PEPSICO INC
Form DEF 14A
March 23, 2010
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SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

x Definitive Proxy Statement

¨ Definitive additional materials

¨ Soliciting material pursuant to Rule 14a-11(c) or Rule 14a-12

PepsiCo, Inc.

(Names of Registrant as Specified in Its Charters)

(Names of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of filing fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, the form or schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

700 Anderson Hill Road

Purchase, New York 10577-1444

March 23, 2010

Dear Fellow PepsiCo Shareholder:

You are invited to attend our Annual Meeting of Shareholders on Wednesday, May 5, 2010 at 9:00 a.m. Central Daylight Time at the headquarters of Frito-Lay, Inc., 7701 Legacy Drive, Plano, Texas.

At the meeting, we will ask you to elect the Board of Directors, to ratify the appointment of the independent registered public accountants, to approve an amendment to the PepsiCo, Inc. 2007 Long-Term Incentive Plan, and to act upon three shareholder proposals. We will also review the progress of the Company during the past year and answer questions. The attached Proxy Statement describes the business we will conduct and provides information about the Company that you should consider when you vote your shares.

We are pleased to again take advantage of the Securities and Exchange Commission rules that allow issuers to furnish proxy materials to their shareholders on the Internet. We believe these rules allow us to provide you with the information you need while lowering the costs of delivery and reducing the environmental impact of our Annual Meeting.

You are cordially invited to attend the Annual Meeting in person. However, to ensure that your vote is counted at the Annual Meeting, please vote as promptly as possible.

Cordially,

Indra K. Nooyi

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

PepsiCo, Inc. will hold its Annual Meeting of Shareholders (**Annual Meeting**) at the headquarters of Frito-Lay, Inc., 7701 Legacy Drive, Plano, Texas, on Wednesday, **May 5, 2010** at **9:00 a.m.** Central Daylight Time (**C.D.T.**) to:

- n Elect the Board of Directors.
- n Ratify the appointment of KPMG LLP as the Company s independent registered public accountants for fiscal year 2010.
- n Approve an amendment to the PepsiCo, Inc. 2007 Long-Term Incentive Plan.
- n Act upon three shareholder proposals described in the attached Proxy Statement, if properly presented.
- n Transact any other business that may properly come before the Annual Meeting.

The Annual Meeting will be webcast on www.pepsico.com beginning at 9:00 a.m. C.D.T. on May 5, 2010. Holders of record of the Company s Common and Convertible Preferred Stock as of the close of business on March 5, 2010 (the **Record Date**) will be entitled to notice of, and to vote, at the Meeting.

Please refer to the General Information page in this Proxy Statement for additional information about the Annual Meeting and voting.

Your vote is very important. Whether or not you plan to attend the Annual Meeting in person, please promptly vote by mail, Internet or telephone or by marking, signing, dating and returning your proxy card or voting instruction card so that your shares will be represented at the Annual Meeting.

March 23, 2010

By order of the Board of Directors,

Larry D. Thompson

Secretary

Important Notice Regarding the Availability of

Proxy Materials for the Annual Meeting of Shareholders

to Be Held on May 5, 2010

The Notice of Annual Meeting, Proxy Statement and the Annual Report on Form 10-K for the fiscal year ended December 26, 2009 are available at www.pepsico.com/proxy10.

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PepsiCo, Inc.

700 Anderson Hill Road

Purchase, New York 10577-1444

www.pepsico.com

March 23, 2010

PROXY STATEMENT

The Board of Directors of PepsiCo, Inc. (**PepsiCo** or the **Company**) is soliciting proxies to be voted at the Annual Meeting of Shareholders to be held on Wednesday, May 5, 2010, and at any adjournment of the Meeting. We are making this Proxy Statement available in connection with the proxy solicitation.

PepsiCo s authorized stock includes both Common Stock and Convertible Preferred Stock. As of March 5, 2010, the Record Date, there were 1,652,689,661 shares of PepsiCo Common Stock outstanding and entitled to one vote each at the Annual Meeting and 241,453 shares of PepsiCo Convertible Preferred Stock outstanding and entitled to 1,198,210 votes at the Annual Meeting, which number is equal to the number of shares of Common Stock into which such shares of Convertible Preferred Stock could be converted on the Record Date, rounded to the nearest share. Holders of the Common Stock and the Convertible Preferred Stock vote together on all matters as a single class. As of the Record Date, the outstanding shares of Common Stock were registered in the names of 177,675 shareholders and the outstanding shares of Convertible Preferred Stock were registered in the names of 1,953 shareholders. To our knowledge, as of the Record Date, no person owned beneficially more than 5% of the outstanding Common Stock or Convertible Preferred Stock.

PepsiCo is making this Proxy Statement first available on or about March 23, 2010.

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GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

Why am I receiving these proxy materials?

Our Board of Directors has made these materials available to you on the Internet or has delivered printed versions of these materials to you by mail in connection with the Board of Directors solicitation of proxies for use at our Annual Meeting of Shareholders, which will take place at 9:00 a.m. C.D.T. on Wednesday, May 5, 2010 at the headquarters of Frito-Lay, Inc. (7701 Legacy Drive, Plano, Texas). This Proxy Statement describes matters on which you, as a shareholder, are entitled to vote. It also gives you information on these matters so that you can make an informed decision.

What is included in these materials?

These materials include:

- this Proxy Statement for the Annual Meeting; and
- the Company s Annual Report for the fiscal year ended December 26, 2009 (the **Annual Report**).

If you received printed versions of these materials by mail, these materials also include the proxy card or vote instruction form for the Annual Meeting.

Why did I receive a one-page Notice in the mail regarding the Internet availability of proxy materials this year instead of printed proxy materials?

In accordance with rules recently adopted by the Securities and Exchange Commission (**SEC**), instead of mailing a printed copy of our proxy materials to all of our shareholders, we have elected to furnish such materials to selected shareholders by providing access to these documents over the Internet. Accordingly, on March 23, 2010, we sent a Notice of Internet Availability of Proxy Materials (the **Notice**) to selected shareholders of record and beneficial owners. These shareholders have the ability to access the proxy materials on a website referred to in the Notice or request to receive a printed set of the proxy materials by calling the toll-free number found on the Notice. The Company encourages you to take advantage of the availability of the proxy materials on the Internet in order to help reduce the environmental impact of the Annual Meeting.

How can I get electronic access to the proxy materials?

The Notice provides you with instructions regarding how to: (1) view our proxy materials for the Annual Meeting on the Internet; (2) vote your shares after you have viewed our proxy materials; (3) request a printed copy of the proxy materials; and (4) instruct us to send our future proxy materials to you electronically by email. Copies of the proxy materials are available for viewing at www.pepsico.com/proxy10.

Even if you received a printed copy of our proxy materials, you may choose to receive future proxy materials by email. Choosing to receive your future proxy materials by email will lower our costs of delivery and will reduce the environmental impact of our Annual Meeting. If you choose to receive our future proxy materials by email, you will receive an email next year with instructions containing a link to view those proxy materials and a link to the proxy voting site. Your election to receive proxy materials by email will remain in effect until you terminate it or for so long as the email address provided by you is valid.

What items will be voted on at the Annual Meeting?

Shareholders will vote on the following items at the Annual Meeting if each is properly presented at the meeting:

- the election to the Board of the nominees named in this Proxy Statement (Proposal No. 1);
- the ratification of the appointment of KPMG LLP as our independent registered public accountants for fiscal year 2010 (Proposal No. 2);

amendment to the PepsiCo, Inc. 2007 Long-Term Incentive Plan (Proposal No. 3);

a shareholder proposal regarding a Charitable Contributions Report (Proposal No. 4);

a shareholder proposal regarding a Right to Call Special Shareholders Meeting (Proposal No. 5);

a shareholder proposal regarding a Public Policy Report (Proposal No. 6); and

such other business as may properly come before the Annual Meeting or any postponement or adjournment of the meeting.

What are the Board s voting recommendations?

The Board recommends that you vote your shares:

FOR each of the nominees to the Board (Proposal No. 1);

FOR the ratification of KPMG LLP as our independent registered public accountants for fiscal year 2010 (Proposal No. 2);

FOR the amendment to the PepsiCo, Inc. 2007 Long-Term Incentive Plan (Proposal No. 3);

AGAINST the shareholder proposal regarding a Charitable Contributions Report (Proposal No. 4);

AGAINST the shareholder proposal regarding a Right to Call Special Shareholders Meeting (Proposal No. 5); and

AGAINST the shareholder proposal regarding a Public Policy Report (Proposal No. 6).

Where are the Company s principal executive offices located and what is the Company s main telephone number?

The Company s principal executive offices are located at 700 Anderson Hill Road, Purchase, New York 10577. The Company s main telephone number is (914) 253-2000.

Who may vote at the Annual Meeting?

As of the Record Date of March 5, 2010, there were 1,652,689,661 shares of PepsiCo Common Stock outstanding and entitled to one vote each at the Annual Meeting and 241,453 shares of PepsiCo Convertible Preferred Stock outstanding and entitled to 1,198,210 votes at the Annual Meeting, which number is equal to the number of shares of Common Stock into which such shares of Convertible Preferred Stock could be converted on the Record Date, rounded to the nearest share. As of the Record Date, the outstanding shares of Common Stock were registered in the names of 177,675 shareholders and the outstanding shares of Convertible Preferred Stock were registered in the names of 1,953 shareholders. Only shareholders of record as of the close of business on the Record Date are entitled to receive notice of, to attend, and to vote at the Annual Meeting.

What is the difference between a shareholder of record and a beneficial owner of shares held in street name?

Shareholder of Record. If your shares are registered directly in your name with the Company s transfer agent, BNY Mellon Shareowner Services, you are considered the shareholder of record with respect to those shares, and the Notice or printed materials were sent directly to you by the Company. If you request printed copies of the proxy materials by mail, you will also receive a printed proxy card.

Beneficial Owner of Shares Held in Street Name. If your shares are held in an account at a brokerage firm, bank, broker-dealer, or other similar organization, then you are the beneficial owner of shares held in street name, and the Notice or the printed proxy materials were forwarded to you by that organization. The organization holding your account is considered the shareholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct that organization on how to vote the shares held in your account. If you request printed copies of the proxy materials by mail, you will also receive a printed vote instruction form.

If I am a shareholder of record of the Company s shares, how do I vote?

There are four ways to vote:

In person. If you are a shareholder of record, you may vote in person at the Annual Meeting. Bring your printed proxy card if you received one by mail. Otherwise, the Company will give shareholders of record a ballot at the Annual Meeting.

Via the Internet. If you received a Notice, you may vote by proxy via the Internet by visiting http://www.proxyvoting.com/pep and entering the control number found in the Notice.

By Telephone. If you received or requested printed copies of the proxy materials by mail, you may vote by proxy by calling the toll free number found on the proxy card.

By Mail. If you received or requested printed copies of the proxy materials by mail, you may vote by proxy by filling out the proxy card and sending it back in the envelope provided.

If I am a beneficial owner of shares held in street name, how do I vote?

Your bank or broker will send you instructions on how to vote. There are four ways to vote:

In person. If you are a beneficial owner of shares held in street name and you wish to vote in person at the Annual Meeting, you must obtain a legal proxy from the organization that holds your shares.

Via the Internet. If you received a Notice, you may vote by proxy via the Internet by visiting http.//www.proxyvote.com and entering the control number found in the Notice.

By Telephone. If you received or requested printed copies of the proxy materials by mail, you may vote by proxy by calling the toll free number found on the vote instruction form.

By Mail. If you received or requested printed copies of the proxy materials by mail, you may vote by proxy by filling out the vote instruction form and sending it back in the envelope provided.

Can employees who participate in PepsiCo s 401(k) plan vote?

Yes, employees who participate in PepsiCo s 401(k) plan (a portion of which constitutes an Employee Stock Ownership Plan) can vote the shares they hold in the 401(k) plan as of the close of business on March 5, 2010. To do so, the employee participant must sign and return the proxy card received or vote via internet or telephone, as instructed in the Notice or proxy materials received in connection with the shares they hold in the 401(k) plan. If voting instructions are not provided for the shares held in the 401(k) plan, the 401(k) trustees will not vote those shares for which voting instructions are not received, unless required by law.

What constitutes a quorum in order to hold and transact business at the Annual Meeting?

Under North Carolina law and the Company s By-Laws, the presence in person or by proxy of the holders of record of a majority of the votes entitled to be cast at a meeting constitutes a quorum. Votes for and against, abstentions and broker non-votes will all be counted as present to determine whether a quorum has been established. Once a share of the Company s Common Stock or Convertible Preferred Stock is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and any adjournments or postponements. If a quorum is not present, the Annual Meeting will be adjourned until a quorum is obtained.

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How are proxies voted?

All valid proxies received prior to the Annual Meeting will be voted. All shares represented by a proxy will be voted and, where a shareholder specifies by means of the proxy a choice with respect to any matter to be acted upon, the shares will be voted in accordance with the shareholder s instructions.

What happens if I do not give specific voting instructions?

Shareholders of Record. If you are a shareholder of record and you indicate when voting on the Internet or by telephone that you wish to vote as recommended by the Board, or sign and return a proxy card without giving specific voting instructions, then the proxy holders will vote your shares in the manner recommended by the Board on all matters presented in this Proxy Statement and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the Annual Meeting.

Beneficial Owners of Shares Held in Street Name. If you are a beneficial owner of shares held in street name and do not provide the organization that holds your shares with specific voting instructions, under the rules of various national and regional securities exchanges, the organization that holds your shares may generally vote on routine matters but cannot vote on non-routine matters. If the organization that holds your shares does not receive instructions from you on how to vote your shares on a non-routine matter, the organization that holds your shares will inform the inspector of election that it does not have the authority to vote on such matters with respect to your shares. This is generally referred to as a broker non-vote.

