

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549  
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 29, 2018  
Commission file number 1-1183



**PepsiCo, Inc.**

(Exact Name of Registrant as Specified in Its Charter)

**North Carolina**  
(State or Other Jurisdiction of Incorporation or Organization)

**13-1584302**  
(I.R.S. Employer Identification No.)

**700 Anderson Hill Road, Purchase, New York**  
(Address of Principal Executive Offices)

**10577**  
(Zip Code)

**Registrant's telephone number, including area code: 914-253-2000**  
**Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:**

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value 1-2/3 cents per share	The Nasdaq Stock Market LLC
2.500% Senior Notes Due 2022	The Nasdaq Stock Market LLC
1.750% Senior Notes Due 2021	The Nasdaq Stock Market LLC
2.625% Senior Notes Due 2026	The Nasdaq Stock Market LLC
0.875% Senior Notes Due 2028	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Securities Exchange Act of 1934: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No x

The aggregate market value of PepsiCo, Inc. Common Stock held by nonaffiliates of PepsiCo, Inc. (assuming for these purposes, but without conceding, that all executive officers and directors of PepsiCo, Inc. are affiliates of PepsiCo, Inc.) as of June 15, 2018, the last day of business of our most recently completed second fiscal quarter, was \$152.0 billion (based on the closing sale price of PepsiCo, Inc.'s Common Stock on that date as reported on the Nasdaq Global Select Market).

The number of shares of PepsiCo, Inc. Common Stock outstanding as of February 8, 2019 was 1,404,686,108.

**Documents Incorporated by Reference**

Portions of the Proxy Statement relating to PepsiCo, Inc.'s 2019 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.

**PepsiCo, Inc.**  
**Form 10-K Annual Report**  
**For the Fiscal Year Ended December 29, 2018**

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## Forward-Looking Statements

*This Annual Report on Form 10-K contains statements reflecting our views about our future performance that constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (Reform Act). Statements that constitute forward-looking statements within the meaning of the Reform Act are generally identified through the inclusion of words such as “aim,” “anticipate,” “believe,” “drive,” “estimate,” “expect,” “expressed confidence,” “forecast,” “future,” “goal,” “guidance,” “intend,” “may,” “objective,” “outlook,” “plan,” “position,” “potential,” “project,” “seek,” “should,” “strategy,” “target,” “will” or similar statements or variations of such words and other similar expressions. All statements addressing our future operating performance, and statements addressing events and developments that we expect or anticipate will occur in the future, are forward-looking statements within the meaning of the Reform Act. These forward-looking statements are based on currently available information, operating plans and projections about future events and trends. They inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in any such forward-looking statement. These risks and uncertainties include, but are not limited to, those described in “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Our Business – Our Business Risks.” Investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise. The discussion of risks below and elsewhere in this report is by no means all-inclusive but is designed to highlight what we believe are important factors to consider when evaluating our future performance.*

## PART I

### Item 1. Business.

When used in this report, the terms “we,” “us,” “our,” “PepsiCo” and the “Company” mean PepsiCo, Inc. and its consolidated subsidiaries, collectively. Certain terms used in this Annual Report on Form 10-K are defined in the Glossary included in Item 7. of this report.

### Company Overview

We were incorporated in Delaware in 1919 and reincorporated in North Carolina in 1986. We are a leading global food and beverage company with a complementary portfolio of brands, including Frito-Lay, Gatorade, Pepsi-Cola, Quaker and Tropicana. Through our operations, authorized bottlers, contract manufacturers and other third parties, we make, market, distribute and sell a wide variety of convenient beverages, foods and snacks, serving customers and consumers in more than 200 countries and territories.

### Our Operations

We are organized into six reportable segments (also referred to as divisions), as follows:

- 1) Frito-Lay North America (FLNA), which includes our branded food and snack businesses in the United States and Canada;
- 2) Quaker Foods North America (QFNA), which includes our cereal, rice, pasta and other branded food businesses in the United States and Canada;
- 3) North America Beverages (NAB), which includes our beverage businesses in the United States and Canada;
- 4) Latin America, which includes all of our beverage, food and snack businesses in Latin America;
- 5) Europe Sub-Saharan Africa (ESSA), which includes all of our beverage, food and snack businesses in Europe and Sub-Saharan Africa; and
- 6) Asia, Middle East and North Africa (AMENA), which includes all of our beverage, food and snack

businesses in Asia, Middle East and North Africa.

### ***Frito-Lay North America***

Either independently or in conjunction with third parties, FLNA makes, markets, distributes and sells branded snack foods. These foods include branded dips, Cheetos cheese-flavored snacks, Doritos tortilla chips, Fritos corn chips, Lay's potato chips, Ruffles potato chips and Tostitos tortilla chips. FLNA's branded products are sold to independent distributors and retailers. In addition, FLNA's joint venture with Strauss Group makes, markets, distributes and sells Sabra refrigerated dips and spreads.

### ***Quaker Foods North America***

Either independently or in conjunction with third parties, QFNA makes, markets, distributes and sells cereals, rice, pasta and other branded products. QFNA's products include Aunt Jemima mixes and syrups, Cap'n Crunch cereal, Life cereal, Quaker Chewy granola bars, Quaker grits, Quaker oat squares, Quaker oatmeal, Quaker rice cakes, Quaker simply granola and Rice-A-Roni side dishes. These branded products are sold to independent distributors and retailers.

### ***North America Beverages***

Either independently or in conjunction with third parties, NAB makes, markets and sells beverage concentrates, fountain syrups and finished goods under various beverage brands including Aquafina, Diet Mountain Dew, Diet Pepsi, Gatorade, Mountain Dew, Pepsi, Propel, Sierra Mist and Tropicana. NAB also, either independently or in conjunction with third parties, makes, markets, distributes and sells ready-to-drink tea and coffee products through joint ventures with Unilever (under the Lipton brand name) and Starbucks, respectively. Further, NAB manufactures and distributes certain brands licensed from Keurig Dr Pepper Inc., including Crush, Dr Pepper and Schweppes, and certain juice brands licensed from Dole Food Company, Inc. (Dole) and Ocean Spray Cranberries, Inc. (Ocean Spray). NAB operates its own bottling plants and distribution facilities and sells branded finished goods directly to independent distributors and retailers. NAB also sells concentrate and finished goods for our brands to authorized and independent bottlers, who in turn sell our branded finished goods to independent distributors and retailers in certain markets.

### ***Latin America***

Either independently or in conjunction with third parties, Latin America makes, markets, distributes and sells a number of snack food brands including Cheetos, Doritos, Emperador, Lay's, Marias Gamesa, Rosquinhas Mabel, Ruffles, Sabritas, Saladitas and Tostitos, as well as many Quaker-branded cereals and snacks. Latin America also, either independently or in conjunction with third parties, makes, markets, distributes and sells beverage concentrates, fountain syrups and finished goods under various beverage brands including 7UP, Diet Pepsi, Gatorade, H2oh!, Manzanita Sol, Mirinda, Pepsi, Pepsi Black and Toddy. These branded products are sold to authorized bottlers, independent distributors and retailers. Latin America also, either independently or in conjunction with third parties, makes, markets, distributes and sells ready-to-drink tea products through an international joint venture with Unilever (under the Lipton brand name).

### ***Europe Sub-Saharan Africa***

Either independently or in conjunction with third parties, ESSA makes, markets, distributes and sells a number of leading snack food brands including Cheetos, Chipita, Doritos, Lay's, Ruffles and Walkers, as well as many Quaker-branded cereals and snacks, through consolidated businesses, as well as through noncontrolled affiliates. ESSA also, either independently or in conjunction with third parties, makes, markets, distributes and sells beverage concentrates, fountain syrups and finished goods under various beverage brands including 7UP, Diet Pepsi, Mirinda, Pepsi, Pepsi Max and Tropicana. These branded products are sold to authorized bottlers, independent distributors and retailers. In certain markets, however, ESSA operates its own bottling plants and distribution facilities. ESSA also, either independently or in conjunction with third parties, makes,

markets, distributes and sells ready-to-drink tea products through an international joint venture with Unilever (under the Lipton brand name). In addition, ESSA makes, markets, distributes and sells a number of leading dairy products including Agusha, Chudo and Domik v Derevne. In December 2018, we acquired SodaStream International Ltd. (SodaStream), a manufacturer and distributor of sparkling water makers. SodaStream products are included within ESSA's beverage business. See Note 14 to our consolidated financial statements for additional information about our acquisition of SodaStream.

### ***Asia, Middle East and North Africa***

Either independently or in conjunction with third parties, AMENA makes, markets, distributes and sells a number of leading snack food brands including Cheetos, Chipsy, Doritos, Kurkure and Lay's, as well as many Quaker branded cereals and snacks, through consolidated businesses, as well as through noncontrolled affiliates. AMENA also makes, markets, distributes and sells beverage concentrates, fountain syrups and finished goods under various beverage brands including 7UP, Aquafina, Mirinda, Mountain Dew, Pepsi, Sting and Tropicana. These branded products are sold to authorized bottlers, independent distributors and retailers. In certain markets, however, AMENA operates its own bottling plants and distribution facilities. AMENA also, either independently or in conjunction with third parties, makes, markets, distributes and sells ready-to-drink tea products through an international joint venture with Unilever (under the Lipton brand name). Further, we license the Tropicana brand for use in China on co-branded juice products in connection with a strategic alliance with Tingyi (Cayman Islands) Holding Corp. (Tingyi).

### **Our Distribution Network**

Our products are primarily brought to market through direct-store-delivery (DSD), customer warehouse and distributor networks. The distribution system used depends on customer needs, product characteristics and local trade practices.

#### ***Direct-Store-Delivery***

We, our independent bottlers and our distributors operate DSD systems that deliver beverages, foods and snacks directly to retail stores where the products are merchandised by our employees or our independent bottlers. DSD enables us to merchandise with maximum visibility and appeal. DSD is especially well-suited to products that are restocked often and respond to in-store promotion and merchandising.

#### ***Customer Warehouse***

Some of our products are delivered from our manufacturing plants and warehouses to customer warehouses. These less costly systems generally work best for products that are less fragile and perishable, and have lower turnover.

#### ***Distributor Networks***

We distribute many of our products through third-party distributors. Third-party distributors are particularly effective when greater distribution reach can be achieved by including a wide range of products on the delivery vehicles. For example, our foodservice and vending business distributes beverages, foods and snacks to restaurants, businesses, schools and stadiums through third-party foodservice and vending distributors and operators.

Our products are also available on a growing number of e-commerce websites and mobile commerce applications as consumer consumption patterns continue to change and retail increasingly expands online.

