the reputation of being a job killer while our country wallows in unemployment and struggles to get people back to work.

I am at a loss to see how GES and cross docking with third parties will benefit our customers at convenience stores, gas stations, delis and other small retailers. Are we as a company willing to do great harm to these relationships just to appease the big box retailers like Wal-Mart and Kroger? Thank you.

Indra Nooyi - PepsiCo - Chairman, CEO

Thank you. I think the same comment from the earlier question holds. I think we should let AI debrief you and I think there might be a little bit of misunderstanding on GES so let's clear it all up and then let's come back and talk about it. Our commitment is to have a constructive conversation with the Teamsters with whom we've had a great partnership over the years. So, count on us to continue the dialogue.

Louis Malencia - International Brotherhood of Teamsters General Fund - Representative

Madame Chairman, members of the board and my fellow shareholders. My name is [Louis Malencia] and I am representing the International Brotherhood of Teamsters General Fund. The fund has been at the vanguard of the movement for better corporate governance, pay for performance in our executive compensation at our Fortune 500 companies and we're calling for sustainable policies on human rights, the environment and other social issues that -- where corporations affect the community.

I'm pleased to see that many of those issues have been addressed today. However, one of the items that was up for vote today was on incentive pay. And that's an issue that through our tracking of the corporation we've found some concerns.

The corporate library, respected independent evaluator of companies and their corporate governance has graded our company with an overall rating of D and has a very high concern for compensation. It is critical of incentives meant to encourage long term performance being the same as those used in the annual bonus plan. It is also critical of our chief executive's bonus being determined without a straight forward formula and gives shareholders the impression that the bonus is not objectively tied to performance. Well you can admit to investors that we will see changes that will more clearly tie our executives incentive based compensation to transparent performance benchmarks in next year's proxy statement.

Indra Nooyi - PepsiCo - Chairman, CEO

(inaudible - microphone inaccessible) Arthur Martinez who is the chairman of our compensation committee to (inaudible) answer if you don't mind?

Arthur Martinez - PepsiCo - Chairman - Compensation Committee

Thank you for your question. The compensation committee believes very deeply that the performance management systems in the company and the link to our compensations systems is very tight. Over 90% of Ms. Nooyi's compensation is based on



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performance. We look at her short term incentive and her long term incentive. It's all driven by performance metrics which are quite precise, discussed at length in the committee and agreed ultimately at the full board level. So we believe there's a very firm connection between the performance targets established for this enterprise and the compensation delivered to our executives.

Louis Malencia - *International Brotherhood of Teamsters General Fund - Representative*

Thank you.

Indra Nooyi - *PepsiCo - Chairman, CEO*

Thank you.

Mark Hays - *Corporate Accountability International - Senior Researcher*

Good morning. I'll just do this. Thank you Miss Nooyi for the opportunity to speak to you today. My name is Mark Hays and I'm also with Corporate Accountability International Think Outside the Bottle Campaign. And first I want to thank you for your response to my colleague's comments earlier as well as the time you spent speaking with us prior to the meeting.

The question I have speaks to a bit of a broader issue that we didn't touch on earlier and it has to do with looking at concerns about the human right to water. Now, our members, thousands of whom, who with the rest of North America are really concerned about the inherent conflicts of interest posed when transnational corporations like Pepsi as well as others position themselves as a key solution to managing our most precious and limited resource which is water.

We believe that water is a human right and not a commodity to be bought or sold and that all people need to be ensured affordable and equitable access to safe water is a way of fulfilling that, right? And here in the United States, we've been able to provide equitable access to water for the last century through our public water systems.

A century ago people in the US had access to water and death and disease rates similar to what we see in the developing world today. But with massive investment in public water infrastructure and municipal water systems, we were able to bring those death and disease rates down within the space of a decade.

But today, with the rise of a number of factors including the promotion and marketing of bottled water, as well as rising bottled water sales, we've also seen a decrease in the political will to adequately thwart those systems and a decrease in really our infrastructure alone. And we're concerned that this trend threatens to bring about a two-tiered water distribution system. One for those who can afford to buy bottled water and one for those who cannot.

And in response to these growing concerns about corporate controlled water for the public. Last year Pepsi announced it would develop and adopt corporate guidelines regarding the human right to water and we believe these efforts are a sign that Pepsi definitely feels compelled to react to these concerns.

Now, guidelines regarding the human right to water may have some promise, however, Pepsi factions must back up its claims that are respect for the human right to water. And we believe for starters this means that Pepsi must not undermine public water systems or the ability for democratic institutions to set and implement public policies on water.

And unfortunately, there are gambles where Pepsi's track record in this case has been spotty. To name just a couple, for example, Pepsi has said publicly that it does not compete with tap water but in a 2000, an interview in the year 2000 with Vice Chairman



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Robert S. Morrison with the media, Mr. Morrison went on record to say that in discussing the introduction of Pepsi's Aquafina that the biggest enemy is tap water.

More recently in June, 2008 when more than a thousand Mayors resolved to cut city bottled water budgets to reduce waste and to promote their tap water, Pepsi's Trade Association, the American Beverage Association as well as Pepsi aggressively lobbied against the resolution and pressured mayors to cease taking action.

Now, given these examples my question is, how can Pepsi in one breath say it does not publicly compete with tap water yet in a second breath say or do things that undermine these same systems and contradict that state? So my question is how does Pepsi reconcile these statements and actions with a so called commitment on the human rights water? Thank you very much.