Which ballot measures are considered routine or non-routine ?

Proposal No. 2 (ratification of the appointment of the independent registered public accountants) is a matter that the Company believes will be considered routine. A broker or other nominee may generally vote on routine matters, and therefore no broker non-votes are expected to exist in connection with such proposal.

Proposal No. 1 (election of directors), Proposal No. 3 (amendment to the PepsiCo, Inc. 2007 Long-Term Incentive Plan) and shareholder proposals (Proposals No. 4 through 6) are matters the Company believes will be considered non-routine. A broker or other nominee cannot vote without instructions on non-routine matters, and therefore there may be broker non-votes on Proposal No. 1, Proposal No. 3 and Proposals No. 4 through 6.

Can I change my vote after I have voted?

You may revoke your proxy and change your vote at any time before the final vote at the Annual Meeting by voting again via the Internet or by telephone (only your latest Internet or telephone proxy submitted prior to the Annual Meeting will be counted), by signing and returning a new proxy card or vote instruction form with a later date, or by attending the Annual Meeting and voting in person. However, your attendance at the Annual Meeting will not automatically revoke your proxy unless you vote again at the Annual Meeting or specifically request that your prior proxy be revoked by delivering to the Company s Corporate Secretary at 700 Anderson Hill Road, Purchase, NY 10577 a written notice of revocation prior to the Annual Meeting.

Is my vote confidential?

Proxy instructions, ballots and voting tabulations that identify individual shareholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within the Company or to third parties, except as necessary to meet applicable legal requirements; to allow for the tabulation and certification of votes; and to facilitate a successful proxy solicitation. Occasionally, shareholders provide written comments on their proxy cards, which may be forwarded (without the corresponding votes) to the Company s management and the Board.

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What is the voting requirement to approve each of the proposals?

Election of Directors. For Proposal No. 1, under North Carolina law and the Company s By-Laws, assuming the existence of a quorum at the Annual Meeting, the nominees for director who receive a plurality of all of the votes cast shall be elected to the Board of Directors. Abstentions and shares that are voted against a director nominee will not be counted toward such nominee s election. The Company has also implemented a Director Resignation Policy under its Corporate Governance Guidelines. Under this policy, if a director nominee in an uncontested election receives a greater number of votes against his or her election than votes for his or her election, the director nominee is required to offer his or her irrevocable resignation to the Board following certification of the shareholder vote. Abstentions have no effect under this policy. The Nominating and Corporate Governance Committee will consider the resignation offer and make a recommendation to the Board. Within 90 days following certification of the shareholder vote, the independent members of the Board will make a final determination as to whether to accept the director s resignation. A director who tenders his or her resignation under this provision shall not be present during the deliberations or voting by the Committee or the Board regarding whether to accept the resignation offer.

Ratification of Independent Registered Public Accountants. For Proposal No. 2, assuming the existence of a quorum at the Annual Meeting, ratification of the appointment of the independent registered public accountants will be approved if a majority of all the votes cast at the Annual Meeting are in favor of ratification.

Amendment to PepsiCo, Inc. Long-Term Incentive Plan. For Proposal No. 3, assuming the existence of a quorum at the Annual Meeting, the amendment to the PepsiCo, Inc. 2007 Long-Term Incentive Plan requires the affirmative vote of a majority of all the votes cast at the Annual Meeting, so long as total votes cast represent a majority of the shares entitled to vote on the proposal (without regard to broker non-votes).

Shareholder Proposals. For Proposals No. 4 through 6, assuming the existence of a quorum at the Annual Meeting, approval of Proposals No. 4 through 6 requires the affirmative vote of a majority of all the votes cast at the Annual Meeting.

Note on Abstentions. If you abstain from voting on a particular matter, your vote will be counted as present for determining whether a quorum exists but will not be treated as cast either for or against that matter, except for Proposal No. 3, where abstentions will have the effect of a vote against under New York Stock Exchange rules.

Note on Broker Non-Votes. Under New York Stock Exchange rules, a broker may cast a vote on behalf of a beneficial owner on routine matters, such as Proposal 2, when the broker does not receive specific voting instructions from that beneficial owner. On non-routine Proposals 1, 3 and 4 through 6, a broker may not cast a vote absent specific voting instructions from the beneficial owners. If you are a beneficial owner holding shares through a broker, bank or other holder of record and you do not vote on certain matters, your broker may cast a vote on your behalf for Proposal No. 2 but not Proposals No. 1, 3, 4, 5, and 6.

Who will serve as the inspector of election?

Representatives from BNY Mellon Shareowner Services will serve as the inspectors of election.

Where can I find the voting results of the Annual Meeting?

The Company expects that the final voting results will be tallied by the inspectors of election and, within 4 days after the Annual Meeting, the Company expects to file the results on Form 8-K with the SEC.

Who is paying for the cost of this proxy solicitation?

The Company is paying the costs of the solicitation of proxies. This solicitation is being made on behalf of our Board of Directors, but may also be made without additional compensation by our officers or

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employees by telephone, facsimile, email or personal interview. In addition, we have retained Georgeson Inc. to assist in obtaining proxies by mail, facsimile or email from brokers, bank nominees and other institutions for the Annual Meeting. The estimated cost of such services is $21,000 plus out-of-pocket expenses. Georgeson Inc. may be contacted at (866) 695-6070.

The Company must also pay brokerage firms and other persons representing beneficial owners of shares held in street name, certain fees associated with forwarding the Notice to beneficial owners, forwarding printed proxy materials by mail to beneficial owners who specifically request them, and obtaining beneficial owners voting instructions

How can I attend the Annual Meeting in Person?

Attendance at the Annual Meeting is limited to shareholders of record as of the close of business on March 5, 2010. Admission to the Annual Meeting will be on a first-come, first-served basis and will require an admission ticket. Each shareholder will be asked to present valid picture identification such as a driver s license or passport. The use of cell phones, PDAs, pagers, recording and photographic equipment and/or computers is not permitted in the meeting rooms at the Annual Meeting. Frito-Lay headquarters is accessible to disabled persons. Upon advance request, we will provide wireless headsets for hearing amplification.

How do I receive an admission ticket?

If you are a registered shareholder and plan to attend the Annual Meeting, you can obtain an admission ticket by contacting PepsiCo s Manager of Shareholder Relations at (914) 253-3055 or investor@pepsico.com. An admission ticket will then be sent to you.

If you are a beneficial owner of shares held in street name and plan to attend the Annual Meeting, you can obtain an admission ticket in advance by writing to PepsiCo s Manager of Shareholder Relations, 700 Anderson Hill Road, Purchase, NY 10577. Please be sure to include proof of ownership as of the Record Date, such as a bank or brokerage account statement, or a copy of your most recent Notice or proxy card.

Shareholders who do not obtain an admission ticket in advance may obtain one upon verification of their ownership, as of the Record Date, at the registration desk on the day of the Annual Meeting. Registration will begin at 8:30 a.m. C.D.T.

Can I listen to the Annual Meeting on the Internet?

Yes, our Annual Meeting will be webcast on May 5, 2010 at 9:00 a.m. C.D.T. You are invited to visit www.pepsico.com to listen to the live webcast of the Annual Meeting. An archived copy of the webcast will be available on our website for at least 90 days following the date of our Annual Meeting.

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ELECTION OF DIRECTORS (PROXY ITEM NO. 1)

The Board of Directors (the **Board**) proposes the following twelve nominees for election as directors at the Annual Meeting. The directors will hold office from election until the next Annual Meeting of Shareholders, or until their successors are elected and qualified. If any of these nominees for director becomes unavailable, the persons named in the proxy intend to vote for any alternate designated by the current Board. If all of the twelve director nominees are elected, the Board will have two vacancies, which may be filled by the Board. Proxies cannot be voted for a greater number of persons than the nominees named.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE ELECTION OF THE FOLLOWING DIRECTORS.

SHONA L. BROWN, 44, is Senior Vice President, Business Operations of Google Inc., a position she has held since 2006. From 2003 to 2006 she served as Vice President, Business Operations of Google Inc., where she led internal business operations and people operations. From October 1995 to August 2003, Ms. Brown was at McKinsey and Company, a management consulting firm, where she had been a partner since December 2000. She is a director of the following non-profit organizations: San Francisco Jazz Organization; The Bridgespan Group; and The Exploritorium. Ms. Brown was elected to PepsiCo s Board in March 2009.

IAN M. COOK, 57, was elected a director of PepsiCo in 2008. He was named Chief Executive Officer and was elected to the board of Colgate-Palmolive Company in 2007 and became Chairman of the Board in January 2009. Mr. Cook joined Colgate in the United Kingdom in 1976 and progressed through a series of senior management roles around the world. In 2002, he became Executive Vice President, North America and Europe. In 2004, he became Chief Operating Officer, with responsibility for operations in North America, Europe, Central Europe, Asia and Africa. In 2005, he was named President and Chief Operating Officer, responsible for all Colgate operations worldwide.

DINA DUBLON, 56, was elected a director of PepsiCo in 2005. Ms. Dublon retired from JP Morgan Chase & Co. in 2004, where she had served as Executive Vice President and Chief Financial Officer since 1998. She is a director of Microsoft Corp. and Accenture. She is also a director of the Global Fund for Women and the Women s Refugee Commission. She is a trustee of Carnegie Mellon University.

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VICTOR J. DZAU, MD, 64, was elected a director of PepsiCo in 2005. Dr. Dzau is Chancellor for Health Affairs at Duke University and President and CEO of the Duke University Health System since July 2004. Prior to that he served as Hersey Professor of Medicine at Harvard Medical School and Chairman of the Department of Medicine at Brigham and Women s Hospital in Boston, Massachusetts from 1996 to 2004. He is a member of the Institute of Medicine of the National Academy of Sciences and the European Academy of Sciences and Arts. He was the previous Chairman of the National Institutes of Health (NIH) Cardiovascular Disease Advisory Committee and he served on the Advisory Committee to the Director of NIH. Dr. Dzau has been named 2004 Distinguished Scientist of the American Heart Association and was the recipient of the 2004 Max Delbruck Medal, Berlin, Germany, and the 2005 Ellis Island Medal of Honor. Dr. Dzau is also a director of Genzyme Corporation, Alnylam Pharmaceuticals, Inc. and Medtronic, Inc.

RAY L. HUNT, 66, Chairman and Chief Executive Officer of Hunt Oil Company and Chairman, Chief Executive Officer and President of Hunt Consolidated, Inc., was elected to PepsiCo s Board in 1996. Mr. Hunt began his association with Hunt Oil Company in 1958 and has held his current position since 1976. He is also a director of numerous charitable and corporate organizations, including Bessemer Securities Corporation, Bessemer Securities LLC and King Ranch Inc.

ALBERTO IBARGÜEN, 66, was elected a director of PepsiCo in 2005. Mr. Ibargüen has been President and Chief Executive Officer of the John S. and James L. Knight Foundation since 2005. Mr. Ibargüen previously served as Chairman of Miami Herald Publishing Co., a Knight Ridder subsidiary, and as publisher of *The Miami Herald* and of *El Nuevo Herald.* He is a member of the boards of AMR Corporation, American Airlines, Inc., ProPublica and The Council on Foreign Relations. Mr. Ibargüen is also the Chairman of the Board of The Newseum in Washington, D.C. and of the Worldwide Web Foundation in Switzerland.

ARTHUR C. MARTINEZ, 70, former Chairman of the Board, President and Chief Executive Officer of Sears, Roebuck and Co., was elected to PepsiCo s Board in 1999. Mr. Martinez was Chairman and Chief Executive Officer of the former Sears Merchandise Group from 1992 to 1995 and served as Chairman of the Board, President and Chief Executive Officer of Sears, Roebuck and Co. from 1995 until 2000. He served as Vice Chairman and a director of Saks Fifth Avenue from 1990 to 1992. He is also a director of Liz Claiborne, Inc., International Flavors and Fragrances, Inc., Interactive Corp (IAC) and American International Group (AIG). Mr. Martinez is Chairman of the Supervisory Board of ABN AMRO Holding, N.V. and Chairman of HSN, Inc.

INDRA K. NOOYI, 54, has been PepsiCo s Chief Executive Officer since 2006 and assumed the role of Chairman of PepsiCo s Board of Directors in 2007. She was elected to PepsiCo s Board of Directors and became President and Chief Financial Officer in 2001, after serving as Senior Vice President and Chief Financial Officer since 2000. Ms. Nooyi also served as PepsiCo s Senior Vice President, Corporate Strategy and Development from 1996 until 2000, and as PepsiCo s Senior Vice President, Strategic Planning from 1994 until 1996. Prior to joining PepsiCo, Ms. Nooyi spent four years as Senior Vice President of Strategy, Planning and Strategic Marketing for Asea Brown Boveri, Inc. She was also Vice President and Director of Corporate Strategy and Planning at Motorola, Inc.

SHARON PERCY ROCKEFELLER, 65, was elected a director of PepsiCo in 1986. She is President and Chief Executive Officer of WETA public stations in Washington, D.C., a position she has held since 1989, and was a member of the Board of Directors of WETA from 1985 to 1989. She was a member of the Board of Directors of the Corporation for Public Broadcasting until 1992 and is currently a director of Public Broadcasting Service (PBS) in Washington, D.C. Ms. Rockefeller currently serves as a Trustee on the following non-profit boards: National Gallery of Art, The Museum of Modern Art, Johns Hopkins Medicine, Colonial Williamsburg Foundation and Rockefeller Philanthropy Advisors.

JAMES J. SCHIRO, 64, was elected to PepsiCo s Board in 2003. Mr. Schiro was Chief Executive Officer of Zurich Financial Services from May 2002 to December 2009, after serving as Chief Operating Officer Group Finance since March 2002. He joined Price Waterhouse in 1967, where he held various management positions. In 1994 he was elected Chairman and senior partner of Price Waterhouse, and in 1998 became Chief Executive Officer of PricewaterhouseCoopers, after the merger of Price Waterhouse and Coopers & Lybrand. Mr. Schiro is also a Director of Royal Philips Electronics and Goldman Sachs.