### **Ingredients and Other Supplies**

The principal ingredients we use in our beverage, food and snack products are apple, orange and pineapple juice and other juice concentrates, aspartame, corn, corn sweeteners, flavorings, flour, grapefruit, oranges and other fruits, oats, potatoes, raw milk, rice, seasonings, sucralose, sugar, vegetable and essential oils, and

wheat. We also use water in the manufacturing of our products. Our key packaging materials include plastic resins, including polyethylene terephthalate (PET) and polypropylene resins used for plastic beverage bottles and film packaging used for snack foods, aluminum used for cans, glass bottles, closures, cardboard and paperboard cartons. Fuel, electricity and natural gas are also important commodities for our businesses due to their use in our and our business partners' facilities and the vehicles delivering our products. We employ specialists to secure adequate supplies of many of these items and have not experienced any significant continuous shortages that would prevent us from meeting our requirements. Many of these ingredients, raw materials and commodities are purchased in the open market. The prices we pay for such items are subject to fluctuation, and we manage this risk through the use of fixed-price contracts and purchase orders, pricing agreements and derivative instruments, including swaps and futures. In addition, risk to our supply of certain raw materials is mitigated through purchases from multiple geographies and suppliers. When prices increase, we may or may not pass on such increases to our customers. In addition, we continue to make investments to improve the sustainability and resources of our agricultural supply chain, including the development of our initiative to advance sustainable farming practices by our suppliers and expanding it globally. See Note 9 to our consolidated financial statements for additional information on how we manage our exposure to commodity costs.

### **Our Brands and Intellectual Property Rights**

We own numerous valuable trademarks which are essential to our worldwide businesses, including 1893, Agusha, Amp Energy, Aquafina, Aquafina Flavorsplash, Arto Lifewater, Aunt Jemima, Bare, bubly, Cap'n Crunch, Cheetos, Chester's, Chippy, Chokis, Chudo, Cracker Jack, Crunchy, Diet Mountain Dew, Diet Mug, Diet Pepsi, Diet Sierra Mist, Diet 7UP (outside the United States), Domik v Derevne, Doritos, Duyvis, Elma Chips, Emperador, Frito-Lay, Fritos, Fruktovy Sad, G2, Gamesa, Gatorade, Grandma's, H2oh!, Health Warrior, Imunele, Izze, J-7 Tonus, Kas, KeVita, Kurkure, Lay's, Life, Lifewtr, Lubimy, Manzanita Sol, Marias Gamesa, Matutano, Mirinda, Miss Vickie's, Mother's, Mountain Dew, Mountain Dew Code Red, Mountain Dew Ice, Mountain Dew Kickstart, Mug, Munchies, Naked, Near East, O.N.E., Paso de los Toros, Pasta Roni, Pepsi, Pepsi Black, Pepsi Max, Pepsi Next, Pepsi Zero Sugar, Propel, Quaker, Quaker Chewy, Rice-A-Roni, Rold Gold, Rosquinhas Mabel, Ruffles, Sabritas, Sakata, Saladitas, Sandora, Santitas, 7UP (outside the United States), 7UP Free (outside the United States), Sierra Mist, Simba, Smartfood, Smith's, Snack a Jacks, SoBe, SodaStream, Sonric's, Stacy's, Sting, Stubborn Soda, SunChips, Toddy, Toddynho, Tostitos, Trop 50, Tropicana, Tropicana Farmstand, Tropicana Pure Premium, Tropicana Twister, V Water, Vesely Molochnik, Walkers and Ya. We also hold long-term licenses to use valuable trademarks in connection with our products in certain markets, including Dole and Ocean Spray. We also distribute Rockstar Energy drinks, Muscle Milk protein shakes and various Keurig Dr Pepper Inc. brands, including Dr Pepper in certain markets, Crush and Schweppes. Joint ventures in which we have an ownership interest either own or have the right to use certain trademarks, such as Lipton, Sabra and Starbucks. Trademarks remain valid so long as they are used properly for identification purposes, and we emphasize correct use of our trademarks. We have authorized, through licensing arrangements, the use of many of our trademarks in such contexts as snack food joint ventures and beverage bottling appointments. In addition, we license the use of our trademarks on merchandise that is sold at retail, which enhances brand awareness.

We either own or have licenses to use a number of patents which relate to certain of our products, their packaging, the processes for their production and the design and operation of various equipment used in our businesses. Some of these patents are licensed to others.

### **Seasonality**

Our businesses are affected by seasonal variations. For instance, our beverage sales are higher during the warmer months and certain food and dairy sales are higher in the cooler months. Weekly beverage and snack sales are generally highest in the third quarter due to seasonal and holiday-related patterns, and generally lowest in the first quarter. However, taken as a whole, seasonality has not had a material impact on our

consolidated financial results.

## **Our Customers**

Our customers include wholesale and other distributors, foodservice customers, grocery stores, drug stores, convenience stores, discount/dollar stores, mass merchandisers, membership stores, hard discounters, e-commerce retailers and authorized independent bottlers, among others. We normally grant our independent bottlers exclusive contracts to sell and manufacture certain beverage products bearing our trademarks within a specific geographic area. These arrangements provide us with the right to charge our independent bottlers for concentrate, finished goods and Aquafina royalties and specify the manufacturing process required for product quality. We also grant distribution rights to our independent bottlers for certain beverage products bearing our trademarks for specified geographic areas.

We rely on and provide financial incentives to our customers to assist in the distribution and promotion of our products to the consumer. For our independent distributors and retailers, these incentives include volume-based rebates, product placement fees, promotions and displays. For our independent bottlers, these incentives are referred to as bottler funding and are negotiated annually with each bottler to support a variety of trade and consumer programs, such as consumer incentives, advertising support, new product support, and vending and cooler equipment placement. Consumer incentives include coupons, pricing discounts and promotions, and other promotional offers. Advertising support is directed at advertising programs and supporting independent bottler media. New product support includes targeted consumer and retailer incentives and direct marketplace support, such as point-of-purchase materials, product placement fees, media and advertising. Vending and cooler equipment placement programs support the acquisition and placement of vending machines and cooler equipment. The nature and type of programs vary annually.

Changes to the retail landscape, including increased consolidation of retail ownership, the rapid growth of sales through e-commerce websites and mobile commerce applications, including through subscription services, the integration of physical and digital operations among retailers, as well as the growth in hard discounters, and the current economic environment continue to increase the importance of major customers. In 2018, sales to Walmart Inc. (Walmart), including Sam's Club (Sam's), represented approximately 13% of our consolidated net revenue. Our top five retail customers represented approximately 33% of our 2018 net revenue in North America, with Walmart (including Sam's) representing approximately 19%. These percentages include concentrate sales to our independent bottlers, which were used in finished goods sold by them to these retailers.

See "Off-Balance-Sheet Arrangements" in "Our Financial Results – Our Liquidity and Capital Resources" in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for more information on our independent bottlers.

## **Our Competition**

Our beverage, food and snack products are in highly competitive categories and markets and compete against products of international beverage, food and snack companies that, like us, operate in multiple geographies, as well as regional, local and private label manufacturers and economy brands and other competitors. In many countries in which our products are sold, including the United States, The Coca-Cola Company is our primary beverage competitor. Other beverage, food and snack competitors include, but are not limited to, Campbell Soup Company, Conagra Brands, Inc., Kellogg Company, Keurig Dr Pepper Inc., The Kraft Heinz Company, Link Snacks, Inc., Mondelez International, Inc., Monster Beverage Corporation, Nestlé S.A. and Red Bull GmbH.

Many of our food and snack products hold significant leadership positions in the food and snack industry in the United States and worldwide. In 2018, we and The Coca-Cola Company represented approximately 22% and 20%, respectively, of the U.S. liquid refreshment beverage category by estimated retail sales in measured

channels, according to Information Resources, Inc. However, The Coca-Cola Company has significant carbonated soft drink (CSD) share advantage in many markets outside the United States.

Our beverage, food and snack products compete primarily on the basis of brand recognition and loyalty, taste, price, value, quality, product variety, innovation, distribution, advertising, marketing and promotional activity, packaging, convenience, service and the ability to anticipate and effectively respond to consumer preferences and trends, including increased consumer focus on health and wellness and the continued acceleration of e-commerce and other methods of distributing and purchasing products. Success in this competitive environment is dependent on effective promotion of existing products, effective introduction of new products and reformulations of existing products, the effectiveness of our advertising campaigns, marketing programs, product packaging, pricing, increased efficiency in production techniques, new vending and dispensing equipment and brand and trademark development and protection. We believe that the strength of our brands, innovation and marketing, coupled with the quality of our products and flexibility of our distribution network, allows us to compete effectively.

## **Research and Development**

We engage in a variety of research and development activities and invest in innovation globally with the goal of meeting changing consumer demands and preferences and accelerating sustainable growth. These activities principally involve: development of new ingredients, flavors and products; reformulation and improvement in the quality and appeal of existing products; improvement and modernization of manufacturing processes, including cost reduction; improvements in product quality, safety and integrity; development of, and improvements in, dispensing equipment, packaging technology (including investments in recycling-focused technologies), package design (including development of sustainable, bio-based packaging) and portion sizes; efforts focused on identifying opportunities to transform, grow and broaden our product portfolio, including by developing products with improved nutrition profiles that reduce added sugars, sodium or saturated fat, including through the use of sweetener alternatives and flavor modifiers and innovation in existing sweeteners, further expanding our beyond the bottle portfolio (including through our acquisition of SodaStream) and offering more products with positive nutrition including whole grains, fruits and vegetables, dairy, protein and hydration; investments in building our capabilities to support our global e-commerce business; and improvements in energy efficiency and efforts focused on reducing our impact on the environment. Our research centers are located around the world, including in Brazil, China, India, Ireland, Mexico, Russia, the United Kingdom and the United States, and leverage nutrition science, food science, engineering and consumer insights to meet our strategy to continue to develop nutritious and convenient beverages, foods and snacks.

In 2018, we continued to refine our beverage, food and snack portfolio to meet changing consumer demands by reducing added sugars in many of our beverages and sodium and saturated fat in many of our foods and snacks, and by developing a broader portfolio of product choices, including: continuing to expand our beverage options that contain no high-fructose corn syrup and that are made with natural flavors; expanding our state-of-the-art food and beverage healthy vending initiative to increase the availability of convenient and affordable nutrition; further expanding our portfolio of nutritious products by building on our important nutrition platforms and brands — Quaker (grains), Tropicana (juices, lemonades, fruit and vegetable drinks), Gatorade (sports nutrition for athletes), Naked Juice (cold-pressed juices and smoothies), KeVita (probiotics, tonics and fermented teas), Bare (baked apple chips and other baked produce) and Health Warrior (nutrition bars); further expanding our whole grain products globally; and further expanding our portfolio of nutritious products in growing categories, such as dairy, hummus and other refrigerated dips, and baked grain snacks. In addition, we continued to make investments to reduce our impact on the environment, including: efforts to conserve raw materials and energy, such as by working to achieve reductions in greenhouse gas emissions across our global businesses, by helping to protect and conserve global water supply especially in high-water-risk locations (including replenishing watersheds that source our operations in high-water-risk locations and

promoting the efficient use of water in our agricultural supply chain), and by incorporating improvements in the sustainability and resources of our agricultural supply chain into our operations; efforts to reduce waste generated by our operations and disposed of in landfills; efforts to support increased packaging recovery, recycling rates and the amount of recycled content in our packaging; efforts to increase energy efficiency, including the increased use of renewable energy and resources; efforts to support sustainable agriculture by expanding best practices with our growers and suppliers; and efforts to optimize packaging technology and design to minimize the amount of plastic in our packaging, and make our packaging increasingly recoverable or recyclable with lower environmental impact, including continuing to invest in developing compostable and biodegradable packaging.

