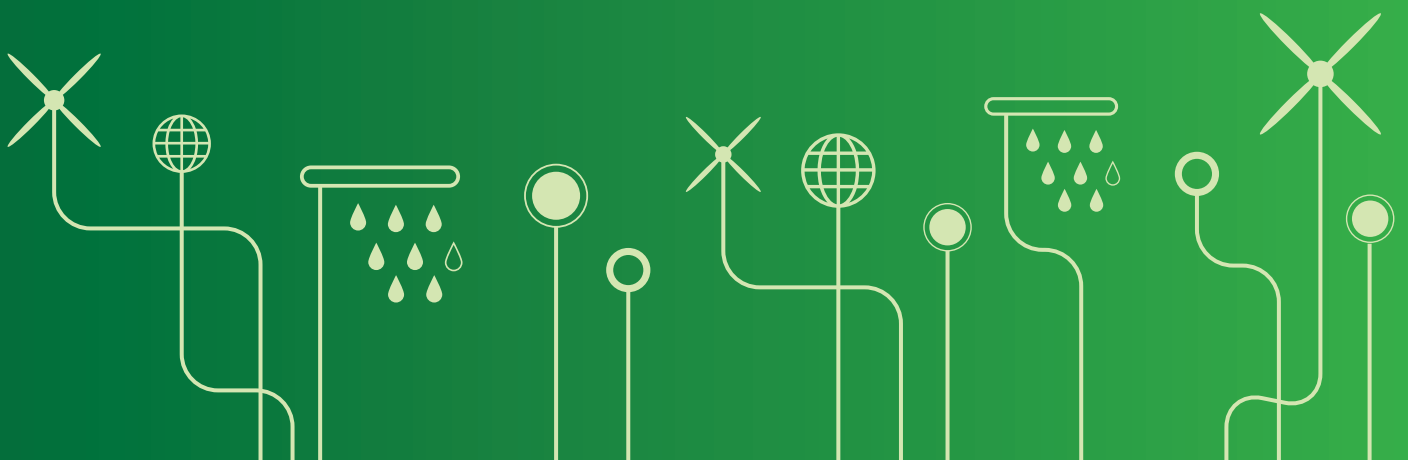


Contribute to a Healthier Planet

We believe that we will do better by doing good for the planet—that there is a close connection between productive operations and environmental stewardship. We are rethinking the way we operate our business to minimize our impact on the environment by finding innovative ways to grow, source, make, package and transport our foods and beverages. We are reaching out to local farmers, governments and community groups to improve agricultural practices and improve crop yields through advanced agricultural technologies and practices. We are forming local partnerships to better manage watersheds and improve access to safe water. We are deploying processes and technologies that reduce the amount of energy and water required to manufacture our products, and that make use of alternative energy sources. This careful management of resources drives healthy business results and helps create a healthier future for our planet.







First national beverage brand with a 100% recycled PET bottle (Naked Juice)

First national juice brand in the U.S. to publish a third-party verified carbon footprint (64 oz. Tropicana Pure Premium Original Orange Juice)

100% British-grown potatoes (Walkers crisps)

Launched the lightest-weight national brand water bottle in the U.S. in 2009 (Aquafina)



Degrades when exposed to air (Stila)

20% less plastic in packaging than the leading competitor (Lipton)

First fully compostable chip bag of its kind (SunChips snacks)

33% reduction in overall packaging materials (Quaker Chewy Rip 'n Go)

Uses solar-generated steam to help cook the snacks at the Modesto, CA plant, one of eight SunChips plants nationwide (SunChips snacks)



A Green Future

We operate in local communities around the world, and we're investing in innovative ways to minimize our environmental impact. We're building facilities that conserve energy and raw materials and reduce waste. And across our operations, we're working with environmental organizations to understand local ecological challenges and apply advanced, scientifically based practices to address them.