LLOYD G. TROTTER, 64, was elected a director of PepsiCo in 2008. Mr. Trotter is a managing partner at GenNx360 Capital Partners, a position he has held since February 2008. He served as Vice Chairman, General Electric, and as President and Chief Executive Officer of GE Industrial, from 2006 through February 2008. Between 1989 and 2006, he held various positions at GE, including Executive Vice President, Operations, from 2005 to 2006, President and Chief Executive Officer of GE Consumer and Industrial Systems from 1998 to 2005 and President and Chief Executive Officer, Electrical Distribution and Control from 1992 to 1998. Mr. Trotter is a former director of Genpact Limited. Mr. Trotter is also a director of Textron, Inc. and Daimler AG.

DANIEL VASELLA, 56, has been Chairman of the Board of Novartis AG since 1999. Dr. Vasella served as Chief Executive Officer of Novartis from 1999 to January 2010, after serving as President since 1996. From 1992 to 1996, Dr. Vasella held the positions of Chief Executive Officer, Chief Operating Officer, Senior Vice President and Head of Worldwide Development and Head of Corporate Marketing at Sandoz Pharma Ltd. He also served at Sandoz Pharmaceuticals Corporation from 1988 to 1992. Dr. Vasella is also a director of Alcon Laboratories, Inc. He was elected to PepsiCo s Board in 2002.

OWNERSHIP OF PEPSICO COMMON STOCK

BY DIRECTORS AND EXECUTIVE OFFICERS

The following table shows, as of March 5, 2010: (1) the shares of PepsiCo Common Stock beneficially owned by each director (including each nominee), by each of the executive officers identified in the 2009 Summary Compensation Table on page 42 of this Proxy Statement (**Named Executive Officers**) and by all directors and all executive officers as a group; and (2) the number of phantom units of PepsiCo Common Stock held in PepsiCo s income deferral programs by each director (including each nominee), by each Named Executive Officer and by all directors and all executive officers as a group. Each phantom unit is intended to be the economic equivalent of one share of PepsiCo Common Stock. The information in this table is based solely on statements in filings with the SEC or other reliable information.

As of March 5, 2010, the directors and executive officers as a group own less than 1% of outstanding PepsiCo Common Stock and less than 1% of outstanding PepsiCo Convertible Preferred Stock. To our knowledge, as of the Record Date, there are currently no beneficial holders of 5% or more of the Company s Common or Convertible Preferred Stock.

Name of Individual or Group	Number of Shares of PepsiCo Common Stock Beneficially Owned (1)	Number of Phantom Units of PepsiCo Common Stock Held in PepsiCo s Deferral Programs (2)	Total
Shona L. Brown	2,925	8,144	11,069
Albert P. Carey	828,403	0	828,403
John C. Compton	874,263	35,869	910,132
Ian M. Cook	2,118	6,492	8,610
Massimo F. d Amore	45,305	0	45,305
Dina Dublon	10,413	7,424	17,837
Victor J. Dzau	9,386	15,679	25,065
Richard Goodman	319,463	0	319,463
Ray L. Hunt (3)	552,422	27,119	579, 541
Alberto Ibargüen	10,639	8,354	18,993
Arthur C. Martinez	35,022	29,920	64,942
Indra K. Nooyi	1,679,077	114,167	1,793,244
Sharon Percy Rockefeller	71,620	6,917	78,537
James J. Schiro	32,987	19,381	52,368
Lloyd G. Trotter	1,000	10,820	11,820
Daniel Vasella	30,831	13,216	44,047
Michael D. White (4)	1,226,969	0	1,226,969
All directors and executive officers as a group (25 persons)	7,796,369	375,879	8,172,248

(1) The shares shown include the following shares that directors and executive officers have the right to acquire within 60 days after March 5, 2010 through the exercise of vested stock options: Albert P. Carey, 768,141 shares; John C. Compton, 792,219 shares; Massimo F. d Amore

32,618 shares; Dina Dublon 7,958 shares; Victor J. Dzau, 6,588 shares; Richard Goodman, 286,858 shares; Ray L. Hunt, 55,284 shares; Alberto Ibargüen, 6,588 shares, Arthur C. Martinez, 28,680 shares; Indra K. Nooyi, 1,526,750 shares; Sharon Percy Rockefeller, 28,258 shares; James J. Schiro, 29,447 shares; Daniel Vasella, 23,457 shares; Michael D. White, 1,110,548 shares; and all directors and executive officers as a group, 6,605,804 shares. Except as otherwise noted, the directors and executive officers exercise sole voting and investment power over their shares shown in the table and none of the shares are subject to pledge.

(2) Reflects phantom units of PepsiCo Common Stock held in the PepsiCo Executive Income Deferral Program and The PepsiCo Director Deferral Program.

(3) The shares shown for Mr. Hunt include (i) 26,700 shares held in a corporation over which Mr. Hunt has sole voting and investment power, (ii) 262,286 shares held in trusts over which Mr. Hunt has shared voting power and sole investment power, and (iii) 152,500 shares held in a trust over which Mr. Hunt has sole voting power and no investment power.

(4) Mr. White retired on November 30, 2009 from his role as Vice Chairman of PepsiCo, Inc. and CEO, PepsiCo International.

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SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16 of the Securities Exchange Act of 1934 requires PepsiCo s directors and executive officers to file reports of ownership and changes in ownership of PepsiCo Common and Convertible Preferred Stock. We received written representations from each such person who did not file an annual statement with the SEC on Form 5 that no Form 5 was due. To the best of PepsiCo s knowledge, based on our records and other information, in 2009 all required forms were filed on time with the Securities and Exchange Commission with the exception of the Form 4/A filed May 6, 2009 for Shona L. Brown that was filed to correct an administrative error contained in an earlier filing.

CORPORATE GOVERNANCE AT PEPSICO

Board of Directors

Our business and affairs are overseen by our Board of Directors pursuant to the North Carolina Business Corporation Act and our By-Laws. Members of the Board of Directors are kept informed of the Company s business through discussions with the Chairman and Chief Executive Officer and with key members of management, by reviewing materials provided to them and by participating in Board and Committee meetings. All members of the Board of Directors are elected annually by the shareholders.

Regular attendance at Board meetings and the Annual Meeting is required of each director. PepsiCo s Board held nine meetings during 2009. Average attendance by incumbent directors at Board and standing Committee meetings in 2009 was 91%. No incumbent director except Daniel Vasella attended fewer than 75% of the total number of Board and standing Committee meetings in 2009. The independent directors met in executive session at six Board meetings in 2009. All incumbent directors attended the 2009 Annual Meeting of Shareholders, as required.

In 2002, the Board of Directors adopted Corporate Governance Guidelines for the Company. The Guidelines are periodically amended and were most recently amended in September 2009 to reflect a change in the responsibilities of the Presiding Director. The revised Guidelines are attached to this Proxy Statement as Exhibit A and are also available on the Company s website at www.pepsico.com under *Company* *Corporate Governance* and are available in print to any shareholder who requests a copy. The Company s Worldwide Code of Conduct is also available on the Company s website at www.pepsico.com under *Company* *Corporate Governance.* Annually, all of PepsiCo s executive officers, other senior employees and directors complete certifications with respect to their compliance with the Company s Worldwide Code of Conduct.

Board Leadership Structure

PepsiCo s Board of Directors annually elects one of its own members as the Chairman of the Board of Directors. PepsiCo s By-Laws provide that the Chairman of the Board may also be the Chief Executive Officer or any other officer of the Corporation. PepsiCo believes that there are a wide array of leadership structures that could apply to many different business models and, therefore, that every company should be afforded the opportunity to determine the ideal structure for its board leadership, which leadership structure may change over time. PepsiCo s leadership structure of a combined role of CEO and Chairman has proven extremely effective for PepsiCo historically in the areas of company performance and corporate governance, among others. In addition, as described below, the presence of an independent Presiding Director with meaningful responsibilities ensures independent oversight. Today, PepsiCo s combined CEO and Chairman role, together with the assistance of its independent Presiding Director, effectively serves the best interests of PepsiCo and its shareholders because it provides our Company with strong and consistent leadership.

Presiding Director

PepsiCo s Corporate Governance Guidelines require that an independent director shall be designated as the Presiding Director by the independent directors of the Board based on the

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recommendation of the Nominating and Corporate Governance Committee. The position of Presiding Director shall rotate among the independent directors of the Board for a three-year term, and the Board will evaluate the Presiding Director s performance annually under the guidance of the Nominating and Corporate Governance Committee. PepsiCo s Presiding Director is expected to: (a) preside at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors; (b) serve as a liaison between the Chairman and the independent directors; (c) provide advice regarding information sent to the Board; (d) approve meeting agendas for the Board; (e) approve meeting schedules to assure that there is sufficient time for discussion of all agenda items; (f) have the authority to call meetings of the independent directors; and (g) if requested by major shareholders, ensure that he/she is available for consultation and direct communication.

In May 2007, the Board of Directors appointed Sharon Percy Rockefeller as the Presiding Director of the Board. Ms. Rockefeller continued in the role throughout 2009 and performed the above duties in addition to assisting the Board in the fulfillment of its responsibilities in general.

Director Independence

In making independence determinations, the Board of Directors observes all criteria for independence established by the SEC, the New York Stock Exchange and other governing laws and regulations. The Board has determined that to be considered independent, a director may not have any direct or indirect material relationships with the Company. In making a determination of whether a material relationship exists, the Board considers all relevant facts and circumstances, including but not limited to the director s commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships. In addition to the independence requirements set forth in the Corporate Governance Listing Standards of the New York Stock Exchange, the Board has determined that a director will not be independent if he or she serves as an executive officer, director or trustee of a tax exempt organization that has received contributions from the Company or any of its consolidated subsidiaries in any of the last three fiscal years that exceeds the greater of $1 million or 2% of the consolidated gross revenues of such tax exempt organization for its last completed fiscal year. These independence standards were recommended by the Nominating and Corporate Governance Committee and adopted by the Board of Directors, and are detailed in full in the Corporate Governance Guidelines attached as Exhibit A to this Proxy Statement.

Consistent with these considerations, the Board has reviewed all relationships and material transactions between the Company and the members of the Board (and their respective affiliated companies) and has affirmatively determined that the non-management directors standing for election listed below are independent within the meaning of the rules of the New York Stock Exchange, based on the application of the Company s independence standards.

Shona L. Brown	Ray L. Hunt	Sharon Percy Rockefeller
Ian M. Cook	Alberto Ibargüen	James J. Schiro
Dina Dublon	Arthur C. Martinez	Lloyd G. Trotter
Victor J. Dzau		Daniel Vasella

In arriving at the foregoing independence determination, the Board of Directors considered certain relationships and transactions in 2009 for compliance with the standards described above, such as charitable donations made to not-for-profit charities for which Ms. Dublon and Messrs. Dzau and Martinez serve as directors, which contributions in each instance did not exceed $20,000. The Board also considered purchases of goods and services from companies for which Ms. Dublon and Messrs. Martinez, Ibargüen and Trotter serve as a directors and at which Mr. Schiro was formerly employed. None of such payments exceeded 1% of such companies revenues or the Company s revenues. The Board determined that none of the foregoing transactions impaired the independence of any Director.

None of the non-management directors receives any fees from the Company other than those received in his or her capacity as a director.

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Communications to the Board of Directors

The PepsiCo Corporate Law Department reviews all communications sent to the Board of Directors relating to the duties and responsibilities of the Board and its Committees and regularly provides a summary of communications to the Board that relate to the functions of the Board or a Board Committee or that otherwise require Board attention. Directors may at any time discuss the Board communications received by the Company and request copies or summaries of such communications. In addition, the Corporate Law Department may forward certain communications only to the Presiding Director, the Chair of the relevant Committee or the individual Board member to whom a communication is directed. Concerns relating to PepsiCo s accounting, internal control over financial reporting or auditing matters will be referred directly to members of the Audit Committee.

Shareholders and other interested parties may send communications directed to the Board, a Committee of the Board, the Presiding Director, the independent directors as a group or an individual member of the Board by any of the following means:

- by phone at 1-866-626-0633
- by sending a letter to PepsiCo, Inc., 700 Anderson Hill Road, Purchase, New York, 10577, ATTN: Secretary
- by submitting a communication on-line at our website www.pepsico.com under *Company Corporate Governance Contact the Board of Directors/Audit Committee*

Political Contributions Policy

In 2005, the Board of Directors adopted a Political Contributions Policy for the Company. The Political Contributions Policy, together with other policies and procedures, including the Company s Worldwide Code of Conduct, guides the Company s approach to political contributions. In connection with the development of this policy and in keeping with the Company s goals of transparency, the policy and the Company s annual political contributions are posted on our website at www.pepsico.com under *Company Corporate Governance Policies*.

Committees of the Board of Directors

The Board of Directors has three standing Committees: Nominating and Corporate Governance, Compensation and Audit. The table below indicates the members of each Board committee during 2009 and through March 12, 2010:

Name	**Nominating and Corporate Governance**	**Compensation**	**Audit**
Shona L. Brown (1)	X	X	
Ian M. Cook			X
Dina Dublon			X

Victor J. Dzau	X	X	
Ray L. Hunt	Chair	X	
Alberto Ibargüen			X
Arthur C. Martinez	X	Chair	
Indra K. Nooyi			
Sharon P. Rockefeller	X	X	
James J. Schiro			Chair
Lloyd G. Trotter			X
Daniel Vasella	X	X	
Michael D. White (2)			

(1) Ms. Brown joined the Nominating and Corporate Governance Committee and Compensation Committee on March 20, 2009.

(2) Mr. White retired from the Board of Directors on November 30, 2009.