## **Regulatory Matters**

The conduct of our businesses, including the production, storage, distribution, sale, display, advertising, marketing, labeling, content, quality, safety, transportation, packaging, disposal, recycling and use of our products, as well as our employment and occupational health and safety practices and protection of personal information, are subject to various laws and regulations administered by federal, state and local governmental agencies in the United States, as well as to laws and regulations administered by government entities and agencies in the more than 200 other countries and territories in which our products are made, manufactured, distributed or sold. It is our policy to abide by the laws and regulations around the world that apply to our businesses.

The U.S. laws and regulations that we are subject to include: the Federal Food, Drug and Cosmetic Act and various state laws governing food safety; the Food Safety Modernization Act; the Occupational Safety and Health Act; various federal, state and local environmental protection laws, as discussed below; the Federal Motor Carrier Safety Act; the Federal Trade Commission Act; the Lanham Act; various federal and state laws and regulations governing competition and trade practices; various federal and state laws and regulations governing our employment practices, including those related to equal employment opportunity, such as the Equal Employment Opportunity Act and the National Labor Relations Act and those related to overtime compensation, such as the Fair Labor Standards Act; customs and foreign trade laws and regulations, including laws regarding the import or export of our products or ingredients used in our products and tariffs; laws regulating the sale of certain of our products in schools; and laws relating to the payment of taxes. We are also required to comply with the Foreign Corrupt Practices Act and the Trade Sanctions Reform and Export Enhancement Act. We are also subject to various state and local statutes and regulations, including state consumer protection laws such as Proposition 65 in California, which requires that a specific warning appear on any product that contains a substance listed by the State of California as having been found to cause cancer or birth defects, unless the amount of such substance in the product is below a safe harbor level.

We are also subject to numerous similar and other laws and regulations outside the United States, including but not limited to laws and regulations governing food safety, international trade and tariffs, occupational health and safety, competition, anti-corruption and data privacy, including the European Union General Data Protection Regulation. In many jurisdictions, compliance with competition laws is of special importance to us due to our competitive position in those jurisdictions, as is compliance with anti-corruption laws, including the U.K. Bribery Act. We rely on legal and operational compliance programs, as well as in-house and outside counsel and other experts, to guide our businesses in complying with the laws and regulations around the world that apply to our businesses.

In addition, certain jurisdictions have either imposed, or are considering imposing, new or increased taxes on the manufacture, distribution or sale of our products, ingredients or substances contained in, or attributes of, our products or commodities used in the production of our products. These taxes vary in scope and form: some apply to all beverages, including non-caloric beverages, while others apply only to beverages with a caloric sweetener (e.g., sugar). Similarly, some measures apply a single tax rate per liquid ounce while others

apply a graduated tax rate depending upon the amount of added sugar in the beverage and some apply a flat tax rate on beverages containing a particular substance or ingredient.

In addition, certain jurisdictions have either imposed, or are considering imposing, product labeling or warning requirements or other limitations on the marketing or sale of certain of our products as a result of ingredients or substances contained in such products or the audience to whom products are marketed. These types of provisions have required that we provide a label that highlights perceived concerns about a product or warns consumers to avoid consumption of certain ingredients or substances present in our products. It is possible that similar or more restrictive requirements may be proposed or enacted in the future.

In addition, certain jurisdictions have either imposed or are considering imposing regulations designed to increase recycling rates or encourage waste reduction. These regulations vary in scope and form from deposit return systems designed to incentivize the return of beverage containers, to extended producer responsibility policies and even bans on the use of some plastic beverage bottles and other single-use plastics. It is possible that similar or more restrictive requirements may be proposed or enacted in the future.

We are also subject to national and local environmental laws in the United States and in foreign countries in which we do business, including laws related to water consumption and treatment, wastewater discharge and air emissions. In the United States, our facilities must comply with the Clean Air Act, the Clean Water Act, the Comprehensive Environmental Response, Compensation and Liability Act, the Resource Conservation and Recovery Act and other federal and state laws regarding handling, storage, release and disposal of wastes generated onsite and sent to third-party owned and operated offsite licensed facilities and our facilities outside the United States must comply with similar laws and regulations. In addition, continuing concern over climate change may result in new or increased legal and regulatory requirements (in or outside of the United States) to reduce or mitigate the potential effects of greenhouse gases, or to limit or impose additional costs on commercial water use due to local water scarcity concerns. Our policy is to abide by all applicable environmental laws and regulations, and we have internal programs in place with respect to our global environmental compliance. We have made, and plan to continue making, necessary expenditures for compliance with applicable environmental laws and regulations. While these expenditures have not had a material impact on our business, financial condition or results of operations to date, changes in environmental compliance requirements, and any expenditures necessary to comply with such requirements, could adversely affect our financial performance. In addition, we and our subsidiaries are subject to environmental remediation obligations arising in the normal course of business, as well as remediation and related indemnification obligations in connection with certain historical activities and contractual obligations, including those of businesses acquired by us or our subsidiaries. While these environmental remediation and indemnification obligations cannot be predicted with certainty, such obligations have not had, and are not expected to have, a material impact on our capital expenditures, earnings or competitive position.

In addition to the discussion in this section, see also “Item 1A. Risk Factors.”

## **Employees**

As of December 29, 2018, we and our consolidated subsidiaries employed approximately 267,000 people worldwide, including approximately 114,000 people within the United States. In certain countries, our employment levels are subject to seasonal variations. We or our subsidiaries are party to numerous collective bargaining agreements. We expect that we will be able to renegotiate these collective bargaining agreements on satisfactory terms when they expire. We believe that relations with our employees are generally good.

## **Available Information**

We are required to file annual, quarterly and current reports, proxy statements and other information with the U.S. Securities and Exchange Commission (SEC). The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>.

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and amendments to those documents filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (Exchange Act), are also available free of charge on our Internet site at <http://www.pepsico.com> as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC.

Investors should note that we currently announce material information to our investors and others using filings with the SEC, press releases, public conference calls, webcasts or our corporate website ([www.pepsico.com](http://www.pepsico.com)), including news and announcements regarding our financial performance, key personnel, our brands and our business strategy. Information that we post on our corporate website could be deemed material to investors. We encourage investors, the media, our customers, consumers, business partners and others interested in us to review the information we post on these channels. We may from time to time update the list of channels we will use to communicate information that could be deemed material and will post information about any such change on [www.pepsico.com](http://www.pepsico.com). The information on our website is not, and shall not be deemed to be, a part hereof or incorporated into this or any of our other filings with the SEC.

## **Item 1A. Risk Factors.**

You should carefully consider the risks described below in addition to the other information set forth in this Annual Report on Form 10-K, including the Management's Discussion and Analysis of Financial Condition and Results of Operations section and the consolidated financial statements and related notes. Any of the factors described below could occur or continue to occur and could have a material adverse effect on our business, financial condition, results of operations or the price of our publicly traded securities. The risks below are not the only risks we face. Additional risks and uncertainties not currently known to us, or that we currently deem to be immaterial, may occur or become material in the future and may also adversely affect our business, reputation, financial condition, results of operations or the price of our publicly traded securities. Therefore, historical operating results, financial and business performance, events and trends may not be a reliable indicator of future operating results, financial and business performance, events or trends.

***Demand for our products may be adversely affected by changes in consumer preferences or any inability on our part to innovate, market or distribute our products effectively, and any significant reduction in demand could adversely affect our business, financial condition or results of operations.***

We are a global food and beverage company operating in highly competitive categories and markets. To generate revenues and profits, we rely on continued demand for our products and therefore must understand our customers and consumers and sell products that appeal to them in the sales channel in which they prefer to shop or browse for such products. In general, changes in consumption in our product categories or consumer demographics could result in reduced demand for our products. Demand for our products depends in part on our ability to anticipate and effectively respond to shifts in consumer trends and preferences, including increased demand for products that meet the needs of consumers who are concerned with: health and wellness (including products that have less added sugars, sodium and saturated fat); convenience (including responding to changes in in-home and on-the-go consumption patterns and methods of distribution of our products to customers and consumers, including through e-commerce and hard discounters); or the location of origin or source of ingredients and products (including the environmental impact related to production of our products).

Consumer preferences have been evolving, and are expected to continue to evolve, due to a variety of factors, including: changes in consumer demographics, including the aging of the general population and the emergence of the millennial and younger generations who have differing spending, consumption and purchasing habits; consumer concerns or perceptions regarding the nutrition profile of products, including the presence of added sugar, sodium and saturated fat in certain of our products; growing demand for organic or locally sourced ingredients, or consumer concerns or perceptions (whether or not valid) regarding the

health effects of ingredients or substances present in certain of our products, such as 4-MeI, acrylamide, artificial flavors and colors, artificial sweeteners, aspartame, caffeine, furfuryl alcohol, high-fructose corn syrup, partially hydrolyzed oils, saturated fat, sodium, sugar, trans fats or other product ingredients, substances or attributes, including genetically engineered ingredients; taxes or other restrictions, including labeling requirements, imposed on our products; consumer concerns or perceptions regarding packaging materials, including single-use and other plastic packaging, and their environmental impact; changes in package or portion size; changes in social trends that impact travel, vacation or leisure activity patterns; changes in weather patterns or seasonal consumption cycles; the continued acceleration of e-commerce and other methods of purchasing products; negative publicity (whether or not valid) resulting from regulatory actions, litigation against us or other companies in our industry or negative or inaccurate posts or comments in the media, including social media, about us, our employees, our products or advertising campaigns and marketing programs; perception of our employees, agents, customers, suppliers, bottlers, contract manufacturers, distributors, joint venture partners or other third parties or our respective social media posts, business practices or other information disseminated by or regarding them or us; product boycotts; or a downturn in economic conditions. Any of these factors may reduce consumers' willingness to purchase our products and any inability on our part to anticipate or react to such changes could result in reduced demand for our products or erode our competitive and financial position and could adversely affect our business, reputation, financial condition or results of operations.

Demand for our products is also dependent in part on product quality, product and marketing innovation and production and distribution, including our ability to: maintain a robust pipeline of new products; improve the quality of existing products; extend our portfolio of products in growing markets and categories (through acquisitions, such as SodaStream, and innovation, such as increasing non-carbonated beverage offerings and other alternatives to, or reformulations of, carbonated beverage offerings); respond to cultural differences and regional consumer preferences (whether through developing or acquiring new products that are responsive to such preferences); monitor and adjust our use of ingredients and packaging materials (including to respond to applicable regulations); develop sweetener alternatives and innovation; increase the recyclability or recoverability of our packaging; improve the production and distribution of our products; respond to competitive product and pricing pressures and changes in distribution channels, including in the e-commerce channel; and implement effective advertising campaigns and marketing programs, including successfully adapting to a rapidly changing media environment through the use of social media and online advertising campaigns and marketing programs.

Although we devote significant resources to the items mentioned above, there can be no assurance as to our continued ability to develop, launch, maintain or distribute successful new products or variants of existing products in a timely manner (including correctly anticipating or effectively reacting to changes in consumer preferences) or to develop and effectively execute advertising and marketing campaigns that appeal to customers and consumers. Our failure to make the right strategic investments to drive innovation or successfully launch new products or variants of existing products or effectively market or distribute our products could reduce demand for our products, result in inventory write-offs and erode our competitive and financial position and could adversely affect our business, financial condition or results of operations.

