



Talent Sustainability

By inspiring, challenging and cherishing our associates, we're making PepsiCo a company where coming to work means more than just having a job. And that's important in today's marketplace because global competition for talent has never been more intense. Companies that win provide the best opportunities for personal and professional growth.

PepsiCo already has some of the very best talent in our industry, thanks to our industry-leading people processes. But as we evolve to meet future business needs, we must also continue to evolve our approach to recruiting, developing, rewarding and retaining our associates. We made excellent progress toward this objective in 2007 by enhancing our focus on "people results," and further defining key ways to: nurture talent, empower people, and expand opportunities for diversity and inclusion.

Nurturing Talent: Our Greatest Sustainable Advantage

Our people are our greatest strength. Without great people, we can't deliver great results for the long term. By focusing on the continuing development of our associates and their ability to work effectively together, we believe we will maximize PepsiCo's performance and be even better positioned to build on our current success in the marketplace.

We reinforced our people priorities in 2007 by changing how we evaluate performance, giving equal weight to the achievement of people results and business results. This new 50/50 balance of goals and objectives is designed to

ensure that an associate focuses on the growth and development of the team as well as him or herself, while equally focusing on achieving business results. Putting accountability and 50/50 weighting to people priorities helps nurture PepsiCo's already strong culture of diversity and inclusion where people feel valued and respected for their unique talents, perspectives and experiences.

Empowering People with Clear Expectations

Knowing what's expected of us — and everyone around us — helps us act with responsibility, trust and understanding of how leadership and individual performance are rewarded. As a guide for associates in all functions and at all levels of our organization, we introduced the PepsiCo Leadership and Individual Effectiveness Model in 2007. By communicating what's important at PepsiCo and what we value from each of our associates, we are helping to shape an unrivaled corporate environment that provides our company with the ultimate competitive advantage.

The model details the key competencies and associated behaviors that are required — individually and collectively

— to assure we reach our performance goals. Regardless of current role, level or career aspiration, every associate can use the model to understand which behaviors they should strive for today and what will contribute to their own personal success, as well as success for PepsiCo.

Expanding Opportunities through Diversity and Inclusion

We believe a sense of belonging in our professional lives is just as important as it is in our personal relationships; it builds trust, encourages teamwork and collaboration, and enables the free sharing of ideas that helps us develop, grow and innovate. This is why we continue to grow our efforts to promote diversity and inclusion around the globe.

PepsiCo and its bottler community achieved 2007 spending of approximately \$1.13 billion with U.S. minority-owned and women-owned suppliers, marking the fifth consecutive year of double-digit growth in supplier diversity spending.

In the United States, our Diversity and Inclusion Networks promote a culture where everyone feels they have an equal opportunity to contribute and succeed. Each of our U.S. groups is represented at senior levels by an executive reporting directly to the chief executive officer. The groups include African Americans, Latinos/Hispanics, Asians, Native Americans, Women, Gay/Lesbian/Bisexual/Transgender, Women of Color, Support Team/Non-exempt and EnAble, for individuals with different abilities. In 2007, we added a group dedicated to



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ensuring that white males are included as an integral part of our diversity and inclusion journey. In that same year, diversity and inclusion councils were successfully established in all four continents of our PepsiCo International business — focusing on delivering locally relevant, regional diversity and inclusion strategies and plans.

In January 2007, we initiated the Steve Reinemund Diversity and Inclusion Leadership Legacy Award to honor leaders who champion diversity and inclusion over time. The award, named for our former chairman, who was a relentless champion for diversity, is presented to leaders who move PepsiCo to new levels of diversity and inclusion accomplishments and behaviors. This award is in addition to the Harvey C. Russell Inclusion Award, introduced in 2003, which is presented to associates at all levels of the business in recognition of their distinctive achievements in diversity and inclusion. The award is named after Harvey C. Russell, who broke America's color barrier when he became a vice president of PepsiCo in 1962 — the first African American executive at a Fortune 500 company.

Filmed entirely in American Sign Language, the "Bob's House" commercial was inspired by EnAble's mission to make PepsiCo the employer of choice, partner of choice and brand of choice for people with different abilities. Response was overwhelming with nearly 850,000 views on video-sharing sites before it aired, a host of "thank you" videos posted on YouTube by the deaf community and mentions in over 3,000 blogs after it aired.

Pictured left to right: "Bob's House" creator, Clay Broussard, Project Manager, PepsiCo Customer Supply Chain & Logistics; co-stars, Brian Dowling, Warehouse II, Frito-Lay North America; Sheri Christianson, Sr. Specialist and Development Team Lead, PBSG; and Darren Therriault, Application Configuration Specialist, Project One Up, PepsiCo Chicago

Today that spirit is alive and well, inspiring PepsiCo's diverse and innovative workforce to contribute their best thinking in taking diversity and inclusion to the next level — while continuing to bring their insights to delivering innovative products for our consumers, retail customers, and the broad range of constituents we serve. An EnAble team demonstrated that spirit recently by producing and starring in "Bob's House," a silent but attention-getting television commercial that appeared on the FOX network's pre-game show for Super Bowl XLII.

Sharpening Our Focus on Employee Learning and Development

Everyone at PepsiCo, from our newest associates to seasoned senior managers, has a responsibility to continue his or her own development journey by improving both personal and professional effectiveness. In 2008, with the launch of PepsiCo University, we will help

associates continue developing the job-related and management skills that are needed to drive innovation and growth for the future.

Also beginning in 2008, we will align our 360-degree feedback process with the PepsiCo Leadership and Individual Effectiveness Model to make it more robust and ensure that leaders know and understand what's expected of them. As a new and significantly valuable addition, we will combine the 360-degree process with other feedback tools to further build self-awareness and provide participants with rich, one-on-one developmental feedback from trained and certified facilitators.

*"The commercial provided consumers with a true glimpse into the real culture of PepsiCo, because when we talk about diversity and inclusion it is not just lip service, it is part of our belief and core."
— Clay Broussard, creator, "Bob's House" commercial*