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The Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee, which was established in 1997 and renamed in 2002, held four meetings in 2009. The Nominating and Corporate Governance Committee, among other things: (a) identifies and recommends to the Board for election and/or appointment qualified candidates for membership on the Board and the Committees of the Board; (b) develops and recommends to the Board corporate governance principles and the Worldwide Code of Conduct applicable to the Company and its directors and monitors compliance with all such principles and policies; (c) develops and recommends to the Board criteria to assess the independence of members of the Board; (d) makes recommendations to the Board concerning the composition, size, structure and activities of the Board and its Committees; (e) assesses and reports to the Board on the performance and effectiveness of the Board and its Committees; and (f) reviews and reports to the Board with respect to director compensation and benefits. The Nominating and Corporate Governance Committee Charter is available on the Company s website at www.pepsico.com under *Company Corporate Governance* and is also available in print to any shareholder who requests a copy. The Nominating and Corporate Governance Committee is comprised entirely of directors who meet the independence requirements of the New York Stock Exchange.

Process for Selection and Nomination of Directors; Consideration of Director Diversity

In fulfilling its responsibility to identify and recommend to the Board qualified candidates for membership on the Board, the Nominating and Corporate Governance Committee considers the following attributes of candidates for the Board of Directors: (i) relevant knowledge and diversity of background and experience in areas including business, finance, accounting, technology, marketing, international business and government; (ii) personal qualities of leadership, character, judgment and whether the candidate possesses a reputation in the community at large of integrity, trust, respect, competence and adherence to the highest ethical standards; (iii) roles and contributions valuable to the business community; and (iv) whether the candidate is free of conflicts and has the time required for preparation, participation and attendance at meetings. In addition, while not a formal policy, PepsiCo s director nomination processes call for the Nominating and Corporate Governance Committee, during the review and selection process, to seek diversity within the Board and adhere to the Company s philosophy of maintaining an environment free from discrimination based upon race, color, religion, national origin, sex, age, disability, sexual preference or orientation, marital status or any unlawful factor.

The Nominating and Corporate Governance Committee does not solicit director nominations, but will consider recommendations for director nominees made by shareholders if the individuals recommended meet certain minimum Board membership criteria including those described above. Nominations received by the Company from shareholders are reviewed by the Chairman of the Nominating and Corporate Governance Committee to determine whether the candidate possesses the required qualifications, and if so, whether the candidate s expertise and particular set of skills and background fit the current needs of the Board. This is done to ensure that the Board includes members with diverse backgrounds, skills and experience, including appropriate financial and other expertise relevant to the business of the Company. Shareholder recommendations should be sent to the Secretary of PepsiCo at 700 Anderson Hill Road, Purchase, New York 10577 and must include detailed background information regarding the suggested candidate that demonstrates how the individual meets the Board membership criteria. If the candidate meets the requirements for a current vacancy on the Board, the submission materials are reviewed with the Nominating and Corporate Governance Committee and are responded to by the Chairman of the Committee or his/her designee. The Committee does not have a different process for evaluating nominees based on whether the nominee is recommended by a non-shareholder.

From time to time, the Nominating and Corporate Governance Committee engages consulting firms to perform searches for director candidates who meet the current needs of the Board. If a consulting firm is retained to assist in the search process for a director, a fee is paid to such firm.

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Skills and Qualifications of the Members of the Board of Directors

Each PepsiCo Board member was selected in accordance with the process for the selection and nomination of directors described above. Accordingly, each of PepsiCo s Board members brings to PepsiCo a myriad of skills, education, experiences and qualifications that can be leveraged in order to benefit PepsiCo and its shareholders. Set forth below is a description of certain of such skills, experiences and/or qualifications associated with each member of the Board. The below listing does not include personal traits such as candor, integrity, time commitment or collegiality that are essential to a nominee s qualifications, nor does it contemplate independence issues that are evaluated separately. The information below merely highlights certain notable traits of each Board member that contributed to their selection as a member of PepsiCo s Board of Directors.

Shona L. Brown. As a Director, Shona L. Brown provides PepsiCo with the unique perspective of building innovation into the business and people operations of a world-recognized global technology leader (including green operations), Google Inc. From her career in business and consulting, she brings a deep expertise in building organizations optimized for adaptability, growth and innovation. Her experiences also include serving on a number of non-profit boards, with a focus on education and the environment.

Ian M. Cook. The selection of Ian M. Cook as a director nominee was grounded in Mr. Cook s strengths in business operations gained from his many years working in global leadership roles, including Chief Executive Officer, and a director at Colgate-Palmolive, a publicly-traded, multi-national consumer products company. Mr. Cook s valuable experiences also include his diverse activities with not-for-profit organizations.

Dina Dublon. Dina Dublon s qualifications include: her deep expertise in financial strategic and banking activities that were gained while serving as a senior executive at a leading global financial services company; her complimentary experiences as a member of the board of directors at several other public companies; and her unique experiences gained while working with not-for-profit organizations focusing on women s issues and initiatives.

Victor Dzau. As a medical doctor and physician/scientist, Victor Dzau offers PepsiCo a valuable perspective into the areas of health and wellness, an important part of PepsiCo s Performance with Purpose mission. He also provides expert advice to PepsiCo s research and development programs. In addition to his medical and scientific qualifications, Dr. Dzau has significant experience in serving on the boards of several public companies and health-related organizations.

Ray L. Hunt. Ray L. Hunt brings to PepsiCo a keen understanding and knowledge regarding strategy and leadership of a global organization operating in a key industry from his long-time position as Chairman and Chief Executive Officer of Hunt Oil Company. His activities in a large number of privately-held and not-for-profit organizations contribute to Mr. Hunt s operational business expertise and strong management skills.

Alberto Ibargüen. PepsiCo and its Board of Directors benefit from the business experiences that Alberto Ibargüen acquired over 25 years of managing major metropolitan newspapers, including the country s largest Spanish-language daily. Mr. Ibargüen brings market, community and new media insights to PepsiCo that have been developed over time and through his role as Chief Executive Officer of one of the country s largest private foundations. His skill set also includes legal and financial experience that has deeply enhanced his publishing, business and public company board roles.

Arthur C. Martinez. The diverse experiences of Arthur C. Martinez include his leadership positions as Chairman, President and Chief Executive Officer of Sears, Roebuck and Co., a well-known branded consumer products company. Mr. Martinez s experiences and qualifications also include his active involvement on several public company Boards and a variety of charitable organizations as well as a deep understanding of the financial and operational aspects of businesses.

Indra K. Nooyi. Indra K. Nooyi brings to the Board of Directors strong leadership, extensive business and operating experience and tremendous knowledge of our Company as well as deep insights into and experiences within the global food and beverage industry.

In addition, Ms. Nooyi brings her broad strategic vision for PepsiCo to the Board of Directors. Ms. Nooyi s service as the Chairman and Chief Executive Officer of PepsiCo creates a critical link between management and the Board of Directors, enabling the Board to perform its oversight function with the benefits of management s perspectives on the business.

Sharon Percy Rockefeller. As a member of our Board of Directors, Sharon Percy Rockefeller brings to PepsiCo her diverse perspective and keen knowledge of and contacts within government as a long time Washington, D.C. resident. She has been President and Chief Executive Officer of WETA TV/FM, the public broadcasting stations in Washington, DC since 1989. Ms. Rockefeller s activities with several non-profit organizations focused on art, medicine and public broadcasting have provided her with invaluable management and leadership experiences as well as insights.

James Schiro. James Schiro s credentials include his managerial capabilities gained while he was Chief Executive Officer of Zurich Financial Services as well as his knowledge of global capital markets. He also brings solid financial and banking acumen gained from his role as Chief Executive Officer and other positions held at a large, public accounting firm. In addition, the experiences acquired through Mr. Schiro s positions as a director on several public company boards benefit PepsiCo, its Board of Directors and its shareholders.

Lloyd G. Trotter. The selection of Lloyd G. Trotter as a director nominee was based, among other things, upon his extensive experience in business operations and executive leadership gained from his many years working in global leadership roles at General Electric. Mr. Trotter also has significant experience by serving on the boards of directors at several public companies.

Daniel Vasella. As a member of the Company s Board of Directors, Dr. Daniel Vasella offers PepsiCo his experience as the Chairman and Chief Executive Officer of the global healthcare company, Novartis A.G. His expertise in the important areas of health and wellness and nutrition, and his global perspective in leading and serving on the board of directors at international organizations provides a great benefit to PepsiCo and its shareholders.

The Audit Committee

The Audit Committee, which was established in 1967 in accordance with the requirements of the Securities Exchange Act of 1934, held 11 meetings in 2009. The Audit Committee s primary responsibilities are to retain the Company s independent registered public accountants (subject to shareholder ratification) and to assist the Board s oversight of: (a) the quality and integrity of the Company s financial statements and its related internal controls over financial reporting; (b) the Company s compliance with legal and regulatory requirements; (c) the independent registered public accountants qualifications and independence; (d) the performance of the Company s internal audit function and the independent registered public accountants; and (e) overseeing the accounting and financial reporting practices of the Company and audits of the Company s financial statements. The report of the Audit Committee is set forth on pages 22 and 23 of this Proxy Statement. The Audit Committee Charter is available on the Company s website at www.pepsico.com under *Company* *Corporate Governance* and is also available in print to any shareholder who requests a copy.

Financial Expertise and Financial Literacy

The Board of Directors has determined that Dina Dublon and James J. Schiro, members of our Audit Committee, satisfy the criteria adopted by the Securities and Exchange Commission to serve as audit committee financial experts and are independent directors, pursuant to the standards set forth in the Company s Corporate Governance Guidelines and the requirements under the Securities Exchange Act of 1934 and the New York Stock Exchange Listing Standards. In addition, the Board of Directors has determined that Ian M. Cook, Dina Dublon, Alberto Ibargüen, James J. Schiro and Lloyd G. Trotter, constituting all members of our Audit Committee, are independent directors and are financially literate within the meaning of the New York Stock Exchange Corporate Governance Listing Standards.

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Directors on Multiple Audit Committees

None of the Company s directors serves on the audit committee of more than three public companies.

The Compensation Committee

The Compensation Committee, which has been active since 1955, held six meetings during 2009. The Compensation Committee: (a) oversees the design of PepsiCo s compensation and benefits programs; (b) oversees the policies of the Company relating to compensation of the Company s executives and makes recommendations to the Board regarding the compensation of PepsiCo s executive officers and other key executives; (c) produces a report on executive compensation for inclusion in the Company s Proxy Statement; and (d) oversees the development and implementation of succession plans for the Chief Executive Officer and other key executives. Additional information on the roles and responsibilities of the Compensation Committee is provided in the Compensation Discussion and Analysis on page 25 of this Proxy Statement.

The Compensation Committee is composed entirely of independent members of the Board who are outside directors for purposes of Section 162(m) of the Internal Revenue Code and non-employee directors for purposes of Section 16 of the Securities Exchange Act of 1934. The Compensation Committee Report is set forth on page 41 of this Proxy Statement. The Compensation Committee Charter is available on the Company s website at www.pepsico.com under *Company* *Corporate Governance* and is also available in print to any shareholder who requests a copy.

Review and Approval of Transactions with Related Persons

On an annual basis, each director and executive officer is required to complete a questionnaire, which requires disclosure of any transactions the director or executive officer, or their immediate family members, may have with the Company in which the director or executive officer, or their immediate family members, has a direct or indirect material interest. The Audit Committee, which is responsible for reviewing and approving any related party transactions, considers the responses in the questionnaires and other information regarding potential relationships between the Company and the directors and executive officers. In determining whether to approve or disapprove a related-person transaction, our Audit Committee considers all transactions on a case-by-case basis and weighs all material factors, including but not limited to, the extent of the related person s interest in the transaction, the availability (if applicable) of other sources of comparable products or services, the terms of the transaction compared to the terms of a similar unaffiliated transaction, the benefit to the Company or the best interests of the Company s shareholders, whether the transaction would interfere with the objectivity and independence of any related person s judgment or conduct in fulfilling his/her duties to the Company, and the aggregate value of the transaction.

The Audit Committee has determined that there are no related party transactions to report.

Compensation Committee Interlocks and Insider Participation

No member of PepsiCo s Compensation Committee is now, or was during 2009 or any time prior thereto, an officer or employee of the Company. No member of the Compensation Committee had any relationship with the Company or any of its subsidiaries during 2009 pursuant to which disclosure would be required under applicable rules of the Securities and Exchange Commission pertaining to the disclosure of transactions with related persons. None of the executive officers of the Company currently serves or has served in the past on the board of directors or compensation committee of another company at any time during which an executive officer of such other company served on the Company s Board of Directors or Compensation Committee.

Board of Directors Role in Risk Oversight

The Company s risk management process is intended to ensure that risks are taken knowingly and purposefully. As such, the Board of Directors is involved in PepsiCo s integrated risk management

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framework designed to identify, assess, prioritize, manage, monitor and communicate risks across the Company, including its Board of Directors. This framework includes both senior-management level and division level risk committees that are cross-functional and geographically diverse and work together with the Company s internal audit and compliance teams to identify, assess, prioritize and address strategic, financial, operating, business, compliance, safety, reputational and other risks to the Company and its divisions. These risk committees engage with and/or report to PepsiCo s Audit Committee and/or Board of Directors on a regular basis to address high priority risks, on a semi-annual basis to review other risks and on an as-needed basis to evaluate and monitor emerging risks.