***Changes in laws and regulations relating to the use or disposal of plastics or other packaging of our products could continue to increase our costs, reduce demand for our products or otherwise have an adverse impact on our business, reputation, financial condition or results of operations.***

Certain of our food and beverage products are sold in plastic or other packaging designed to be recoverable for recycling but not all packaging is recovered, whether due to low value, lack of infrastructure or otherwise. In addition, certain of our packaging may currently not be recyclable, compostable or biodegradable. There is a growing concern with the accumulation of plastic and other packaging waste in the environment,

particularly in the world's oceans and waterways. As a result, our branded packaging waste could result in negative publicity (whether or not valid) or reduce consumer demand and overall consumption of our products, which could adversely affect our business, financial condition or results of operations.

In response to these concerns, the United States and many other jurisdictions have imposed or are considering imposing regulations or policies designed to increase the sustainability of packaging, encourage waste reduction and increase recycling rates or facilitate the waste management process or restricting the sale of products in certain packaging. These regulations vary in scope and form from taxes or fees designed to incentivize behavior to restrictions or bans on certain products and materials. For example, the state of California is one of 10 states in the United States that have a bottle deposit return system in effect, which requires a deposit charged to consumers to incentivize the return of the beverage container. In addition, 26 markets in the European Union have established extended producer responsibility policies, which make manufacturers such as us responsible for the costs of recycling products after consumers have used them. Further, certain jurisdictions are considering imposing other types of regulations or policies, including packaging taxes, requirements for bottle caps to be tethered to the plastic bottle, minimum recycled content mandates, which would require packaging to include a certain percentage of post-consumer recycled material in a new package, and even bans on the use of some plastic beverage bottles and other single-use plastics. These laws and regulations, whatever their scope or form, could increase the cost of our products, reduce consumer demand and overall consumption of our products or result in negative publicity (whether or not valid), which could adversely affect our business, financial condition or results of operations.

While we continue to devote significant resources to increase the recyclability and sustainability of our packaging, the increased focus on reducing plastic waste may require us to increase capital expenditures, including requiring additional investments to minimize the amount of plastic across our packaging; increase the amount of recycled content in our packaging; and develop sustainable, bio-based packaging as a replacement for fossil fuel-based plastic packaging, including flexible film alternatives for our snacks packaging. Our failure to minimize our plastics use, increase the amount of recycled content in our packaging or develop sustainable packaging or consumers' failure to accept such sustainable packaging could reduce consumer demand and overall consumption of our products and erode our competitive and financial position. Further, our reputation could be damaged for failure to achieve our sustainability goals with respect to our plastics use, including our goal to use 25% recycled content in our plastic packaging by 2025, or if we or others in our industry do not act, or are perceived not to act, responsibly with respect to packaging or disposal of our products.

***Changes in, or failure to comply with, laws and regulations applicable to our products or our business operations could adversely affect our business, financial condition or results of operations.***

The conduct of our business is subject to various laws and regulations administered by federal, state and local governmental agencies in the United States, as well as government entities and agencies outside the United States, including laws and regulations relating to the production, storage, distribution, sale, display, advertising, marketing, labeling, content, quality, safety, transportation, packaging, disposal, recycling and use of our products, as well as our employment and occupational health and safety practices and protection of personal information. In addition, in many jurisdictions, compliance with competition laws is of special importance to us due to our competitive position in those jurisdictions, as is compliance with anti-corruption laws. Many of these laws and regulations have differing or conflicting legal standards across the various markets where our products are made, manufactured, distributed or sold and, in certain markets, such as developing and emerging markets, may be less developed or certain. For example, products containing genetically engineered ingredients are subject to differing regulations and restrictions in the jurisdictions in which our products are made, manufactured, distributed or sold, as is the packaging, disposal and recyclability of our products. For example, five provinces in Canada, covering most of the Canadian market, have

established extended producer responsibility policies, which make manufacturers such as us responsible for the costs of recycling products after consumers have used them. In addition, these laws and regulations and related interpretations may change, sometimes dramatically and unexpectedly, as a result of a variety of factors, including political, economic or social events. Such changes may include changes in: food and drug laws; laws related to product labeling, advertising and marketing practices, including restrictions on the audience to whom products are marketed; laws and treaties related to international trade, including laws regarding the import or export of our products or ingredients used in our products and tariffs; laws and programs aimed at reducing, restricting or eliminating ingredients or substances in, or attributes of, certain of our products; laws and programs aimed at discouraging the consumption or altering the package or portion size of certain of our products, including laws imposing restrictions on the use of government funds or programs to purchase certain of our products; increased regulatory scrutiny of, and increased litigation involving product claims and concerns (whether or not valid) regarding the effects on health of ingredients or substances in, or attributes of, certain of our products, including without limitation those found in energy drinks; state consumer protection laws; laws regulating the protection of personal information; cyber-security regulations; regulatory initiatives, including the imposition or proposed imposition of new or increased taxes or other measures impacting the manufacture, distribution or sale of our products; accounting rules and interpretations; employment laws; privacy laws; laws regulating the price we may charge for our products; laws regulating water rights and access to and use of water or utilities; environmental laws, including laws relating to the regulation of water treatment and discharge of wastewater and air emissions and laws relating to the disposal, recovery or recycling of our products and their packaging. Changes in regulatory requirements or changing interpretations thereof, and differing or competing regulations and standards across the markets where our products are made, manufactured, distributed or sold, may result in higher compliance costs, capital expenditures and higher production costs, which could adversely affect our business, reputation, financial condition or results of operations.

The imposition of new laws, regulations or governmental policy and their related interpretations, or changes in any of the foregoing, including taxes, labeling, product, production, recovery or recycling requirements, or other limitations on, or pertaining to, the sale or advertisement of certain of our products, ingredients or substances contained in, or attributes of, our products, commodities used in the production of our products or use, disposal, recovery or recyclability of our products and their packaging, may further alter the way in which we do business and, therefore, may continue to increase our costs or liabilities or reduce demand for our products, which could adversely affect our business, financial condition or results of operations. If one jurisdiction imposes or proposes to impose new requirements or restrictions, other jurisdictions may follow. For example, if one jurisdiction imposes a tax on sugar-sweetened beverages or foods, or imposes a specific labeling or warning requirement, other jurisdictions may impose similar or other measures that impact the manufacture, distribution or sale of our products. The foregoing may result in decreased demand for our products, adverse publicity or increased concerns about the health implications of consumption of ingredients or substances in our products (whether or not valid).

In addition, studies (whether or not scientifically valid) have been and continue to be underway by third parties purporting to assess the health implications of consumption of certain ingredients or substances present in certain of our products or packaging materials, such as 4-MeI, acrylamide, caffeine, glyphosate, furfuryl alcohol, added sugars, sodium, saturated fat and plastic. Third parties have also published documents or studies claiming (whether or not valid) that taxes can address consumer consumption of sugar-sweetened beverages and foods high in sugar, sodium or saturated fat. If, as a result of these studies and documents or otherwise, there is an increase in consumer concerns (whether or not valid) about the health implications of consumption of certain of our products, an increase in the number of jurisdictions that impose taxes on our products, or an increase in new labeling, product or production requirements or other restrictions on the manufacturing, sale or display of our products, demand for our products could decline, or we could be subject

to lawsuits or new regulations that could affect sales of our products, any of which could adversely affect our business, financial condition or results of operations.

Although we have policies and procedures in place that are designed to promote legal and regulatory compliance, our employees, suppliers, or other third parties with whom we do business could take actions, intentional or not, that violate these policies and procedures or applicable laws or regulations or could fail to maintain required documentation sufficient to evidence our compliance with applicable laws or regulations. Failure to comply with such laws or regulations could subject us to criminal or civil enforcement actions, including fines, injunctions, product recalls, penalties, disgorgement of profits or activity restrictions, any of which could adversely affect our business, reputation, financial condition or results of operations. In addition, regulatory authorities under whose laws we operate may have enforcement powers that can subject us to actions such as product recall, seizure of products or assets or other sanctions, which could have an adverse effect on the sales of products in our portfolio or could lead to damage to our reputation.

In addition, we and our subsidiaries are party to a variety of legal and environmental remediation obligations arising in the normal course of business, as well as environmental remediation, product liability, toxic tort and related indemnification proceedings in connection with certain historical activities and contractual obligations, including those of businesses acquired by us or our subsidiaries. Due to regulatory complexities, uncertainties inherent in litigation and the risk of unidentified contaminants on current and former properties of ours and our subsidiaries, the potential exists for remediation, liability and indemnification costs to differ materially from the costs we have estimated. We cannot guarantee that our costs in relation to these matters will not exceed our estimates or otherwise have an adverse effect on our business, financial condition or results of operations.

***The imposition or proposed imposition of new or increased taxes aimed at our products could adversely affect our business, financial condition or results of operations.***

Certain jurisdictions in which our products are made, manufactured, distributed or sold have either imposed, or are considering imposing, new or increased taxes on the manufacture, distribution or sale of our products, ingredients or substances contained in, or attributes of, our products or commodities used in the production of our products. These taxes vary in scope and form: some apply to all beverages, including non-caloric beverages, while others apply only to beverages with a caloric sweetener (e.g., sugar). Similarly, some measures apply a single tax rate per liquid ounce while others apply a graduated tax rate depending upon the amount of added sugar in the beverage and some apply a flat tax rate on beverages containing a particular substance or ingredient. For example, effective January 2018, the City of Seattle, Washington in the United States enacted a per-ounce surcharge on all sugar-sweetened beverages. By contrast, France revised an existing flat tax to become a graduated tax, effective July 2018, in which the per-ounce tax rate is tied to the amount of added sugar present in the beverage: the higher the amount of added sugar, the higher the per-ounce tax rate, while Saudi Arabia enacted, effective June 2017, a flat tax rate of 50%, and Jordan increased, effective January 2018, its flat tax from 10% to 20%, on the retail price of carbonated soft drinks. These tax measures, whatever their scope or form, could increase the cost of our products, reduce consumer demand and overall consumption of our products, lead to negative publicity (whether based on scientific fact or not) or leave consumers with the perception (whether or not valid) that our products do not meet their health and wellness needs. Such factors could adversely affect our business, financial condition or results of operations.

***Significant additional labeling or warning requirements or limitations on the marketing or sale of our products may reduce demand for such products and could adversely affect our business, financial condition or results of operations.***

Certain jurisdictions in which our products are made, manufactured, distributed or sold have either imposed, or are considering imposing, product labeling or warning requirements or limitations on the marketing or

sale of certain of our products as a result of ingredients or substances contained in such products. These types of provisions have required that we provide a label that highlights perceived concerns about a product or warns consumers to avoid consumption of certain ingredients or substances present in our products. For example, in California in the United States, Proposition 65 requires a specific warning on or relating to any product that contains a substance listed by the State of California as having been found to cause cancer or birth defects or other reproductive harm, unless the level of such substance in the product is below a safe harbor level established by the State of California.

In addition, a number of jurisdictions, both in and outside the United States, have imposed or are considering imposing labeling requirements, including color-coded labeling of certain food and beverage products where colors such as red, yellow and green are used to indicate various levels of a particular ingredient, such as sugar, sodium or saturated fat. The imposition or proposed imposition of additional product labeling or warning requirements could reduce overall consumption of our products, lead to negative publicity (whether based on scientific fact or not) or leave consumers with the perception (whether or not valid) that our products do not meet their health and wellness needs. Such factors could adversely affect our business, financial condition or results of operations.