Indra Nooyi - PepsiCo - Chairman, CEO

I don't even know where to begin to answer your question. But let me just say that you know, Bob Morrison said something in 2000. I don't have his record but just let me just come back and say look, we're in the bottled water business. We're in the beverage business. And we are in the bottled water business and the bottled water business is growing because people have doubts about the municipal water supply.

We just had a problem in Boston I mean, many, many communities in the country have issues with the municipal water supply. Should we improve the public water supply? Absolutely. Would we like to see the public water supply, water quality improved? Absolutely. Is that in our control? No, it's not. That's a government initiative and that's happening. Whenever that, you know, the water quality reaches bottled water quality, that's good news for all of us as citizens of the country.

In the mean time, bottled water serves a very important role. It serves a role that it provides convenient on the go packages of water but it also provides an incredibly clean source of water. Okay? That's what we provide citizens of the community.

Look what's happened in Boston over the past few days. Boston where you're from. You know, we provided clean bottled water when you had the bottled water problem. At the same time, we do everything possible to make sure that we are signatories to the human right to water. We improve efficiency within our plant. We work the entire system to make sure we are responsible stewards of water.

I'll just say one thing to you. I challenge you to find another company like PepsiCo that does everything possible to be great citizens of every community in which we operate. Do we have more to do? Yes. Are we committed to do more? Yes. But work with us constructively. Work with us and see how we can find solutions and you know, rather than you know, find a statement from 2000 to criticize us, you know, it's fair that you're bringing it up but believe me, this is a company that wants to work with you to make a difference.

Human right to water? We'll work with you. We've already provided safe drinking to 1 million people around the world. We've committed to another 3 million people to get safe water over the next three to five years. Man, I cannot think of how much more we can do. So work with us will you, please? We respect your organization. Work with us. Let's together change the world. We are not competing with each other. We are actually working together because we are all citizens of the same community, the same country, the same world. Okay? Thank you.

Unidentified Participant

Madame Chair and board of directors, fellow shareholders, I would like everyone just to kind of ask yourselves today what is good business? Because as shareholders, that's what we expect from PepsiCo. My complaint here today, Madame Chair is your PepsiCo corporation is in violation of the Salmon Medical Leave Act and if not working toward a resolution.



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I was wrongfully terminated from Quaker Oats. The Department of Labor has already found that PepsiCo is in violation of these laws and they're not doing anything to remedy this situation. I understand that you said that you were going to remedy this problems in Cedar Rapids. I guess I would have come here today to ask you do that before I lose my house. Thank you..

Indra Nooyi - PepsiCo - Chairman, CEO

Thank you. And believe me, if PepsiCo has done anything wrong it will be remedied and it will be remedied soon because our goal is to treat our employees very, very fairly because each employee makes a major contribution to PepsiCo so we will make sure -- who will take this on? Cynthia will you? Will you, if you could just follow up with the head of H.R. Cynthia Trudell who's right here in the front. Before you leave today we will make sure that there's appropriate follow and action. Okay? Thank you.

Conrad Gleeber - PepsiCo - Shareholder

Madame Chairman. My name is [Conrad Gleeber]. And I'm from Dallas and -- what's that?

Unidentified Participant

Would you like to sit down, sir? I'll get the mic for you. There you are.

Conrad Gleeber - PepsiCo - Shareholder

I'm from Dallas. I've been a shareholder for Pepsi since the Quaker Oats and I'd just like to say to the past and present officers and directors you people have done an excellent job and I want to thank you.

Indra Nooyi - PepsiCo - Chairman, CEO

Thank you. Thank you, Mr. Conrad. Thank you very much. Appreciate it. Thank you.

Indra Nooyi - PepsiCo - Chairman, CEO

Thank you. Any more questions? Okay. If there are no more questions, Larry Thompson has the results of the balloting. The preliminary results. Larry?

Larry Thompson - PepsiCo - SVP - Government Affairs, General Counsel, Secretary

Thank you Madame Chair. I'd like to report the preliminary results of the voting. I remind everyone that the holders of our common stock and our holders of 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. The auditors received approximately 98% of the votes cast in favor of their continuing as our independent auditors.

The amendment to the 2007 PepsiCo Inc., Long-term incentive compensation plan received approximately 79% of the votes cast approving the plan. Proposal number four on charitable contributions received approximately 5% of the votes cast and did not receive enough support to pass. Proposal number five on a special shareholders meeting received approximately 49% of the votes and did not receive enough support to pass.

Proposal number six on a public policy report received approximately 5% of the votes cast and did not receive enough support to pass. Again, I would like to remind everyone that these are preliminary numbers. Final results will be available after the results

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have been certified by our inspector of election and final voting results will be disclosed on our Form 8-K which will be filed early next week.

Indra Nooyi - PepsiCo - Chairman, CEO

Thank you, Larry. And this concludes the business portion of our meeting. But I'll work to make sure PepsiCo reaches its full potential. It's never finished. I thank you for your time and attention today and with that, I'll entertain a motion for adjournment.

Unidentified Participant

Madame Chairman I move that the meeting be adjourned.

Unidentified Participant

I second the motion.

Indra Nooyi - PepsiCo - Chairman, CEO

Without objections, the meeting is now adjourned. Thank you.

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