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AUDIT COMMITTEE REPORT

PepsiCo s Audit Committee reports to and acts on behalf of the Board of Directors by providing oversight of the Company s independent auditors and the Company s financial management and financial reporting procedures. The Audit Committee is comprised entirely of directors who meet the independence, financial experience and other qualification requirements of the New York Stock Exchange and applicable securities laws. The Audit Committee is a separately designated standing audit committee established in accordance with section 3(a)(58)(A) of the Securities Exchange Act of 1934. The names of the Audit Committee members are included at the end of this Audit Committee Report. The Audit Committee operates under a written charter adopted by the Board of Directors, which is reviewed annually and is available on the Company s website at www.pepsico.com under *Company Corporate Governance.*

The Company s management has responsibility for preparing the Company s financial statements and the Company s independent auditors (independent registered public accountants), KPMG LLP (**KPMG**), is responsible for auditing those financial statements. In this context, the Audit Committee has met with management and KPMG to review and discuss the Company s audited financial statements. The Audit Committee discussed with Company management and KPMG the critical accounting policies applied by the Company in the preparation of its financial statements. These policies arise in connection with: revenue recognition and related trade spending; brand and goodwill valuations; income tax expense and accruals; and pension and retiree medical plans. The Company s management has represented to the Audit Committee that the financial statements were prepared in accordance with generally accepted accounting principles. The Audit Committee discussed with KPMG the matters required to be discussed by the Statement on Auditing Standards No. 61 (Communications with Audit Committees), as amended, and the Sarbanes-Oxley Act of 2002, and had the opportunity to ask KPMG questions relating to such matters. The discussions included the quality, and not just the acceptability, of the accounting principles utilized, the reasonableness of significant accounting judgments, and the clarity of disclosures in the financial statements. The Audit Committee also discussed with Company management the process for certifications by the Company s Chief Executive Officer and Chief Financial Officer, which is required by the Securities and Exchange Commission and the Sarbanes-Oxley Act of 2002 for certain of the Company s filings with the Securities and Exchange Commission.

The Audit Committee reviewed with the Company s internal auditors and independent registered public accountants the overall scope and plans for their respective audits for 2009. The Audit Committee also received regular updates from the Company s General Auditor on internal control and business risks and the Company s senior officer for compliance and business practices on compliance and ethics issues. The Audit Committee also received an update on the Company Law Department s compliance with Part 205 of Section 307 of the Sarbanes-Oxley Act of 2002 regarding standards of professional conduct for attorneys. The Audit Committee meets with the internal and independent registered public accountants, with and without management present, to discuss their evaluations of the Company s internal controls and the overall quality of the Company s financial reporting. The Audit Committee also meets with the Company s General Counsel, with and without other members of management present, to discuss the Company s compliance with laws and regulations.

The Audit Committee reviewed and discussed with KPMG, KPMG s independence and, as part of that review, received the written disclosures required by applicable professional and regulatory standards relating to KPMG s independence from the Company, including the Public Company Accounting Oversight Board pertaining to the independent accountant s communications with the Audit Committee concerning independence. The Audit Committee also reviewed and pre-approved all fees paid to the independent registered public accountants. These fees are described in the next section of this Proxy Statement. The Audit Committee also considered whether KPMG s provision of non-audit services to the Company was compatible with the independence of the independent registered public accountants. The Committee has adopted a formal policy on Audit, Audit-Related and Non-Audit Services, which is published on the Company s website and which is briefly described in the next section of this Proxy Statement. The Audit Committee concluded that the independent registered public accountants are independent from the Company and its management.

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In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board has approved, that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended December 26, 2009, for filing with the Securities and Exchange Commission. The Audit Committee has also retained KPMG as the Company s independent registered public accountants for the fiscal year 2010, and the Audit Committee and the Board have recommended that shareholders ratify the appointment of KPMG as the Company s independent registered public accountants for the fiscal year 2010.

THE AUDIT COMMITTEE

IAN M. COOK

DINA DUBLON

ALBERTO IBARGÜEN

JAMES J. SCHIRO, CHAIRMAN

LLOYD G. TROTTER

AUDIT AND NON-AUDIT FEES

The following table presents fees for professional audit services rendered by KPMG LLP, the Company s independent registered public accountants, for the audit of the Company s annual financial statements for 2008 and 2009, and fees billed for other services rendered by KPMG LLP.

	2008	2009
Audit fees	$ 20,450,000	$ 19,288,000
Audit-related fees (1)	$ 1,567,000	$ 1,989,000
Tax fees (2)	$ 754,000	$ 707,000
All other fees (3)	$ 223,000	$

(1) Audit-related fees for 2008 and 2009 consisted primarily of the audits of certain employee benefit plans, due diligence reviews and other procedures performed in connection with business transactions, agreed upon procedures reports and the issuance of comfort letters.

(2) Tax fees for 2008 and 2009 consisted primarily of international tax compliance services.

(3) All other fees for 2008 consisted of fees for the review of the Company s customs procedures.

We understand the need for the independent registered public accountants to maintain their objectivity and independence, both in appearance and in fact, in their audit of the Company s financial statements. Accordingly, the Audit Committee has adopted the PepsiCo Policy for Audit, Audit-Related and Non-Audit Services. The policy provides that the Audit Committee will engage the independent registered public accountants for the audit of the Company s consolidated financial statements and other audit-related work. The independent registered public accountants may also be engaged for tax and other non-audit related work if those services: enhance and support the attest function of the audit; are an extension to the audit or audit-related services; or are services with respect to which, under the circumstances, KPMG offers unique qualification and there is clearly no question regarding their independence in providing such service. The policy further provides that on an annual basis the independent registered public accountants Global Lead Audit Partner will review with the Audit Committee the services the independent registered public accountants expects to provide in the coming year and the related fee estimates. In addition, PepsiCo will provide the Audit Committee with a quarterly status report regarding the Committee s pre-approval of audit-related, tax or other non-audit services that the independent registered public accountants have been pre-approved to perform, have been asked to provide or may be expected to provide during the balance of the year. PepsiCo s Policy for Audit, Audit-Related and Non-Audit Services is available on the Company s website at www.pepsico.com under *Company* *Corporate Governance* .

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EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis provides information regarding the compensation paid to our executive officers who are identified as Named Executive Officers in the 2009 Summary Compensation Table on page 42 of the Proxy Statement.

2009 Company Performance and Compensation Decisions

PepsiCo s executive compensation program is designed to align the interests of PepsiCo s executive officers with those of our shareholders by tying a significant portion of their compensation to the Company s performance. Executive officer compensation for 2009 aligned well with the objectives of our compensation philosophy and with our performance, based on a number of factors:

Solid operating performance drove annual bonus awards at or slightly above target and resulted in achievement of performance-based restricted stock unit (***PSU*** *) targets.* Despite macroeconomic challenges, PepsiCo delivered solid operating performance, including 6% core constant currency division operating profit growth and 6% core constant currency EPS growth.

Greater emphasis on long-term performance and PepsiCo objectives. Beginning in 2009, we eliminated long-term cash awards for all executive officers and reallocated a portion of the value to the executive officers equity opportunity. This change better aligns their pay mix with the market. In addition, to support the Company s objective of achieving high growth in emerging markets, the Compensation Committee introduced a new performance metric to determine 2010 PSU award payouts based on international net revenue growth as a multiple of North America net revenue growth.

Compensation Committee reviewed the connection between compensation and risk. The Compensation Committee reviewed our compensation programs and policies for features that may give rise to risks that have a material adverse effect on the Company, and found that the compensation programs operate with strong governance features and do not encourage unnecessary or excessive risk taking.

Our compensation programs foster employee recruitment, retention and motivation. We delivered a total compensation package composed of salary, annual incentive compensation, long-term equity incentive awards, and a competitive employee benefits program. These elements reinforced our pay-for-performance philosophy and encouraged employee recruitment, retention and motivation.

No increase in CEO base salary for 2010. At Ms. Nooyi s request, no increase was made to her 2009 base salary. Ms. Nooyi s total compensation package for 2009 performance is substantially comparable to her compensation for 2008 performance.

Compensation Philosophy

It is critical to our long-term success and growth that our businesses are managed by highly capable leaders with the experience, skills and dedication to oversee a growing and changing global organization. To achieve this objective, we have designed our compensation programs to help recruit, retain and motivate a large group of talented and diverse domestic and international employees. Our programs are highly incentive-based and competitive in the marketplace, with Company performance determining a significant portion of total compensation. As a result, it is our objective that, when PepsiCo s financial performance exceeds that of our peer group median, our executives receive total compensation above the peer group median. Likewise if PepsiCo s financial performance were to fall below the peer group median, our executives would receive total compensation below the peer group median.

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Our executive compensation philosophy is based on the principle that PepsiCo will achieve its best results when its employees act and are rewarded as business owners. Ownership is not only about owning stock, but it is also about being accountable for business results, in good times and bad. Owners act with the conviction that their business is personal and that they can make a difference. Owners take initiative and responsibility for the assets of the business and its employees. As executives progress to higher levels at PepsiCo, their responsibilities and rewards progress as well.

How We Determine Compensation

Role of the Compensation Committee. The Compensation Committee oversees the design and administration of PepsiCo s compensation programs and evaluates these programs against competitive practices, legal and regulatory developments and corporate governance trends. The Compensation Committee approves, and recommends to the Board of Directors, the target and actual total compensation for each executive officer. The independent members of the Board approve the compensation for the Chairman & Chief Executive Officer (**Chairman & CEO**) and other executive officers. As part of its processes and procedures for determining executive compensation, the Compensation Committee annually:

- reviews and establishes the peer group companies used as a reference to benchmark Company performance and executive officer compensation;
- reviews executive officer compensation to ensure that a significant portion is performance-based to create incentives for above-target performance and consequences for below-target performance;
- reviews tally sheets which provide a comprehensive overview of the aggregate value of the compensation and benefits for executive officers as well as the total value an executive officer would receive upon a variety of termination scenarios (such as resignation, retirement, long-term disability, death and change-in-control);
- approves specific performance targets to ensure the tax deductibility of incentive compensation;
- confirms with the Compensation Committee s external consultant that total compensation paid to each executive officer is appropriate based on an analysis that compares the Company s financial performance relative to the performance of its peer group as measured by financial metrics including shareholder returns and operating performance over one-year and three-year time periods;
- approves base salary adjustments to the extent they are warranted by changes in market pay data; and
- approves annual and long-term incentive award payouts each year based on performance achieved in the prior year relative to the pre-established performance targets.

Each year, actual annual incentive awards, long-term incentive awards and pay actions for the executive officers are approved by the independent members of the Board on the recommendation of the Compensation Committee. The Compensation Committee bases its recommendations on an analysis of PepsiCo s actual performance relative to financial goals established in advance by the Compensation Committee and an analysis of each executive officer s individual performance and contributions to PepsiCo s strategic goals.

Role of Management. The Compensation Committee and Board of Directors determine the compensation of the Chairman & CEO without management input. The Compensation Committee meets with the Chairman & CEO at the beginning of the year to agree upon her performance objectives for the year. At the end of the year, the Chairman & CEO provides the Compensation Committee a self-assessment based on her achievement of the agreed-upon objectives and other leadership accomplishments. This self-assessment, in addition to Company performance and market compensation data provided by the Compensation Committee s external consultant, is used by the Compensation Committee in setting the Chairman & CEO s compensation.

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The Compensation Committee and the Board also solicit input from the Chairman & CEO to obtain her evaluation of performance and her recommendation in determining pay for other executive officers. No executive officer is present when his or her compensation is discussed by the Compensation Committee or the Board of Directors.

In addition, the Company s human resources department prepares materials for review by the Compensation Committee and provides data, analysis and recommendations for the Compensation Committee s consideration regarding the Company s compensation programs and policies, as well as pay levels for executives who are not executive officers. The human resources department also administers PepsiCo s compensation and benefits programs and policies based on the direction of the Compensation Committee.

Role of the External Consultant. The Compensation Committee has engaged Frederic W. Cook & Co. as its external consultant to assist the Committee. The Compensation Committee considers analysis and advice from its external consultant when making compensation decisions for the Chairman & CEO and other executive officers. The external consultant s assistance includes the following:

- reviewing the Compensation Committee s agendas and supporting materials in advance of each meeting and raising questions with the Company s human resources department and the Compensation Committee Chair, as appropriate;
- reviewing the Company s total compensation philosophy, peer group, and the competitive positioning of target and actual total compensation for reasonableness and appropriateness;
- reviewing the Company s executive compensation program and advising the Compensation Committee of plans or practices that might be changed in light of evolving best practices;
- providing independent analyses and recommendations to the Compensation Committee on the Chairman & CEO s pay;
- reviewing the draft Compensation Discussion and Analysis report and related tables for the proxy statement; and
- proactively advising the Compensation Committee on best practices for board governance of executive compensation.

The external consultant attends Compensation Committee meetings, and Compensation Committee members have direct access to the consultant without management involvement. While the external consultant works directly for the Compensation Committee, and the Compensation Committee has the sole authority to hire and terminate the external consultant, the consultant sometimes obtains input from management to ensure that the consultant s recommendations and advice reinforce PepsiCo s business strategy, principles and values.

The services performed by Frederic W. Cook & Co. have been exclusively limited to executive compensation consulting for the Compensation Committee. Frederic W. Cook & Co. is prohibited from undertaking any work with PepsiCo management or employees, and undertook no such work in 2009.

Frederic W. Cook & Co. provides recommendations on Chairman & CEO pay directly to the Compensation Committee without consulting PepsiCo s Chairman & CEO or management. In order to develop recommendations, Frederic W. Cook & Co. first prepares analyses showing competitive CEO compensation among the peer group for the individual elements of compensation and total direct compensation. Frederic W. Cook & Co. then develops a range of recommendations for the Chairman & CEO s base salary, annual incentive award and long-term equity incentive award. The recommendations take into account the peer group competitive pay analysis, expected future pay trends, and importantly, the position of the Chairman & CEO in relation to other senior company executives and proposed pay actions for all key employees of the Company. The range allows the

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Compensation Committee to exercise its discretion based on the Chairman & CEO s individual performance and other factors. The Chairman & CEO has no prior knowledge of the recommendations and takes no part in the recommendations or the Compensation Committee s discussions and decisions.