***Our business, financial condition or results of operations could suffer if we are unable to compete effectively.***

Our beverage, food and snack products are in highly competitive categories and markets and compete against products of international beverage, food and snack companies that, like us, operate in multiple geographies, as well as regional, local and private label manufacturers and economy brands and other competitors. In many countries in which our products are sold, including the United States, The Coca-Cola Company is our primary beverage competitor. Other beverage, food and snack competitors include, but are not limited to, Campbell Soup Company, Conagra Brands, Inc., Kellogg Company, Keurig Dr Pepper Inc., The Kraft Heinz Company, Link Snacks, Inc., Mondelēz International, Inc., Monster Beverage Corporation, Nestlé S.A. and Red Bull GmbH.

Our beverage, food and snack products compete primarily on the basis of brand recognition and loyalty, taste, price, value, quality, product variety, innovation, distribution, advertising, marketing and promotional activity, packaging, convenience, service and the ability to anticipate and effectively respond to consumer preferences and trends, including increased consumer focus on health and wellness and the continued acceleration of e-commerce and other methods of distributing and purchasing products. If we are unable to effectively promote our existing products or introduce new products, if our advertising or marketing campaigns are not effective, if our competitors spend more aggressively than we do or if we are otherwise unable to effectively respond to pricing pressure or compete effectively (including in distributing our products effectively and cost efficiently through all existing and emerging channels of trade, including through e-commerce and hard discounters), we may be unable to grow or maintain sales or category share or we may need to increase capital, marketing or other expenditures, which may adversely affect our business, financial condition or results of operations.

***Failure to realize anticipated benefits from our productivity initiatives or operating model could have an adverse impact on our business, financial condition or results of operations.***

Our future success and earnings growth depend, in part, on our ability to continue to reduce costs and improve efficiencies, including implementing shared business service organizational models. Our productivity initiatives help support our growth initiatives and contribute to our results of operations. We continue to implement productivity initiatives that we believe will position our business for long-term sustainable growth by allowing us to achieve a lower cost structure and operate more efficiently in the highly competitive beverage, food and snack categories and markets. We are also continuing to implement our initiatives to

improve efficiency, decision making, innovation and brand management across our global organization to enable us to compete more effectively. Further, in order to continue to capitalize on our cost reduction efforts and operating model, it will be necessary to make certain investments in our business, which may be limited due to capital constraints. Some of these measures could yield unintended consequences, such as business disruptions, distraction of management and employees, reduced employee morale and productivity, and unexpected additional employee attrition, including the inability to attract or retain key personnel. It is critical that we have the appropriate personnel in place to continue to lead and execute our plans, including to effectively manage personnel adjustments and transitions resulting from these initiatives and increased competition for employees with the skills necessary to implement our plans. If we are unable to successfully implement our productivity initiatives as planned, fail to implement these initiatives as timely as we anticipate, do not achieve expected savings as a result of these initiatives or incur higher than expected or unanticipated costs in implementing these initiatives, fail to identify and implement additional productivity opportunities in the future, or fail to successfully manage business disruptions or unexpected employee consequences on our workforce, morale or productivity, we may not realize all or any of the anticipated benefits, which could adversely affect our business, financial condition or results of operations.

***Our business, financial condition or results of operations could be adversely affected as a result of political conditions in the markets in which our products are made, manufactured, distributed or sold.***

Political conditions in the markets in which our products are made, manufactured, distributed or sold may be difficult to predict and may adversely affect our business, financial condition and results of operations. The results of elections, referendums or other political conditions (including government shutdowns) in these markets could impact how existing laws, regulations and government programs or policies are implemented or create uncertainty as to how such laws, regulations and government programs or policies may change, including with respect to tariffs, sanctions, climate change regulation, taxes, benefit programs, the movement of goods, services and people between countries and other matters, and could result in exchange rate fluctuation, volatility in global stock markets and global economic uncertainty or adversely affect demand for our products. For example, the United Kingdom's pending withdrawal from the European Union (commonly referred to as Brexit) could lead to differing laws and regulations in the United Kingdom and European Union. Any changes in, or the imposition of new laws, regulations or governmental policy and their related interpretations due to elections, referendums or other political conditions could have an adverse impact on our business, financial conditions and results of operations.

***Our business, financial condition or results of operations could be adversely affected if we are unable to grow our business in developing and emerging markets.***

Our success depends in part on our ability to grow our business in developing and emerging markets, including Mexico, Russia, the Middle East, Brazil, China and India. However, there can be no assurance that our existing products, variants of our existing products or new products that we make, manufacture, distribute or sell will be accepted or be successful in any particular developing or emerging market, due to local or global competition, product price, cultural differences, consumer preferences or otherwise. The following factors could reduce demand for our products or otherwise impede the growth of our business in developing and emerging markets: unstable economic, political or social conditions; acts of war, terrorist acts, and civil unrest; increased competition; volatility in the economic growth of certain of these markets and the related impact on developed countries who export to these markets; volatile oil prices and the impact on the local economy in certain of these markets; our inability to acquire businesses, form strategic business alliances or to make necessary infrastructure investments; our inability to complete divestitures or refranchisings; imposition of new or increased labeling, product or production requirements, or other restrictions; our inability to hire or retain a highly skilled workforce; imposition of new or increased tariffs and other impositions on imported goods or sanctions against, or other regulations restricting contact with, certain countries in these

markets, or imposition of new or increased sanctions against U.S. multinational corporations or tariffs on the products of such corporations operating in these markets; actions, such as removing our products from shelves, taken by retailers in response to U.S. trade sanctions, tariffs or other governmental action or policy; foreign ownership restrictions; nationalization of our assets or the assets of our suppliers, bottlers, contract manufacturers, distributors, joint venture partners or other third parties; imposition of taxes on our products or the ingredients or substances used in our products; government-mandated closure, or threatened closure, of our operations or the operations of our suppliers, bottlers, contract manufacturers, distributors, joint venture partners, customers or other third parties; restrictions on the import or export of our products or ingredients or substances used in our products; regulations relating to the repatriation of funds currently held in foreign jurisdictions to the United States; highly inflationary economies, devaluation or fluctuation, such as the devaluation of the Russian ruble, Turkish lira, Brazilian real, Argentine peso and the Mexican peso, or demonetization of currency; regulations on the transfer of funds to and from foreign countries, currency controls or other currency exchange restrictions, which result in significant cash balances in foreign countries, from time to time, or could significantly affect our ability to effectively manage our operations in certain of these markets and could result in the deconsolidation of such businesses, such as occurred with respect to our Venezuelan businesses which were deconsolidated at the end of the third quarter of 2015; the lack of well-established or reliable legal systems; increased costs of doing business due to compliance with complex foreign and U.S. laws and regulations that apply to our international operations, including the Foreign Corrupt Practices Act, the U.K. Bribery Act and the Trade Sanctions Reform and Export Enhancement Act; and adverse consequences, such as the assessment of fines or penalties, for any failure to comply with these laws and regulations. If we are unable to expand our businesses in developing and emerging markets, effectively operate, or manage the risks associated with operating, in these markets, or achieve the return on capital we expect from our investments in these markets, our business, reputation, financial condition or results of operations could be adversely affected.

***Uncertain or unfavorable economic conditions may have an adverse impact on our business, financial condition or results of operations.***

Many of the countries in which our products are made, manufactured, distributed and sold have experienced and may, from time to time, continue to experience uncertain or unfavorable economic conditions, such as recessions or economic slowdowns. Our business or financial results may be adversely impacted by uncertain or unfavorable economic conditions in the United States and globally, including: adverse changes in interest rates, tax laws or tax rates; volatile commodity markets, including speculative influences; highly-inflationary economies, devaluation, fluctuation or demonetization; contraction in the availability of credit in the marketplace due to legislation or economic conditions; the effects of government initiatives, including demonetization, austerity or stimulus measures to manage economic conditions and any changes to or cessation of such initiatives; the effects of any default by or deterioration in the creditworthiness of the countries in which our products are made, manufactured, distributed or sold or of countries that may then impact countries in which our products are made, manufactured, distributed or sold; reduced demand for our products resulting from volatility in general global economic conditions or a shift in consumer preferences for economic reasons or otherwise to regional, local or private label products or other lower-cost products, or to less profitable sales channels; or a decrease in the fair value of pension or post-retirement assets that could increase future employee benefit costs and/or funding requirements of our pension or post-retirement plans. In addition, we cannot predict how current or future economic conditions will affect our customers, consumers, suppliers, bottlers, contract manufacturers, distributors, joint venture partners or other third parties and any negative impact on any of the foregoing may also have an adverse impact on our business, financial condition or results of operations.

In addition, some of the major financial institutions with which we execute transactions, including U.S. and non-U.S. commercial banks, insurance companies, investment banks and other financial institutions may be

exposed to a ratings downgrade, bankruptcy, liquidity events, default or similar risks as a result of unfavorable economic conditions, changing regulatory requirements or other factors beyond our control. A ratings downgrade, bankruptcy, receivership, default or similar event involving a major financial institution, or changes in the regulatory environment, may limit the ability or willingness of financial institutions to enter into financial transactions with us, including to provide banking or related cash management services, or to extend credit on terms commercially acceptable to us or at all; may leave us with reduced borrowing capacity or exposed to certain currencies or price risk associated with forecasted purchases of raw materials, including through our use of fixed-price contracts and purchase orders, pricing agreements and derivative instruments, including swaps and futures; or may result in a decline in the market value of our investments in debt securities, which could have an adverse impact on our business, financial condition or results of operations. Similar risks exist with respect to our customers, suppliers, bottlers, contract manufacturers, distributors and joint venture partners and could result in their inability to obtain credit to purchase our products or to finance the manufacture and distribution of our products resulting in canceled orders and/or product delays, which could also have an adverse impact on our business, reputation, financial condition or results of operations.

***Our business and reputation could suffer if we are unable to protect our information systems against, or effectively respond to, cyberattacks or other cyber incidents or if our information systems, or those of our customers, suppliers, bottlers, contract manufacturers, distributors, joint venture partners or other third parties, are otherwise disrupted.***

We depend on information systems and technology, some of which are provided by third parties, including public websites and cloud-based services, for many activities important to our business, including: to interface with our customers and consumers; to engage in marketing activities; to enable and improve the effectiveness of our operations; to order and manage materials from suppliers; to manage inventory; to manage and operate our facilities; to conduct research and development; to maintain accurate financial records; to achieve operational efficiencies; to comply with regulatory, financial reporting, legal and tax requirements; to collect and store sensitive data and confidential information; to communicate electronically among our global operations and with our employees and the employees of our customers, suppliers, bottlers, contract manufacturers, distributors, joint venture partners and other third parties; and to communicate with our investors.

Cyberattacks and other cyber incidents are occurring more frequently, are constantly evolving in nature, are becoming more sophisticated and are being carried out by groups and individuals (including criminal hackers, hacktivists, state-sponsored actors, criminal and terrorist organizations, individuals or groups participating in organized crime and insiders) with a wide range of expertise and motives (including monetization of corporate, payment or other internal or personal data, theft of computing resources, financial fraud, operational disruption, theft of trade secrets and intellectual property for competitive advantage and leverage for political, social, economic and environmental reasons). Such cyberattacks and cyber incidents can take many forms including cyber extortion, denial of service, social engineering, such as impersonation attempts to fraudulently induce employees or others to disclose information or unwittingly provide access to systems or data, introduction of viruses or malware, such as ransomware through phishing emails, website defacement or theft of passwords and other credentials, unauthorized use of computing resources for digital currency mining and business email compromises. As with other global companies, we are regularly subject to cyberattacks, including many of the types of attacks described above. Although we may incur significant costs in protecting against or remediating cyberattacks or other cyber incidents, no cyberattack or other cyber incident has, to our knowledge, had a material adverse effect on our business, financial condition or results of operations to date.