In 2009, we introduced new Sustainable Engineering Guidelines that apply to our new construction and major reengineering projects worldwide. In the United States, our corporate facility in Chicago meets Leadership in Energy and Environmental Design (LEED) standards for efficient and sustainable energy use and materials. And in Chongqing, China, we opened a new beverage facility designed to use 22 percent less water and 23 percent less energy than the average PepsiCo plant in China. The plant uses its innovative environmental management system to monitor water and energy use on every production line and every piece of equipment in real time. These technologies will help the plant reduce carbon emissions by an estimated 3,100 tons and conserve 100 million liters of water each year.

Working with national and local governments, we also established environmental and investment strategies for each region based on local needs. In the Netherlands, we are working with the local government and nearby companies to investigate how we can increase the amount of sustainable energy we produce instead of buying only renewable energy. Through these and other environmentally responsible practices, we are pursuing our goals to reduce our consumption of water by 20 percent, electricity by 20 percent and fuel by 25 percent per unit of production by 2015, compared with our 2006 consumption.

The PepsiCo Chicago Sustainability Center was one of a select group of 21 buildings around the world in April 2009 to achieve LEED Commercial Interior Platinum certification from the U.S. Green Building Council (USGBC). Its unique design features include seating made from 100 percent post-consumer recycled beverage bottles and flooring, carpeting and other materials that incorporate oat hulls from the Quaker Cedar Rapids plant.



Breaking Ground with Sustainable Packaging

Packaging gives consumers a window into their favorite PepsiCo products, carrying everything from nutrition labels to special offers. It can also reflect our commitment to a sustainable future. We're looking at every part of the packaging process—from the way we select and design packages to how we procure and dispose of them. And we continue to pursue innovative ways to reduce total volume, recycle containers, use renewable resources and remove environmentally sensitive materials.

In Mexico, we implemented the use of oxodegradable packaging for Stila baked

snacks that reduces waste by degrading when exposed to air. Frito-Lay has partnered with Terracycle to collect and extract materials from its snack chip bags for reuse in other consumer products. In 2010, we will launch SunChips 10.5-ounce bags made from plant-based renewable materials, which are fully compostable in a hot, active compost pile.

In the beverage aisle, consumers are reaching for lighter packaging for Lipton Iced Tea in Russia, and the new Eco-Fina Bottle of Aquafina water, which contains 50 percent less plastic than our 2002

bottle—saving 75 million pounds of plastic each year.

We are leading the industry in the use of post-consumer recycled PET. We incorporate 10 percent recycled PET content in our carbonated soft drink (CSD) plastic bottles in the United States. The new 32-ounce bottles of Naked Juice “reNEWabottle” is made from 100 percent post-consumer recycled PET resin, a first for a nationally distributed brand in the United States.





Every Drop Counts

We recognize water as a basic human right. It is essential to our food and beverage business. That's why our goal is to achieve positive water balance across all our businesses. For every liter of water we use, we intend to return one to the earth.

Our India beverage operations have already met the challenge. In a region where monsoon rains can provide a much-needed source of water, our manufacturing plants collect rainwater from their roofs and use it to rejuvenate surrounding aquifers so communities can access safe water and rural farmers can grow more crops. We're also partnering with non-government organizations in such water-stressed regions as India, China, Ghana and Brazil to help install irrigation systems, improve sanitation programs and construct community cisterns.

In addition, we're also employing a variety of water conservation techniques ourselves—and sharing others with local farmers and communities. In the United States, our conservation programs are saving billions of liters of water. We are cleaning Gatorade bottles with purified air rather than water. We are using advanced filtration systems to recycle and reuse approximately 80 percent of the processed water used in production at our Frito-Lay facility in Arizona. In the United Kingdom, our Walkers business is working to capture the water in potatoes and use it to make our facilities self-sufficient for water. And in China, we're pioneering new agricultural methods to reduce the water used to grow the potatoes for Lay's potato chips by more than half.