Risk Mitigation. PepsiCo s compensation programs have been designed with features that discourage executives from taking unnecessary and excessive risks that would threaten the health and viability of the Company. At the Compensation Committee s request, the Company s human resources department conducted an assessment of potential risks arising from the Company s compensation policies and practices with the assistance of the Compensation Committee s external consultant. At its February 2010 meeting, the Compensation Committee reviewed the results of this assessment and concluded that the risks arising from the Company s compensation programs are not reasonably likely to have a material adverse effect on the Company. The assessment demonstrated that several design features of PepsiCo s cash and equity incentive programs for all employees reduce the likelihood of excessive risk-taking, including:

- utilizing top-line, bottom-line and cash flow financial metrics in determining annual incentive awards ensures balanced growth;
- requiring achievement of profit plan gatekeeper targets for executive officers to qualify for above-target payout of annual incentive awards provides a strong incentive to sell profitable product;
- utilizing prior business unit performance measures as part of the annual incentive award determination for any executive officer who assumes a new leadership position in a different business unit ensures the executives officer remains accountable for the results of the long-term strategies he or she established in the prior business unit;
- utilizing both enterprise-wide and division business performance targets for all Sector CEOs ensures collaboration and shared accountability;
- utilizing long-term equity incentive awards as the most significant element of executive officer pay, balancing long-term incentive awards equally between options and PSUs, and capping PSU payouts at 125% ensure executive officers have a strong incentive to create long-term shareholder value;
- including compensation clawback provisions in the annual incentive, long-term incentive and executive deferral programs gives the Company the right to cancel awards and recoup incentive and deferral gains if an executive violates PepsiCo s Worldwide Code of Conduct, engages in gross misconduct, or violates non-compete, non-solicitation or confidentiality provisions; and
- requiring executive officers to own meaningful amounts of Company stock and limiting the number of shares that executive officers may sell upon exercising stock options align executive officers interests with shareholders.

Although the Compensation Committee concluded that the above described design features significantly mitigate risk taking, the Compensation Committee decided to expand the compensation clawback policy to further reduce the potential for excessive risk taking. This expanded clawback policy provides the Compensation Committee the discretion to cancel an executive officer s incentive awards and recover bonuses and equity award gains if the Compensation Committee determines that an executive officer, through his or her gross negligence or misconduct, has caused or contributed to the need for an accounting adjustment to the Company s financial results.

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Peer Group. The Compensation Committee utilizes the same peer group to evaluate both executive officer pay levels and Company performance. The Compensation Committee annually reviews and validates the peer group with the assistance of its external consultant to ensure all peer companies remain an appropriate basis for comparison and approves any changes to the composition of the peer group. In selecting peer group companies, the Compensation Committee primarily looks for companies that have a comparable size (based on revenue and market capitalization) and are multinational with a global presence, strong consumer brands, and an innovative culture. Based on these criteria, the Compensation Committee utilized the following twenty-two peer companies for 2009 pay decisions:

Company	Revenue ($Bn)	12/26/09 Market Capitalization ($Bn)
Hewlett-Packard Company	114.6	125.0
The Procter & Gamble Company	79.0	179.0
Johnson & Johnson	61.9	178.5
Unilever PLC	56.9	97.1
Apple, Inc.	42.9	188.1
Kraft Foods, Inc.	40.4	40.7
The Walt Disney Company	36.1	60.2
Intel Corporation	35.1	112.3
The Coca-Cola Company	31.0	133.1
American Express Company	26.7	49.6
3M Company	23.1	58.4
McDonald s Corporation	22.7	68.4
Groupe Danone	21.4	39.4
Nike, Inc.	19.2	31.8
Kimberly-Clark Corporation	19.1	26.6
Colgate-Palmolive Company	15.3	41.3
General Mills, Inc.	14.7	23.4
Sara Lee Corporation*	12.9	8.7
Kellogg Company	12.6	20.5
H.J. Heinz Company*	10.1	13.6
Campbell Soup Company*	7.6	11.8
The Estee Lauder Companies, Inc.*	7.3	9.6

* Represents a company that will be removed from the peer group for 2010 as discussed below

PepsiCo currently is the fifth largest company in the peer group in terms of 2009 revenue and is the eighth largest company in the peer group in terms of 2009 fiscal year-end market capitalization:

	Peer Group Median	Peer Group 75th Percentile	PepsiCo
2009 Revenue	$ 22.9Bn	$ 39.3Bn	$ 43.2Bn
2009 fiscal year-end Market Capitalization	$ 45.5Bn	$ 108.5Bn	$ 95.1Bn

In December 2009, when the Compensation Committee conducted its annual review of the peer group, the Compensation Committee approved removing four smaller companies from the peer

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group: Sara Lee Corporation, H.J. Heinz Company, Campbell Soup Company, and The Estee Lauder Companies, Inc. The removal was made in light of PepsiCo s acquisitions of The Pepsi Bottling Group, Inc. (**PBG**) and PepsiAmericas, Inc. (**PAS**). PepsiCo s size falls at the very high end of the current peer group following the completion of the acquisitions.

In addition to utilizing data from the peer group, the Compensation Committee also relies on data from Towers Watson s published executive compensation surveys and pay data collected from the Fortune 100 as secondary reference points to help the Compensation Committee obtain a general understanding of current pay practices for executive officers other than the Chairman & CEO.

Executive Compensation Policies. Pay levels for executive officers are designed to be competitive relative to our peer group companies and, most importantly, align with the Company s performance. Pay-for-performance is a critical policy in designing our executive officer compensation. As a result, our pay mix, defined as the amount of salary and annual and long-term equity incentive awards relative to total compensation, places the greatest emphasis on performance-based incentives. As illustrated in the following charts, consistent with market practice, 90% of our Chairman & CEO s target total compensation (excluding benefits and perquisites) is performance-based, and approximately 80% of the target total compensation (excluding benefits and perquisites) for our other Named Executive Officers is performance-based:

To sustain PepsiCo s long-term performance, we establish stretch financial goals that are generally set to meet our peer group s 75^{th} percentile performance (i.e., the top 25% of peer companies). Our objective is to compensate at the 75^{th} percentile relative to our peer group when we achieve performance at or above the 75^{th} percentile of our peer group. To accomplish this objective, we annually review compensation (base salary, annual incentive awards and long-term incentive awards) compared to our peer group to set target total compensation levels for our executive officers between the peer group median and 75^{th} percentile for similar positions. We then utilize variable pay incentives to award pay aligned with our performance. Our design is set to ensure that our pay-for-performance programs deliver total compensation at the 75^{th} percentile when financial performance is at or above the peer group 75^{th} percentile. If financial performance were to be below the peer group 75^{th} percentile, total compensation awarded would be below the 75^{th} percentile.

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Components of PepsiCo s Compensation and Benefits Programs

For 2009, the primary components of our compensation and benefits programs for executive officers were (1) base salary, (2) annual incentive awards, (3) long-term equity incentive awards, (4) retirement programs and (5) benefits and perquisites. These components promote the Company s compensation objectives described in the following table:

Component	Type	Purpose	Alignment with shareholder value creation
Base Salary	Fixed	Intended to attract and retain executives	Benchmarked against peer companies
Annual Incentive Compensation	Performance-based	Annual incentives to drive Company, business unit and individual performance	Focused on growing net revenue, profitability, and cash flow as well as delivering strategic business imperatives
Long-Term Equity Incentive Awards	Performance-based	Long-term incentives to align executive officers interests with those of PepsiCo s shareholders	– Awards based on Company and individual performance – Final payout of PSUs based on achievement of stretch Company performance objectives – Nearly half of total pay delivered in equity to create incentive to deliver sustained long-term growth in PepsiCo s stock price
Retirement, Perquisites and Other Benefits Programs	Fixed	Intended to attract and retain executives	Benchmarked against peer companies

1. Base Salary. Base salary is a fixed component of executive compensation intended to meet the objective of attracting and retaining the executive officers necessary to lead the Company. The relative levels of base salary for the Chairman & CEO and the other executive officers are based on the underlying accountabilities of each executive officer s position and reflect each executive officer s scope of responsibility. The Compensation Committee annually reviews executive officer salaries and benchmarks them against data with respect to similar positions among the peer group companies and in the Fortune 100 and Towers Perrin executive compensation surveys. In addition, executive officer salaries are analyzed relative to internal positions to ensure equity and alignment of our pay within PepsiCo, including in relation to the Chairman & CEO s total compensation. The base salaries paid to our Named Executive Officers in 2009 are presented in the 2009 Summary Compensation Table.

Base salaries were not increased for any Named Executive Officers during 2009 because the Compensation Committee believed that the base salary levels already in place were competitive. For 2010, the Board of Directors approved a $200,000 increase to the Chairman & CEO s base salary, in light of market data, the significant increase in the Company s size following the close of the PBG and PAS acquisitions and the fact that Ms. Nooyi s base salary has not been increased since 2006. Although Ms. Nooyi s current base salary is below market, she has asked that the increase not be effectuated this year.

2. Annual Incentive Compensation. We provide performance-related annual incentive compensation opportunities to our executive officers under the shareholder-approved PepsiCo, Inc. Executive Incentive Compensation Plan (**EICP**). Awards under the EICP are designed to provide annual incentives to drive Company, business unit and individual performance.

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Each executive officer s target annual incentive opportunity (expressed as a percentage of base salary) is based on job responsibility, alignment with internal peers, and peer company market data. Consistent with our compensation objectives, as an executive assumes greater responsibility, more of his or her pay is linked to Company performance. The 2009 target annual incentive opportunities for the Named Executive Officers were:

Name	% of Base Salary
Indra K. Nooyi	200%
Richard A. Goodman	125%
Albert P. Carey	140%
John C. Compton	140%
Massimo F. d Amore	140%
Michael D. White	165%

The actual payout can range from 0% to 200% of a Named Executive Officer s target annual incentive opportunity as displayed in the 2009 Grants of Plan-Based Awards Table. If financial performance with respect to a specific measure is above or below target, actual payout will be leveraged above or below the target annual incentive opportunity.

When determining the actual annual incentive award payable to each executive officer, the Compensation Committee considers both Company financial performance and individual performance. For our Chairman & CEO, performance is evaluated in a non-formulaic manner with no specific weighting given to any performance measure. For our other executive officers, Company performance is weighted approximately two-thirds and individual performance is weighted approximately one-third. The specific performance measures are outlined below.

Individual Performance Measures: The Compensation Committee evaluates individual performance based on measures related to an individual s contribution to PepsiCo s strategic business imperatives, such as improving operating efficiencies and driving PepsiCo s *Performance with Purpose* priorities in the areas of human sustainability, environmental sustainability and talent sustainability. The strategic business imperatives are intended to be challenging. They can be both qualitative and quantitative and vary for each executive officer. The Compensation Committee gives no specific weighting to the various strategic imperatives and evaluates individual performance in a non-formulaic manner.

Company Performance Measures: Our annual incentive plan utilizes Company performance measures that executives directly influence to ensure a direct link between performance and actual incentive awards. The specific 2009 Company performance measures used by the Compensation Committee are listed in the table below. These performance measures relate to corporate-wide (PepsiCo) performance, business unit (such as PepsiCo Americas Foods) performance and division (such as Frito-Lay North America) performance depending on the Named Executive Officer s position and scope of responsibility. If an executive officer assumes a leadership position of a different business unit, the annual incentive award for the subsequent performance year is determined based 50% on performance measures for the prior business unit and 50% on performance measures for the current business unit. This practice ensures that executive officers are held accountable for results in the prior business unit in which they established the subsequent year s business priorities and long-term strategies.

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For 2009, our corporate-wide financial performance objectives included core constant currency EPS growth and net revenue growth.[1] The 2009 objectives for business units and divisions were core constant currency net operating profit before tax (**NOPBT**) growth and constant currency net revenue growth. In addition to these objectives, the Company also utilized a management operating cash flow growth excluding certain items[2] (cash flow growth) target for PepsiCo and each division. Achievement of the cash flow growth target had the potential to raise a Named Executive Officer s Company performance score by up to 16.5%. These financial performance objectives may be subject to adjustments for a number of items not in an executive s control, such as merger and acquisition activity and changes in generally accepted accounting principles (**GAAP**), as we believe that ongoing results are more reflective of performance than reported financial performance calculated under GAAP.

Name	**Company Performance Measures**
Indra K. Nooyi	PepsiCo: Core Constant Currency EPS, Net Revenue & Cash Flow Growth
Richard A. Goodman	PepsiCo: Core Constant Currency EPS, Net Revenue & Cash Flow Growth
Albert P. Carey	Frito-Lay North America: NOPBT, Net Revenue & Cash Flow Growth
	PepsiCo: NOPBT & Cash Flow Growth
John C. Compton	PepsiCo Americas Foods: NOPBT, Net Revenue & Cash Flow Growth
	PepsiCo: NOPBT & Cash Flow Growth
Massimo F. d Amore	PepsiCo Americas Beverages: NOPBT, Net Revenue & Cash Flow Growth
	PepsiCo: NOPBT & Cash Flow Growth
Michael D. White	PepsiCo International: NOPBT, Net Revenue & Cash Flow Growth
	PepsiCo: NOPBT & Cash Flow Growth

Results: After the end of 2009, the Compensation Committee evaluated PepsiCo s performance against the 2009 performance measures described above and determined each Named Executive Officer s actual incentive award. In determining annual incentive awards for 2009, the Compensation Committee considered actual Company performance against the corresponding pre-established performance targets noted in the following table.