If we do not allocate and effectively manage the resources necessary to build and maintain our information technology infrastructure, including monitoring networks and systems, upgrading our security policies and

the skills and training of our employees, and requiring our third-party service providers, customers, suppliers, bottlers, contract manufacturers, distributors, joint venture partners or other third parties to do the same, if we or they fail to timely identify or appropriately respond to cyberattacks or other cyber incidents, or if our or their information systems are damaged, compromised, destroyed or shut down (whether as a result of natural disasters, fires, power outages, acts of terrorism or other catastrophic events, network outages, software, equipment or telecommunications failures, technology development defects, user errors, lapses in our controls or the intentional or negligent actions of employees, or from deliberate cyberattacks such as malicious or disruptive software, denial of service attacks, malicious social engineering, hackers or otherwise), our business could be disrupted and we could, among other things, be subject to: transaction errors; processing inefficiencies; the loss of, or failure to attract, new customers and consumers; lost revenues resulting from the disruption or shutdown of computer systems or other information technology systems at our offices, plants, warehouses, distribution centers or other facilities, or the loss of a competitive advantage due to the unauthorized use, acquisition or disclosure of, or access to, confidential information; the incurrence of costs to restore data and to safeguard against future extortion attempts; the loss of, or damage to, intellectual property or trade secrets, including the loss or unauthorized disclosure of sensitive data or other assets; alteration, corruption or loss of accounting, financial or other data on which we rely for financial reporting and other purposes, which could cause errors or delays in our financial reporting; damage to our reputation or brands; damage to employee, customer and consumer relations; litigation; regulatory enforcement actions or fines; unauthorized disclosure of confidential personal information of our employees, customers or consumers; the loss of information and/or supply chain disruption resulting from the failure of security patches to be developed and installed on a timely basis; violation of data privacy, security or other laws and regulations; and remediation costs.

Further, our information systems and those of our third-party providers, and the information stored therein could be compromised, including through cyberattacks or other external or internal methods, resulting in unauthorized parties accessing or extracting sensitive data or confidential information. Failure to comply with data privacy laws could result in litigation, claims, legal or regulatory proceedings, inquiries or investigations.

We continue to devote significant resources to network security, backup and disaster recovery, enhancing our internal controls, and other security measures, including training, to protect our systems and data, but these security measures cannot provide absolute security or guarantee that we will be successful in preventing or responding to every such breach or disruption. In addition, due to the constantly evolving nature of these security threats, the form and impact of any future incident cannot be predicted.

Similar risks exist with respect to the cloud-based service providers and other third-party vendors that we rely upon for aspects of our information technology support services and administrative functions, including payroll processing, health and benefit plan administration and certain finance and accounting functions, and systems managed, hosted, provided and/or used by third parties and their vendors. The need to coordinate with various third-party vendors may complicate our efforts to resolve any issues that may arise. As a result, we are subject to the risk that the activities associated with our third-party vendors may adversely affect our business even if the attack or breach does not directly impact our systems or information. Moreover, our increased use of mobile and cloud technologies could heighten these and other operational risks, as certain aspects of the security of such technologies may be complex, unpredictable or beyond our control.

While we currently maintain insurance coverage that, subject to its terms and conditions, is intended to address costs associated with certain aspects of cyber incidents, network failures and data privacy-related concerns, this insurance coverage may not, depending on the specific facts and circumstances surrounding an incident, cover all losses or all types of claims that may arise from an incident, or the damage to our reputation or brands that may result from an incident.

***Our business, financial condition or results of operations may be adversely affected by increased costs, disruption of supply or shortages of raw materials, energy, water and other supplies.***

We and our business partners use various raw materials, energy, water and other supplies in our business. The principal ingredients we use in our beverage, food and snack products are apple, orange and pineapple juice and other juice concentrates, aspartame, corn, corn sweeteners, flavorings, flour, grapefruit, oats, oranges and other fruits, potatoes, raw milk, rice, seasonings, sucralose, sugar, vegetable and essential oils, and wheat. We also use water in the manufacturing of our products. Our key packaging materials include plastic resins, including PET and polypropylene resins used for plastic beverage bottles and film packaging used for snack foods, aluminum used for cans, glass bottles, closures, cardboard and paperboard cartons. Fuel, electricity and natural gas are also important commodities for our businesses due to their use in our and our business partners' facilities and the vehicles delivering our products.

Some of these raw materials and supplies are sourced from countries experiencing civil unrest, political instability or unfavorable economic conditions, and some are available from a limited number of suppliers or a sole supplier or are in short supply when seasonal demand is at its peak. We cannot assure that we will be able to maintain favorable arrangements and relationships with these suppliers or that our contingency plans, including development of ingredients, materials or supplies to replace ingredients, materials or supplies sourced from such suppliers, will be effective in preventing disruptions that may arise from shortages or discontinuation of any ingredient that is sourced from such suppliers. In addition, increasing focus on climate change, deforestation, water, animal welfare and human rights concerns and other risks associated with the global food system may lead to increased activism focusing on consumer goods companies, governmental intervention and consumer response, and could adversely affect our or our suppliers' reputation and business and our ability to procure the materials we need to operate our business. The raw materials and energy, including fuel, that we use for the manufacturing, production and distribution of our products are largely commodities that are subject to price volatility and fluctuations in availability caused by many factors, including changes in global supply and demand, weather conditions (including any potential effects of climate change), fire, natural disasters (such as a hurricane, tornado, earthquake or flooding), disease or pests (including the impact of greening disease on the citrus industry), agricultural uncertainty, health epidemics or pandemics, governmental incentives and controls (including import/export restrictions, such as new or increased tariffs, sanctions, quotas or trade barriers), limited or sole sources of supply, political uncertainties, acts of terrorism, governmental instability or currency exchange rates. For example, in 2018, the United States imposed tariffs on steel and aluminum as well as on goods imported from China and certain other countries, which has resulted in retaliatory tariffs by China and other countries. Additional tariffs imposed by the United States on a broader range of imports, or further retaliatory trade measures taken by China or other countries in response, could result in an increase in supply chain costs that we may not be able to offset or otherwise adversely impact our results of operations. Shortage of some of these raw materials and other supplies, sustained interruption in their supply or an increase in their costs could adversely affect our business, financial condition or results of operations. Many of our ingredients, raw materials and commodities are purchased in the open market. The prices we pay for such items are subject to fluctuation, and we manage this risk through the use of fixed-price contracts and purchase orders, pricing agreements and derivative instruments, including swaps and futures. If commodity price changes result in unexpected or significant increases in raw materials and energy costs, we may be unwilling or unable to increase our product prices or unable to effectively hedge against commodity price increases to offset these increased costs without suffering reduced volume, revenue, margins and operating results. In addition, certain of the derivatives used to hedge price risk do not qualify for hedge accounting treatment and, therefore, can result in increased volatility in our net earnings in any given period due to changes in the spot prices of the underlying commodities.

Water is a limited resource in many parts of the world. The lack of available water of acceptable quality and increasing pressure to conserve water in areas of scarcity and stress may lead to: supply chain disruption; adverse effects on our operations; higher compliance costs; capital expenditures (including additional investments in the development of technologies to enhance water efficiency and reduce water consumption); higher production costs; the cessation of operations at, or relocation of, our facilities or the facilities of our suppliers, bottlers, contract manufacturers, distributors, joint venture partners or other third parties; or damage to our reputation, any of which could adversely affect our business, financial condition or results of operations.

***Business disruptions could have an adverse impact on our business, financial condition or results of operations.***

Our ability, and that of our suppliers and other third parties, including our bottlers, contract manufacturers, distributors, joint venture partners and customers, to make, manufacture, transport, distribute and sell products in our portfolio is critical to our success. Damage or disruption to our or their operations due to any of the following factors could impair the ability to make, manufacture, transport, distribute or sell products in our portfolio: adverse weather conditions (including any potential effects of climate change) or natural disasters, such as a hurricane, tornado, earthquake or flooding; government action; economic or political uncertainties or instability in countries in which such products are made, manufactured, distributed or sold, which may also affect our ability to protect the security of our assets and employees; fire; terrorism; outbreak or escalation of armed hostilities; food safety warnings or recalls, whether related to products in our portfolio or otherwise; health epidemics or pandemics; supply and commodity shortages; unplanned delays or unexpected problems associated with repairs or enhancements of facilities in which such products are made, manufactured, distributed or sold; loss or impairment of key manufacturing sites; cyber incidents, including the disruption or shutdown of computer systems or other information technology systems at our offices, plants, warehouses, distribution centers or other facilities or those of our suppliers and other third parties who make, manufacture, transport, distribute and sell products in our portfolio; industrial accidents or other occupational health and safety issues; telecommunications failures; power or water shortages; strikes, labor disputes or lack of availability of qualified personnel, such as truck drivers; or other reasons beyond our control or the control of our suppliers and other third parties. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could adversely affect our business, financial condition or results of operations, as well as require additional resources to restore operations.

***Product contamination or tampering or issues or concerns with respect to product quality, safety and integrity could adversely affect our business, reputation, financial condition or results of operations.***

Product contamination or tampering, the failure to maintain high standards for product quality, safety and integrity, including with respect to raw materials and ingredients obtained from suppliers, or allegations (whether or not valid) of product quality issues, mislabeling, misbranding, spoilage, allergens, adulteration or contamination with respect to products in our portfolio may reduce demand for such products, and cause production and delivery disruptions or increase costs, which could adversely affect our business, reputation, financial condition or results of operations. If any of the products in our portfolio are mislabeled or become unfit for consumption or cause injury, illness or death, or if appropriate resources are not devoted to product quality and safety (particularly as we expand our portfolio into new categories) or to comply with changing food safety requirements, we could decide to, or be required to, recall products in our portfolio and/or we may be subject to liability or government action, which could result in payment of damages or fines, cause certain products in our portfolio to be unavailable for a period of time, result in destruction of product inventory, or result in adverse publicity (whether or not valid), which could reduce consumer demand and brand equity. Moreover, even if allegations of product contamination or tampering or suggestions that our products were not fit for consumption are meritless, the negative publicity surrounding assertions against us or products in our portfolio or processes could adversely affect our reputation or brands. Our business could

also be adversely affected if consumers lose confidence in product quality, safety and integrity generally, even if such loss of confidence is unrelated to products in our portfolio. Any of the foregoing could adversely affect our business, reputation, financial condition or results of operations. In addition, if we do not have adequate insurance, if we do not have enforceable indemnification from suppliers, bottlers, contract manufacturers, distributors, joint venture partners or other third parties or if indemnification is not available, the liability relating to such product claims or disruption as a result of recall efforts could materially adversely affect our business, financial condition or results of operations.