These efforts are no drop in the bucket. So far, we've saved billions of liters of water. But water will always be scarce, and we're determined to do more. Optimizing our efficient use of water is good for people, good for the planet and good for business.





Cultivating Local Opportunity

At PepsiCo, our agricultural heritage gives us a healthy respect for the grains, fruits, vegetables and nuts that deliver great taste and nutrition. We rely on local farmers to supply our network of global facilities with high-quality fruits and vegetables. These strong partnerships help us ensure consistent freshness and quality, increase crop yields, reduce our carbon footprint and support families and communities.

In Mexico, Sabritas creates a reliable and sustainable market for small and mid-sized corn farmers. We invited them

to become Sabritas supply chain partners and are working with the local Educampo Program to provide the seeds, fertilizers, agrochemicals and water usage guidelines that help farmers produce abundant crops. This educational, technical and financial support is enabling 297 producers in poor farming communities to cultivate new economic and social development opportunities while increasing their average crop yield by more than 165 percent.

Similar agricultural programs are reaping positive results in other countries as well. In Russia, when the economic

downturn restricted available credit, we kept local farmers afloat with micro-credits, payments for crops, seed credits and leases for agricultural machinery. Our agro-manager teams also consulted with farmers and shared best practices. And in Inner Mongolia, China, we introduced proven environmentally friendly irrigation and crop rotation practices that save water and help local potato farmers grow thriving crops in the middle of the desert. These farmers are better able to make a sustainable living by selling their crops at competitive prices.



A Big Step Toward a Reduced Carbon Footprint

Market leadership is a familiar position for the Tropicana brand. So it's no surprise that North America's juice leader would also become the first brand in the United States to certify with the Carbon Trust the carbon footprint of a product—in this case a 64-ounce carton of Tropicana Pure Premium orange juice.

To measure its footprint, Tropicana partnered with third-party experts at the Columbia Earth Institute and the Carbon

Trust to study every facet of the product lifecycle—from growing and squeezing oranges to getting the juice to the store shelf. The analysis found that each half-gallon carton of orange juice generates about 3.75 pounds (1.7 kilograms) of total carbon dioxide emissions. This research is helping the brand improve its agricultural, manufacturing, transportation and packaging processes, all while still delivering a delicious and healthy orange juice.

We have completed similar projects with other products, including Walkers Crisps, which has reduced its carbon footprint by 7 percent since 2007. Just as consumers can use this data to monitor their own carbon footprints, we will use it as a benchmark for measuring carbon emissions going forward. It will also help guide us as we make our operations more energy efficient—and further reduce our environmental footprint.

Reducing Waste

We are working to reduce our impact on landfills around the globe.

PepsiCo UK pledged in 2008 to achieve zero landfill waste across its total supply chain within 10 years. To date, it has focused on reducing waste at its manufacturing sites. With aggressive programs to recycle and reuse materials, eight of these sites in 2009 had already met their goal of zero landfill waste.

The strong support of frontline associates was integral to each plant's success, and PepsiCo UK is trying to extend its pledge across its supply chain. The plants began by appointing marshals to help identify the different waste streams, oversee correct removal and educate frontline associates on the need to recycle. In Cupar, Scotland, the Quaker Oats factory

replaced multiple contractors with a single partner who helped guide its waste strategy.

Similar programs are in place in the United States at Quaker, Tropicana and Frito-Lay, where the businesses are recycling more byproducts and also promoting household recycling. Quaker Oats is using 100 percent of the oat, incorporating oat kernels into whole grain foods while converting the outer hulls of oats into renewable biomass energy. This practice, in turn, keeps waste from the milling process out of local landfills. Tropicana launched a recycling initiative with Waste Management and its carton suppliers that increased access to curbside recycling of juice cartons nationwide by 26 percent in 2009.



Quaker is using the power of the oat to fuel a local university. The Quaker Cedar Rapids plant is converting oat hulls into a biomass alternative energy source that supplies 14 percent of the University of Iowa's power.