COMPANY PERFORMANCE MEASURES	**2009 TARGET**	**ACTUAL 2009 PERFORMANCE**
PepsiCo Constant Currency Net Revenue Growth	~7%	5%
PepsiCo Core Constant Currency Division NOPBT Growth	~7%	6%
PepsiCo Core Constant Currency EPS Growth	~6-8%	6%
PepsiCo Cash Flow Growth	~7%	16%

PepsiCo s actual 2009 core constant currency EPS growth of 6% was at the lower end of the target range as a result of the suspension of the Board-approved share buyback program in light of the

1 In order to ensure that ongoing performance measures are evaluated in a manner that accurately reflects the performance of the Named Executive Officers and the Company s ongoing results, the Committee approved utilizing core constant currency EPS, core constant currency NOPBT, and constant currency net revenue for compensation purposes. Core results are non-GAAP financial measures that exclude the commodity mark-to-market net impact included in corporate unallocated expenses, certain restructuring actions, costs associated with our mergers with PBG and PAS, our share of PBG s and PAS s respective merger costs included in bottling equity income, and certain tax benefits in 2007. Constant currency financial results assume constant foreign currency exchange rates are used for translation based on the rates in effect for the comparable prior-year period. In addition, EPS growth is computed by adjusting core EPS growth by the after-tax foreign currency translation impact on core operating profit growth using PepsiCo s core effective tax rate. These items are included when computing EPS growth, NOPBT growth, and net revenue growth in accordance with

GAAP.

2 In order to ensure that cash flow growth measures are evaluated in a manner that accurately reflect the performance of the Named Executive Officers and the Company s ongoing results, management operating cash flow growth excluding certain items was used in 2009 for compensation purposes. Management operating cash flow growth excluding certain items includes net capital spending and sales of property, plant and equipment, and excludes the impact of a discretionary pension contribution in the first quarter of 2009 (net of tax), cash payments for PBG/PAS merger costs in the fourth quarter of 2009 and restructuring-related cash payments (net of tax) in 2009 and 2008.

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acquisition of PBG and PAS. The Company s core constant currency EPS growth would have been in the middle of the target range had share repurchases occurred as planned. PepsiCo s Compensation Committee did not reset bonus targets or adjust bonus payouts to take into account the impact of this share buyback suspension. Instead, bonus payouts were based on PepsiCo s actual 6% core constant currency EPS growth.

For Messrs. Carey, Compton, d Amore and White, NOPBT, net revenue and cash flow growth targets were challenging and set to approximate the 75th percentile of our peer group, meaning that targets were set to fall within the top 25% of peer companies. The actual annual incentive awards determined by the Compensation Committee for each Named Executive Officer are included in column (g) in the 2009 Summary Compensation Table.

3. Long-Term Equity Incentive Compensation. Consistent with our compensation philosophy, we believe that stock ownership and stock-based incentive awards are the best way to align the interests of the executive officers with those of PepsiCo s shareholders. We have a long history of linking pay to our long-term stock performance for all employees, not just executives. This is best demonstrated by the fact that, since 1989, we have provided an annual grant of stock options to virtually all full-time U.S. employees under SharePower, our broad-based stock option program.

Executive officers annual long-term equity incentives are comprised of stock options (described in section 3(a) below) and PSUs (described in section 3(b) below) that pay out only if pre-approved performance targets are achieved.

The annual executive officer long-term incentive program is designed to deliver a mix of approximately 50% stock options and 50% PSUs based on a four-to-one option/full value share conversion ratio. Most executives are provided with a choice of receiving their annual long-term award in stock options and RSUs that vest after three years of service. However, PepsiCo s executive officers, including the Chairman & CEO and the other Named Executive Officers, are not provided with this choice. The value of the annual equity award for these executive officers is balanced equally between stock options and PSUs.

Target grant levels for executive officers vary by position and are based on competitive benchmarking. Target grant levels are expressed in dollars (rather than as a percent of salary) and are set to approximate the peer group median. The actual size of grants awarded to executive officers can range from 0% to 150% of target and are determined based on Company and individual performance. We require that annual option and PSU awards made under the long-term incentive plans include vesting terms that encourage an executive officer to remain with PepsiCo for a number of years.

Upon recommendation by the Compensation Committee, the independent members of the Board directly approve individual awards to executive officers. Stock option and PSU grants are awarded under our shareholder-approved long-term incentive plans at **Fair Market Value**, defined as the average of the high and low stock prices rounded up to the nearest quarter on the date of grant. This formula mitigates the impact of our stock price s intra-day volatility when setting the grant price of equity awards. PepsiCo does not backdate, reprice or grant equity awards retroactively. Repricing of awards would require shareholder approval under our shareholder-approved long-term incentive plans. PepsiCo s grant practices ensure all grants are made on fixed grant dates and at exercise prices or grant prices equal to the Fair Market Value on such dates. Our annual grant has historically been provided on the later of February 1st or the regularly scheduled January/February Board meeting. On February 6, 2009, the Board granted stock options and PSUs to all executive officers with a grant price of $53.00 (the average of the low and high price on the date of grant, rounded up to the nearest quarter). For the 2010 annual grant, the Compensation Committee set the annual grant as 45 calendar days after the PBG and PAS acquisition closing to ensure that all employees receive equity grants on a consistent date with a consistent grant price. Based on the February 26, 2010 acquisition closing date, the 2010 annual grant date will be April 12, 2010.

In addition, the Board of Directors selectively awards retention equity grants to leaders who are critical to business continuity and growth. These awards typically consist of restricted stock units (**RSUs**) with vesting periods designed to facilitate retention through key business and/or career milestones. The awards have no value to the executive unless the executive remains employed with PepsiCo for the full vesting period, and the awards are cancelled if the executive terminates or retires. On November 18, 2009, the Board granted to Mr. Carey a retention RSU award with a grant date fair value of $2 million that will vest on November 18, 2012 subject to Mr. Carey s continued employment.

3(a). Stock Options. We believe that stock options are motivational and represent performance-based compensation, as they have no intrinsic value to recipients on the date of grant and they only deliver meaningful value if PepsiCo achieves sustained, long-term stock price growth. The value of stock options an executive officer receives each year can vary from 0% to 150% of target based on Company and individual performance as described above. Subject to Compensation Committee and Board approval, executive officers receive annual grants of stock options that generally vest after three years of service and expire after ten years. Executive officers who retire from the Company at age 55 through age 61 with at least 10 years of service are eligible to vest in a pro-rata portion of their stock option grants based on the length of time served in proportion to the full vesting period. Executive officers who retire from the Company at or after age 62 are eligible to vest in the full stock option grant. No dividends or dividend equivalents are earned on stock option grants. The grant date fair value of stock options awarded to our Named Executive Officers in 2009 is presented under column (m) in the 2009 Grants of Plan-Based Awards Table.

3(b). Performance-Based Restricted Stock Units (PSUs). Subject to Compensation Committee and Board approval, grants of PSUs are awarded to executive officers annually from 0% to 150% of their target award level based on Company and individual performance as described above. PSUs vest based on PepsiCo achieving pre-established annual financial performance targets for each year in a three-year performance period. The Compensation Committee establishes these financial performance targets each year. Financial performance targets for the PSUs have never been adjusted or reset, and management does not have the authority to do so.

Annual financial performance targets are set at the beginning of each year during the three-year performance period to achieve approximately 75th percentile financial performance relative to the peer group. When PepsiCo achieves these financial performance targets for each of the years in the three-year performance period, executive officers are eligible to receive the full number of shares subject to the award. If PepsiCo were to perform below the pre-established annual financial performance target in any of the three years during the performance period, the number of shares earned for that performance year (1/3rd of the award) would be proportionately reduced. No shares would be earned for a performance year if PepsiCo were to perform below the threshold set by the Compensation Committee for the performance year. For PSUs granted prior to 2009, the number of shares earned cannot exceed the number of PSUs awarded, even if PepsiCo were to exceed the financial performance targets in any performance year. Beginning with the 2009 award, the Compensation Committee approved the ability to earn above-target PSU awards in order to reward performance that exceeds target. This change will allow executives to earn a number of shares up to 125% of the PSUs granted if PepsiCo exceeds its performance targets in each year during the three-year performance period.

Notwithstanding the attainment of the financial performance targets over the three-year performance period, the Compensation Committee retains the right to reduce, but not increase, the size of the award that would otherwise be paid. Executive officers forfeit all PSUs if they terminate from PepsiCo prior to the completion of the three-year performance period. Executive officers who retire from the Company at age 55 through age 61 with at least 10 years of service are eligible to receive at the end of the performance period a pro-rata portion of their PSU grants based on performance against targets and the length of time served in proportion to the full vesting period. Executive officers who retire from the Company at or after age 62 are eligible to receive at the end of the performance period the full PSU grant based on performance against targets.

In February 2009, the Compensation Committee set a range of 6-8% core constant currency EPS growth as the financial performance level necessary for executive officers to earn 100% of the PSUs for the 2009 performance year. PepsiCo s 2009 actual core constant currency EPS growth of 6% fell within the core constant currency EPS growth target range. Therefore, the Compensation Committee certified that executive officers had earned 100% of the following PSU awards for the 2009

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performance year: (i) the final third of the 2007 PSUs, (ii) the second third of the 2008 PSUs and (iii) the first third of the 2009 PSUs. As a result of PepsiCo s meeting 100% of the 2007 EPS growth target, 50% of the 2008 EPS growth target, and 100% of the 2009 EPS growth target, 83% of the PSUs awarded to executive officers in 2007 vested in February 2010 and 17% of those PSUs were forfeited, as outlined in the following table:

Name	2007 PSUs Granted	2007 PSUs Forfeited Due to EPS Non-Achievement	2007 PSUs Vested and Paid Out in 2010
Indra K. Nooyi	75,824	12,663	63,161
Richard A. Goodman	10,286	1,718	8,568
Albert P. Carey	12,857	2,147	10,710
John C. Compton	20,769	3,468	17,301
Massimo F. d Amore*			
Michael D. White	23,736	5,101	18,635

* Mr. d Amore received a service-based RSU award in February 07, prior to his assuming the role of CEO, PepsiCo Americas Beverages

Executive officers earn dividend equivalents on their PSUs during the vesting period that are paid out in cash (without interest) only if and when the corresponding PSUs vest.

Beginning with the PSUs to be awarded in 2010, the Compensation Committee has approved utilizing two, equally weighted financial performance metrics to determine the number of PSUs that will be earned upon vesting:

- 2-year average core constant currency EPS growth
- 2-year average constant currency international net revenue growth as a multiple of North America net revenue growth

The Compensation Committee introduced the second performance metric to support the Company s strategy of achieving high growth in emerging markets and to emphasize the long-term shift in the Company s portfolio mix.

4. Retirement Programs. Our U.S. retirement programs consist of defined benefit pension plans, a 401(k) plan, retiree medical coverage, and retiree life insurance. Our defined benefit pension plans are designed to facilitate the retirement of employees who have performed at PepsiCo over the long term. Pension benefits are calculated based on years of service and pay (i.e., base salary and annual incentive compensation). Awards of stock options, PSUs, RSUs and performance-based long-term cash are not considered when determining pension benefits. Executive pension benefits are calculated using the same formula as other salaried employees. However, because of IRS compensation and benefit limits applicable to PepsiCo s qualified pension plan, a significant portion of an executive officer s pension is typically provided by a non-qualified, unfunded pension plan. As a result, pension benefits are provided to Named Executive Officers under two plans, a qualified and a non-qualified plan. The present value of each Named Executive Officer s accumulated benefit under the qualified and non-qualified pension plans is set forth in the 2009 Pension Benefits Table. The narrative accompanying the 2009 Pension Benefits Table describes the plans material features. Executive deferrals into the 401(k) plan and Company matching contributions are also limited by IRS regulations. While the Company does permit eligible executives to defer their base salary and annual incentive compensation, PepsiCo does not provide an excess plan to offset 401(k) limitations.

Executives are eligible for retiree medical coverage. This benefit is available to all salaried employees based on age and service, and our executives who enroll for coverage are required to pay twice as much for their coverage as other retirees. Executives are also eligible for retiree life insurance equal to 100% of eligible pay (i.e., base salary and annual incentive award) upon death or retirement at age 55, declining by 10% per year thereafter, with a $5,000 maximum benefit beginning at age 65.

PepsiCo does not provide executive officers other special benefit plans such as executive life insurance.

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5. Benefits and Perquisites

5(a). Benefits. Executives generally receive the same healthcare benefits as other employees. U.S.-based medical benefits are the same for all participants in the Company s healthcare program; however, our executives are required to pay twice as much for their coverage. All of our employees, including executive officers, are eligible to participate in HealthRoads, PepsiCo s broad-based wellness program. HealthRoads provides our employees with personal health coaching recommendations and encouragement to reach exercise, weight management, nutrition, smoking cessation and stress management goals. In addition, executive officers who relocate at PepsiCo s request are supported under the relocation program available to all PepsiCo employees. The program covers relocation expenses and applicable reimbursement of taxes associated with moving.

5(b). Perquisites. Consistent with our philosophy of making compensation primarily performance-based, we limit executive perquisites to a company car allowance, an annual physical and selective personal use of company aircraft and ground transportation. For Ms. Nooyi, the Compensation Committee has authorized personal use of the Company s ground transportation in lieu of a company car allowance along with personal use of the company aircraft. Ms. Nooyi s use of a car and driver for commuting and business, as well as personal use of company aircraft, enhances security and personal safety and increases her time available for business purposes. Ms. Nooyi is fully responsible for any tax liability associated with these perquisites.

Personal use of company ground transportation is utilized by other executive officers on a limited and selective basis. Executives are fully responsible for their tax liability associated with any personal use of company ground transportation. Personal use of company aircraft is available to other executive officers on a limited and selective basis. All executive officers, other than Ms. Nooyi, must reimburse PepsiCo for the full variable operating cost of personal flights in excess of a certain number of hours per year as established by the Compensation Committee. All executives are fully responsible for any tax liability associated with personal use of aircraft.

We do not provide Named Executive Officers other perquisites such as country club memberships, financial planning or company-paid apartments.