***Any damage to our reputation or brand image could adversely affect our business, financial condition or results of operations.***

We are a leading global beverage, food and snack company with brands that are respected household names throughout the world. Maintaining a good reputation globally is critical to selling our branded products. Our reputation or brand image could be adversely impacted by any of the following, or by adverse publicity (whether or not valid) relating thereto: the failure to maintain high ethical, social and environmental practices for all of our operations and activities, including with respect to human rights, child labor laws and workplace conditions and safety, or failure to require our suppliers or other third parties to do so; the failure to achieve our goals of reducing added sugars, sodium and saturated fat in certain of our products and of growing our portfolio of product choices; the failure to achieve our other sustainability goals, including with respect to plastic packaging, or to be perceived as appropriately addressing matters of social responsibility; the failure to protect our intellectual property, including in the event our brands are used without our authorization; health concerns (whether or not valid) about our products or particular ingredients or substances in, or attributes of, our products, including concerns regarding whether certain of our products contribute to obesity; the imposition or proposed imposition of new or increased taxes, labeling requirements or other limitations on, or pertaining to, the sale, display or advertising of our products; any failure to comply, or perception of a failure to comply, with our policies and goals, including those regarding advertising to children and reducing calorie consumption from sugar-sweetened beverages; our research and development efforts; the recall (voluntary or otherwise) of any products in our portfolio; our environmental impact, including use of agricultural materials, plastics or other packaging, water, energy use and waste management; any failure to achieve our goals with respect to reducing our impact on the environment, including the recyclability or recoverability of our packaging, or perception of a failure to act responsibly with respect to water use and the environment; any failure to achieve our goals with respect to human rights throughout our value chain; the practices of our employees, agents, customers, suppliers, bottlers, contract manufacturers, distributors, joint venture partners or other third parties (including others in our industry) with respect to any of the foregoing, actual or perceived; consumer perception of our industry; consumer perception of our advertising campaigns, sponsorship arrangements or marketing programs; consumer perception of our use of social media; consumer perception of statements made by us, our employees and executives, agents, customers, suppliers, bottlers, contract manufacturers, distributors, joint venture partners or other third parties (including others in our industry); or our responses or the responses of others in our industry to any of the foregoing.

In addition, we operate globally, which requires us to comply with numerous local regulations, including, without limitation, anti-corruption laws, competition laws and tax laws and regulations of the jurisdictions in which our products are made, manufactured, distributed or sold. In the event that we or our employees engage in or are believed to have engaged in improper activities, we may be subject to regulatory proceedings, including enforcement actions, litigation, loss of sales or other consequences, which may cause us to suffer damage to our reputation in the United States or abroad. Failure to comply with local laws and regulations, to maintain an effective system of internal control or to provide accurate and timely financial information could also hurt our reputation. In addition, water is a limited resource in many parts of the world and demand for water continues to rise. Our reputation could be damaged if we or others in our industry do not act, or are perceived not to act, responsibly with respect to water use.

Further, the popularity of social media and other consumer-oriented technologies has increased the speed and accessibility of information dissemination. As a result, negative or inaccurate posts or comments about us, our products, policies, practices, advertising campaigns and marketing programs or sponsorship arrangements; our use of social media or of posts or other information disseminated by us or our employees, agents, customers, suppliers, bottlers, contract manufacturers, distributors, joint venture partners or other third parties; consumer perception of any of the foregoing, or failure by us to respond effectively to any of the foregoing, may also generate adverse publicity (whether or not valid) that could damage our reputation.

Damage to our reputation or brand image or loss of consumer confidence in our products or employees for any of these or other reasons could result in decreased demand for our products and could adversely affect our business, financial condition or results of operations, as well as require additional resources to rebuild our reputation.

***Failure to successfully complete or integrate acquisitions and joint ventures into our existing operations, or to complete or effectively manage divestitures or refranchisings, could adversely affect our business, financial condition or results of operations.***

We regularly review our portfolio of businesses and evaluate potential acquisitions, joint ventures, divestitures, refranchisings and other strategic transactions. Potential issues associated with these activities could include, among other things: our ability to realize the full extent of the expected returns, benefits, cost savings or synergies as a result of a transaction, within the anticipated time frame, or at all; receipt of necessary consents, clearances and approvals in connection with a transaction; and diversion of management's attention from day-to-day operations.

With respect to acquisitions, including our recently completed acquisition of SodaStream, the following factors also pose potential risks: our ability to successfully combine our businesses with the business of the acquired company, including integrating the acquired company's manufacturing, distribution, sales, accounting, financial reporting and administrative support activities and information technology systems with our company; our ability to successfully operate in new categories or territories; motivating, recruiting and retaining executives and key employees (both of the acquired company and our company); conforming standards, controls (including internal control over financial reporting and disclosure controls and procedures, environmental compliance, health and safety compliance and compliance with other laws and regulations), procedures and policies, business cultures and compensation structures between us and the acquired company; consolidating and streamlining corporate and administrative infrastructures and avoiding increased operating expenses; consolidating sales and marketing operations; retaining existing customers and attracting new customers; retaining existing distributors; identifying and eliminating redundant and underperforming operations and assets; coordinating geographically dispersed organizations; managing tax costs or inefficiencies associated with integrating our operations following completion of an acquisition; and other unanticipated problems or liabilities, such as contingent liabilities and litigation.

With respect to joint ventures, we share ownership and management responsibility with one or more parties who may or may not have the same goals, strategies, priorities, resources or values as we do. Joint ventures are intended to be operated for the benefit of all co-owners, rather than for our exclusive benefit. Business decisions or other actions or omissions of our joint venture partners may adversely affect the value of our investment, result in litigation or regulatory action against us or otherwise damage our reputation and brands and adversely affect our business, financial condition or results of operations.

In addition, acquisitions and joint ventures outside of the United States increase our exposure to risks associated with operations outside of the United States, including fluctuations in exchange rates and compliance with the Foreign Corrupt Practices Act and other anti-corruption and anti-bribery laws and laws and regulations outside the United States.

With respect to divestitures and refranchisings, we may not be able to complete or effectively manage such transactions on terms commercially favorable to us or at all and may fail to achieve the anticipated benefits or cost savings from the divestiture or refranchising. Further, as divestitures and refranchisings may reduce our direct control over certain aspects of our business, any failure to maintain good relations with divested or refranchised businesses in our supply or sales chain may adversely impact our sales or business performance.

If an acquisition or joint venture is not successfully completed, integrated into our existing operations or managed effectively, or if a divestiture or refranchising is not successfully completed or managed effectively or does not result in the benefits or cost savings we expect, our business, financial condition or results of operations may be adversely affected.

***A change in our estimates and underlying assumptions regarding the future performance of our businesses could result in an impairment charge, which could materially affect our results of operations.***

We conduct impairment tests on our goodwill, indefinite-lived intangible assets, as well as other investments and other long-lived assets annually, during our third quarter, or more frequently if circumstances indicate that the carrying value may not be recoverable. Any changes in our estimates or underlying assumptions regarding the future performance of our reporting units or in determining the fair value of any such reporting unit, including goodwill, indefinite-lived intangible assets, as well as other investments and other long-lived assets, could adversely affect our results of operations. Factors that could result in an impairment include, but are not limited to: significant negative economic or industry trends or competitive operating conditions; significant macroeconomic conditions that may result in a future increase in the weighted-average cost of capital used to estimate fair value; and significant changes in the nature and timing of decisions regarding assets or markets that do not perform consistent with our expectations, including factors we use to estimate future levels of sales, operating profit or cash flows. Future impairment charges could have a significant adverse effect on our results of operations in the periods recognized.

***Increases in income tax rates, changes in income tax laws or disagreements with tax authorities could adversely affect our business, financial condition or results of operations.***

We are subject to income taxes in the United States and in certain foreign jurisdictions in which we operate. Increases in income tax rates or other changes in income tax laws in any particular jurisdiction could reduce our after-tax income from such jurisdiction and could adversely affect our business, financial condition or results of operations. Our operations outside the United States generate a significant portion of our income. In addition, the United States and many of the other countries in which our products are made, manufactured, distributed or sold, including countries in which we have significant operations, have recently made or are actively considering changes to existing tax laws. For example, in December 2017, the Tax Cuts and Jobs Act (TCJ Act) was signed into law in the United States. While our accounting for the recorded impact of the TCJ Act is deemed to be complete, these amounts are based on prevailing regulations and currently available information, and any additional guidance issued by the Internal Revenue Service (IRS) could impact our recorded amounts in future periods. For further information regarding the impact and potential impact of the TCJ Act, see “Our Liquidity and Capital Resources” and “Our Critical Accounting Policies” in Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations and Note 5 to our consolidated financial statements.

Additional changes in the U.S. tax regime or in how U.S. multinational corporations are taxed on foreign earnings, including changes in how existing tax laws are interpreted or enforced, could adversely affect our business, financial condition or results of operations. For example, the Organization for Economic Cooperation and Development (OECD) has recommended changes to numerous long-standing international tax principles through its base erosion and profit shifting (BEPS) project. These changes, to the extent adopted,

may increase tax uncertainty, result in higher compliance costs and adversely affect our provision for income taxes, results of operations and/or cash flow.

We are also subject to regular reviews, examinations and audits by the IRS and other taxing authorities with respect to income and non-income based taxes both within and outside the United States. In connection with the OECD's BEPS project, companies are required to disclose more information to tax authorities on operations around the world, which may lead to greater audit scrutiny of profits earned in various countries. Economic and political pressures to increase tax revenues in jurisdictions in which we operate, or the adoption of new or reformed tax legislation or regulation, may make resolving tax disputes more difficult and the final resolution of tax audits and any related litigation could differ from our historical provisions and accruals, resulting in an adverse impact on our business, financial condition or results of operations.

***If we are unable to recruit, hire or retain key employees or a highly skilled and diverse workforce, it could have a negative impact on our business, financial condition or results of operations.***

Our continued growth requires us to recruit, hire, retain and develop our leadership bench and a highly skilled and diverse workforce. We compete to recruit and hire new employees and then must train them and develop their skills and competencies. Our employees are highly sought after by our competitors and other companies and our continued ability to compete effectively depends on our ability to retain, develop and motivate highly skilled personnel for all areas of our organization. Any unplanned turnover or unsuccessful implementation of our succession plans to backfill current leadership positions, including the Chief Executive Officer, or to hire and retain a highly skilled and diverse workforce could deplete our institutional knowledge base and erode our competitive advantage or result in increased costs due to increased competition for employees, higher employee turnover or increased employee benefit costs. Any of the foregoing could adversely affect our business, reputation, financial condition or results of operations.

***The loss of, or a significant reduction in sales to, any key customer could adversely affect our business, financial condition or results of operations.***

Our customers include wholesale and other distributors, foodservice customers, grocery stores, drug stores, convenience stores, discount/dollar stores, mass merchandisers, membership stores, hard discounters, e-commerce retailers and authorized independent bottlers, among others. We must maintain mutually beneficial relationships with our key customers, including Wal-Mart, to compete effectively. Any inability to resolve a significant dispute with any of our key customers, a change in the business condition (financial or otherwise) of any of our key customers, even if unrelated to us, a significant reduction in sales to any key customer, or the loss of any of our key customers could adversely affect our business, financial condition or results of operations.