5(c). Change-in-Control Provisions. All employees, including Named Executive Officers, and non-employee directors are provided change-in-control protections for their equity awards under our shareholder-approved long-term incentive plans. For all grants in 2007 and thereafter, stock options vest and RSUs and PSUs are paid at target if the participant is terminated without cause or resigns for good reason within two years following a change in control of PepsiCo or if the acquiring entity fails to assume the awards (i.e., double trigger vesting). We adopted double trigger vesting to ensure management talent would be available to assist in the successful integration following a change-in-control and to align with emerging governance trends.

For all grants prior to 2007, stock options vest and RSUs and PSUs are paid upon a change in control of PepsiCo. In the event a participant is terminated without cause within two years following the change in control or the participant s options are adversely modified, the participant receives a payment up to the present value of his or her outstanding pre-2007 options at the time of such termination or modification calculated using the Black-Scholes formula.

Named Executive Officers are not eligible to receive any cash severance, continued health and welfare benefits, pension service credit, tax gross-ups or any other change-in-control benefits other than the change-in-control protections under our long-term incentive plans described above.

5(d). Executive Deferral. Under the PepsiCo Executive Income Deferral Program, most U.S.-paid executives can elect to defer up to 85% of their base salary and up to 100% of their annual cash incentive awards into phantom investment funds that grow on a tax-deferred basis. Prior to 2004, stock option gains and performance-based long-term cash awards were also eligible for deferral. If stock options were deferred, they were required to have been exercised within one month of expiration and the gains were required to have been deferred into the PepsiCo Common Stock Fund.

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Executives have the opportunity to invest their deferrals into nine market-based funds, including the PepsiCo Common Stock Fund and an investment fund that earns interest at 120% of the long-term applicable federal rate. The executive deferral program does not guarantee a rate of return, and none of the funds provides above market earnings.

PepsiCo does not match an executive s deferrals. The PepsiCo Executive Income Deferral Program is a non-qualified and unfunded program in which account balances are unsecured and at-risk, meaning the participants balances may be lost in the event of the Company s bankruptcy. The narrative accompanying the 2009 Non-Qualified Deferred Compensation Table describes the executive deferral program s material features.

Determining Chairman & CEO Compensation for 2009 Performance

As discussed earlier, the compensation provided to PepsiCo s Chairman & CEO is based on a pay-for-performance philosophy that is aligned with shareholder returns over the long-term; specifically:

The vast majority of compensation (i.e., 90%) is performance-based, with an appropriate mix of annual and long-term compensation.

Pay is targeted between the median and 75th percentile of peer companies, and above- target pay can only be earned when PepsiCo delivers above-target performance.

The number of stock options received may vary from 0% to 150% of target, based on performance against Company and individual performance objectives (as described in the Long Term Equity Incentive Compensation section above).

As Chairman & CEO of PepsiCo, Ms. Nooyi s compensation for 2009 performance recognized the Company s performance against pre-established Company financial targets, as well as Ms. Nooyi s performance against pre-established strategic imperatives. Based on 2009 performance, the Board of Directors approved for Ms. Nooyi a $14.0 million total compensation package (defined as base salary, annual incentive and long-term incentive equity awards). This total compensation package is 3% higher than her compensation for 2008 performance as outlined in the following table:

Performance Year	**Base Salary**	**Annual Incentive**	**Stock Award Value**	**Option Award Value**	**Total Compensation**
2009	$1,300,000	$3,000,000	$6,000,000 (1)	$3,676,980 (3)	$13,976,980
2008	$1,300,000	$2,600,000	$6,000,024 (2)	$3,676,980 (4)	$13,577,004
% Change:	**0%**	**15%**	**0%**	**0%**	**3%**

(1) The PSU award for the 2009 performance year approved to be granted on April 12, 2010 is disclosed in footnote (3) to the 2009 Grants of Plan-Based Awards Table and is valued based on the full grant date fair value, in accordance with the accounting guidance on share-based payments.

(2) The PSU award for the 2008 performance year granted on February 6, 2009 is disclosed in the 2009 Grants of Plan-Based Awards Table and is valued based on the full grant date fair value, in accordance with the accounting guidance on share-based payments.

(3) The option award for the 2009 performance year approved to be granted on April 12, 2010 is disclosed in footnote (3) to the 2009 Grants of Plan-Based Awards Table and is valued using the same assumptions as the 2008 option award to ensure comparability of data.

(4) The option award for the 2008 performance year, granted on February 6, 2009, is disclosed in the 2009 Grants of Plan-Based Awards Table and is valued based on the full grant date fair value, in accordance with the accounting guidance on share-based payments.

The above table is presented to show compensation actions for Ms. Nooyi based on 2008 and 2009 performance. It differs from the 2009 Summary Compensation Table. The 2009 Summary Compensation Table is required to disclose the full grant value of the award provided during the 2009 calendar year which was intended to reward 2008 performance.

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At its February 2010 meeting, the Board of Directors approved Ms. Nooyi s $3.0 million annual cash incentive award based on 2009 performance. This award is a 15% increase from her $2.6 million annual incentive award for 2008 performance. Further, the Board of Directors also approved at its February 2010 meeting Ms. Nooyi s long-term incentive award with an estimated grant date present value of $9.7 million (consisting of the PSU award and stock option award included in the table above). This amount is unchanged from her prior year long-term incentive award.

As noted earlier, the Compensation Committee considers internal pay equity and alignment, among other factors, when making compensation decisions. However, the Compensation Committee does not use a fixed ratio or formula when comparing compensation among executive officers. The Chairman & CEO is compensated at a higher level than other executive officers due to competitive market data for the position which reflects the greater level of accountability and responsibility that a CEO holds.

In determining Ms. Nooyi s annual and long-term incentive awards, the Compensation Committee considered PepsiCo s performance against pre-established Company-wide financial performance targets (specified on page 32 of this Compensation Discussion & Analysis), as well as the following 2009 results against financial and individual strategic imperatives:

Solid 6% core constant currency EPS growth and 6% core constant currency division operating profit growth despite challenging macroeconomic conditions. PepsiCo suspended the Board-approved share buyback program in light of the acquisitions of PBG and PAS. Actual core constant currency EPS growth would have been approximately one percentage point higher had share repurchases occurred as planned.

16% cash flow growth due to excellent working capital management across the Company.

PepsiCo Americas Foods delivered strong performance with 7% constant currency net revenue growth and 8% growth in core constant currency operating profit, with gains in snack share across the region.

PepsiCo s international operations in the Europe and AMEA sectors both delivered solid results in 2009, with an aggregate 17% increase in core constant currency operating profit on an 11% increase in constant currency net revenue while making strategic investments in adjacent product categories and geographies as well as in infrastructure in key markets.

At PepsiCo Americas Beverages (**PAB**), volume and constant currency net revenue declined 6% in 2009 due to the challenging category, resulting in a 3% decline in core constant currency operating profit. PAB showed improvement throughout the year with 10% growth in core constant currency operating profit in the fourth quarter. In addition, PAB took a number of critical steps during 2009 to position the business to grow its future leadership position, including rolling out several successful cost management initiatives and launching an innovation agenda including the Refresh Everything campaign.

PepsiCo completed its acquisitions of its two anchor bottlers, PAS and PBG, on February 26, 2010, which are intended to strengthen PepsiCo s position in the marketplace by forming closer relationships with our customers and strengthening our go-to-market system.

In the area of human, environmental and talent sustainability, PepsiCo made important strides during 2009, which continue to be recognized through our position in the Dow Jones Sustainability Index.

The impact on our compensation approach of the acquisitions of PBG and PAS

The acquisitions of PBG and PAS completed on February 26, 2010 are not expected to change our executive compensation design. However, we intend to review each of the components of our executive compensation program, consistent with standard practice for all acquisitions, to ensure that they continue to deliver appropriate incentives, a sound approach to risk management and competitive attraction and retention advantages for PepsiCo.

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Governance Features of our Executive Compensation Programs

Our compensation and benefit programs operate with the following governance features:

Stock Ownership. To reinforce our ownership philosophy, the Board has established stock ownership guidelines for executive officers. Under those guidelines, executive officers are required to own shares of PepsiCo stock equal to a specified multiple of their annual base salary. The levels applicable to executive officers range from between four and ten times annual base salary:

CEO	10x annual base salary
Business Unit CEOs	6x annual base salary
All Other Executive Officers	4x annual base salary

PepsiCo shares or equivalents held directly by the executive officer (or immediate family members), in the 401(k) plan, deferred compensation account, or in a trust for the benefit of immediate family members, count towards satisfying the requirement. Unexercised stock options, unvested PSUs and RSUs do not count towards satisfying the requirement.

Executive officers have five years from the date they first become subject to a particular level of the stock ownership guidelines to meet the ownership level. All of our executive officers have met or are on track to meet their objectives within the five-year time requirement. Executive officers who terminate or retire from PepsiCo are required to continue to hold 100% of the shares needed to meet the applicable level of stock ownership until at least six months after termination or retirement and to continue to hold 50% of the shares needed to meet the applicable level of stock ownership until at least one year after termination or retirement.

Exercise and Hold Policy. To ensure that our executive officers exhibit a strong commitment to PepsiCo share ownership, the Board of Directors adopted an Exercise and Hold Policy in 2002. This policy limits the proceeds that an executive officer may receive in cash upon exercise of options during each calendar year to 20% of the aggregate value of all the executive officer s in-the-money vested options as of the annual equity grant date for that year. Any proceeds in excess of this 20% limit must be held in PepsiCo shares for at least one year after the date of exercise. Executive officers who meet their stock ownership level are exempt from this requirement, as long as they continue to meet their ownership level.

Employment Contracts and Separation Agreements. Named Executive Officers, including the Chairman & CEO, do not have employment contracts. Consistent with our approach of rewarding performance, employment is not guaranteed; thus the Company or the Named Executive Officer may terminate the employment relationship at any time. In some cases, the Compensation Committee or Board of Directors may agree to provide separation payments to departing executives upon their termination to obtain an extended non-compete, non-solicitation and non-disclosure agreement and a release of claims.

Clawback Provision. Under the terms of our executive officer bonus plan, our long-term incentive plans and our executive deferral program, executive officers, who violate PepsiCo s Worldwide Code of Conduct, who violate our non-compete, non-solicitation and non-disclosure policies, or who engage in gross misconduct may be subject to financial consequences. If PepsiCo determines that an executive officer has committed any such violation, the executive officer will not be eligible for an annual bonus, and our long-term incentive plans permit PepsiCo to cancel an executive s outstanding equity awards, including both vested and unvested awards. In addition, our executive bonus plan, our long-term incentive plans and our executive deferral program also permit PepsiCo to recover bonuses previously paid out, gains from exercised stock options and vested RSUs and PSUs and gains earned on contributions to the executive deferral program.

In addition, at its February 2010 meeting, the Compensation Committee expanded the executive compensation recovery policy applicable to executive officers. This expanded clawback policy provides the Compensation Committee the discretion to cancel an executive officer s incentive

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awards and recover cash incentive and equity award gains if the Compensation Committee determines that an executive officer, through his gross negligence or misconduct, has caused or contributed to the need for an accounting adjustment to the Company s financial results.

Hedging. Our insider trading policy prohibits executive officers from using any strategies or products (such as derivative securities or short-selling techniques) to hedge against the potential changes in the value of PepsiCo stock.

Trading Windows. Executive officers can only purchase and sell PepsiCo stock and exercise stock options during approved trading windows, which generally open two days after PepsiCo issues its quarterly earnings release. Trading windows typically close one month after the opening of the window.

Tax Considerations

In establishing total compensation for the executive officers, the Compensation Committee considers the effect of Section 162(m) of the Internal Revenue Code. Section 162(m) generally disallows a tax deduction for compensation over $1,000,000 paid for any fiscal year to the Chief Executive Officer and the three other highest paid executive officers other than the Chief Financial Officer unless the compensation qualifies as performance-based. While the Compensation Committee generally seeks to preserve the deductibility of most compensation paid to executive officers, it believes that the primary objective of the compensation program is to support the Company s business strategy. Thus, the Compensation Committee believes it should have flexibility in awarding compensation, even though some compensation awards may result in non-deductible compensation expenses.

For compensation awarded in 2009, PepsiCo expects that the executive compensation programs will have the following implications under Section 162(m):

Base salaries for all Named Executive Officers except the Chairman & CEO are fully deductible in 2009 as those salaries were at or under $1 million.

Annual incentive awards are paid based on achievement of performance measures under the shareholder-approved EICP. In order to ensure that annual incentive awards are deductible as performance-based under Section 162(m), the Compensation Committee set the maximum 2009 annual incentive award for all executive officers based on a scale that ranged from no award ($0) for no (0%) core constant currency EPS growth to a $9 million award opportunity for 8% core constant currency EPS growth. Based on PepsiCo s 2009 actual core constant currency EPS growth of 6%, the maximum 2009 award for each executive officer was $8.1 million. The Compensation Committee then exercised its negative discretion in determining the amount of the actual incentive awards based on individual and Company performance measures as described on pages 30-33 of this Compensation Discussion & Analysis. The actual annual incentive awards are presented in the 2009 Summary Compensation Table. Because all actual incentive awards were less than the $8.1 million maximum award payable under the EICP, cash incentive awards are deductible as performance-based under Section 162(m).

Stock option awards were provided under the shareholder-approved 2007 Long-Term Incentive Plan and are deductible as performance-based under Section 162(m) at the time stock options are exercised.

PSU awards were provided under the shareholder-approved 2007 Long-Term Incentive Plan and are paid out based on achievement of performance measures established by the Compensation Committee. As a result, the PSUs are deductible as performance-based under Section 162(m).

PepsiCo s retention RSU award to Mr. Carey may not be tax deductible if Mr. Carey is a Named Executive Officer at the end of 2012, the year in which the retention RSU award is scheduled to vest.

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