***Disruption in the retail landscape, including rapid growth in hard discounters and the e-commerce channel, could adversely affect our business, financial condition or results of operations.***

Our industry has been affected by changes to the retail landscape, including the rapid growth in sales through e-commerce websites, mobile commerce applications and subscription services as well as the integration of physical and digital operations among retailers. We continue to make significant investments in attracting talent to and building our global e-commerce capabilities. Although we are engaged in e-commerce with respect to many of our products, if we are unable to maintain and develop successful relationships with existing and new e-commerce retailers or otherwise adapt to the growing e-commerce landscape, while simultaneously maintaining relationships with our key customers operating in traditional retail channels, we may be disadvantaged in certain channels and with certain customers and consumers, which could adversely affect our business, financial condition or results of operations. In addition, the growth in e-commerce and hard discounters may result in consumer price deflation, which may affect our relationships with key retail

customers. Further, the ability of consumers to compare prices on a real-time basis using digital technology puts additional pressure on us to maintain competitive prices. If these e-commerce and hard discounter retailers were to take significant market share away from traditional retailers and/or we fail to adapt to the rapidly changing retail and e-commerce landscapes, our ability to maintain and grow our profitability, share of sales or volume and our business, financial condition or results of operations could be adversely affected.

Further, the retail landscape continues to be impacted by the increased consolidation of retail ownership and purchasing power, particularly in North America, Europe and Latin America, resulting in large retailers with increased purchasing power, which may impact our ability to compete in these areas. Such retailers may demand improved efficiency, lower pricing and increased promotional programs. Further, should larger retailers increase utilization of their own distribution networks, other distribution channels such as e-commerce, or private label brands, the competitive advantages we derive from our go-to-market systems and brand equity may be eroded. In addition, the growth of hard discounters that are focused on limiting the number of items they sell and selling predominantly private label brands may reduce our ability to sell our products through such retailers. Failure to appropriately respond to any of the foregoing, including failure to offer effective sales incentives and marketing programs to our customers, could reduce our ability to secure adequate shelf space and product availability at our retailers, adversely affect our ability to maintain or grow our share of sales or volume, and adversely affect our business, financial condition or results of operations.

***Our borrowing costs and access to capital and credit markets may be adversely affected by a downgrade or potential downgrade of our credit ratings.***

Rating agencies routinely evaluate us, and their ratings of our long-term and short-term debt are based on a number of factors, including our cash generating capability, levels of indebtedness, policies with respect to shareholder distributions and our financial strength generally, as well as factors beyond our control, such as the then-current state of the economy and our industry generally. Any downgrade of our credit ratings by a credit rating agency, especially any downgrade to below investment grade, whether as a result of our actions or factors which are beyond our control, could increase our future borrowing costs, impair our ability to access capital and credit markets on terms commercially acceptable to us or at all, and result in a reduction in our liquidity. We expect to maintain Tier 1 commercial paper access, which we believe will facilitate appropriate financial flexibility and ready access to global credit markets at favorable interest rates. However, any downgrade of our current short-term credit ratings could impair our ability to access the commercial paper market with the same flexibility that we have experienced historically, and therefore require us to rely more heavily on more expensive types of debt financing. Our borrowing costs and access to the commercial paper market could also be adversely affected if a credit rating agency announces that our ratings are under review for a potential downgrade. An increase in our borrowing costs, limitations on our ability to access the global capital and credit markets or a reduction in our liquidity could adversely affect our financial condition and results of operations.

***If we are not able to successfully implement shared services or utilize information technology systems and networks effectively, our ability to conduct our business may be negatively impacted.***

We have entered into agreements with third-party service providers to utilize information technology support services and administrative functions in certain areas of our business, including payroll processing, health and benefit plan administration and certain finance and accounting functions. We may enter into new or additional agreements for shared services in other functions in the future to achieve cost savings and efficiencies as we continue to migrate to shared business service organizational models across our business operations. In addition, we utilize cloud-based services and systems and networks managed by third-party vendors to process, transmit and store information and to conduct certain of our business activities and transactions with employees, customers, consumers and other third parties. If any of these third-party service

providers or vendors do not perform effectively, or if we fail to adequately monitor their performance (including compliance with service level agreements or regulatory or legal requirements), we may not be able to achieve the expected cost savings, we may have to incur additional costs to correct errors made by such service providers, our reputation could be harmed or we could be subject to litigation, claims, legal or regulatory proceedings, inquiries or investigations. Depending on the function involved, such errors may also lead to business disruption, processing inefficiencies, the loss of or damage to intellectual property or sensitive data through security breaches or otherwise, incorrect or adverse effects on financial reporting, litigation or remediation costs, or damage to our reputation, which could have a negative impact on employee morale. In addition, the management of multiple third-party service providers increases operational complexity and decreases our control.

We continue on our multi-year business transformation initiative to migrate certain of our systems, including our financial processing systems, to enterprise-wide systems solutions. These systems implementations are part of our ongoing global business transformation initiative, and we plan to continue implementing such systems throughout other parts of our businesses. If we do not allocate and effectively manage the resources necessary to build and sustain the proper information technology infrastructure, or if we fail to achieve the expected benefits from this initiative, it may impact our ability to process transactions accurately and efficiently, and remain in step with the changing needs of our business, which could result in the loss of customers or consumers and revenue. In addition, the failure to either deliver the applications on time, or anticipate the necessary readiness and training needs, could lead to business disruption and loss of customers or consumers and revenue. In connection with these implementations and resulting business process changes, we continue to enhance the design and documentation of business processes and controls, including our internal control over financial reporting processes, to maintain effective controls over our financial reporting. To date, this transition has not materially affected, and we do not expect it to materially affect, our internal control over financial reporting.

***Fluctuations in exchange rates impact our business, financial condition and results of operations.***

We hold assets, incur liabilities, earn revenues and pay expenses in a variety of currencies other than the U.S. dollar. Because our consolidated financial statements are presented in U.S. dollars, the financial statements of our subsidiaries outside the United States, where the functional currency is other than the U.S. dollar, are translated into U.S. dollars. Our operations outside of the United States, particularly in Mexico, Russia, Canada, the United Kingdom and Brazil, generate a significant portion of our net revenue. In addition, we purchase many of the ingredients, raw materials and commodities used in our business in numerous markets and in numerous currencies. Fluctuations in exchange rates, including as a result of currency controls or other currency exchange restrictions have had, and may continue to have, an adverse impact on our business, financial condition and results of operations.

***Climate change, water scarcity or legal, regulatory or market measures to address climate change or water scarcity may negatively affect our business and operations or damage our reputation.***

There is concern that carbon dioxide and other greenhouse gases in the atmosphere have an adverse impact on global temperatures, weather patterns and the frequency and severity of extreme weather and natural disasters. In the event that such climate change has a negative effect on agricultural productivity, we may be subject to decreased availability or less favorable pricing for certain commodities that are necessary for our products, such as sugar cane, corn, wheat, rice, oats, oranges and other fruits and potatoes. Natural disasters and extreme weather conditions, such as a hurricane, tornado, earthquake or flooding, may disrupt the productivity of our facilities or the operation of our supply chain and unfavorably impact the demand for, or our consumers' ability to purchase, our products. The predicted effects of climate change may also exacerbate challenges regarding the availability and quality of water. As demand for water access continues to increase

around the world, we may be subject to decreased availability of water, deteriorated quality of water or less favorable pricing for water, which could adversely impact our manufacturing and distribution operations.

Concern over climate change may result in new or increased regional, federal and/or global legal and regulatory requirements to reduce or mitigate the effects of greenhouse gases, or to limit or impose additional costs on commercial water use due to local water scarcity concerns. In the event that such regulation is more stringent than current regulatory obligations or the measures that we are currently undertaking to monitor and improve our energy efficiency and water conservation, we may experience disruptions in, or significant increases in our costs of, operation and delivery and we may be required to make additional investments in facilities and equipment or relocate our facilities. In particular, increasing regulation of fuel emissions could substantially increase the cost of energy, including fuel, required to operate our facilities or transport and distribute our products, thereby substantially increasing the distribution and supply chain costs associated with our products. As a result, the effects of climate change or water scarcity could negatively affect our business and operations.

In addition, any failure to achieve our goals with respect to reducing our impact on the environment or perception (whether or not valid) of our failure to act responsibly with respect to water use and the environment or to effectively respond to new, or changes in, legal or regulatory requirements concerning climate change or water scarcity could result in adverse publicity and could adversely affect our business, reputation, financial condition or results of operations.

There is also increased focus, including by governmental and non-governmental organizations, investors, customers and consumers on these and other environmental sustainability matters, including deforestation, land use, climate impact, water use and recyclability or recoverability of packaging, including plastic. Our reputation could be damaged if we or others in our industry do not act, or are perceived not to act, responsibly with respect to our impact on the environment.

***A portion of our workforce is represented by unions. Failure to successfully negotiate collective bargaining agreements, or strikes or work stoppages, could cause our business to suffer.***

Many of our employees are covered by collective bargaining agreements, and other employees may seek to be covered by collective bargaining agreements. Strikes or work stoppages or other business interruptions could occur if we are unable to renew these agreements on satisfactory terms or enter into new agreements on satisfactory terms or if we are unable to otherwise manage changes in, or that affect, our workforce, which could impair manufacturing and distribution of our products or result in a loss of sales, which could adversely impact our business, financial condition or results of operations. The terms and conditions of existing, renegotiated or new collective bargaining agreements could also increase our costs or otherwise affect our ability to fully implement future operational changes to enhance our efficiency or to adapt to changing business needs or strategy.

***If we are not able to adequately protect our intellectual property rights or if we are found to infringe the intellectual property rights of others, the value of our products or brands, or our competitive position, could be reduced, which could have an adverse impact on our business, financial condition or results of operations.***

We possess intellectual property rights that are important to our business. These intellectual property rights include ingredient formulas, trademarks, copyrights, patents, business processes and other trade secrets that are important to our business and relate to a variety of our products, their packaging, the processes for their production and the design and operation of various equipment used in our businesses. We protect our intellectual property rights globally through a combination of trademark, copyright, patent and trade secret laws, third-party assignment and nondisclosure agreements and monitoring of third-party misuses of our

intellectual property. If we fail to obtain or adequately protect our trademarks, copyrights, patents, business processes and trade secrets, including our ingredient formulas, or if there is a change in law that limits or removes the current legal protections of our intellectual property, the value of our products and brands, or our competitive position, could be reduced and there could be an adverse impact on our business, financial condition or results of operations. In addition, if, in the course of developing new products or improving the quality of existing products, we are found to have infringed the intellectual property rights of others, directly or indirectly, such finding could have an adverse impact on our business, reputation, financial condition or results of operations and may limit our ability to introduce new products or improve the quality of existing products.

***Potential liabilities and costs from litigation, claims, legal or regulatory proceedings, inquiries or investigations could have an adverse impact on our business, financial condition or results of operations.***

We and our subsidiaries are party to a variety of litigation, claims, legal or regulatory proceedings, inquiries and investigations, including but not limited to matters related to our advertising, marketing or commercial practices, product labels, claims and ingredients including sugar, sodium and saturated fat, our intellectual property rights, alleged infringement or misappropriation by us of intellectual property rights of others, environmental, privacy, employment, tax and insurance matters and matters relating to our compliance with applicable laws and regulations. We evaluate such matters to assess the likelihood of unfavorable outcomes and estimate, if possible, the amount of potential losses and establish reserves as appropriate. These matters are inherently uncertain and there is no guarantee that we will be successful in defending ourselves in these matters, or that our assessment of the materiality of these matters and the likely outcome or potential losses and established reserves will be consistent with the ultimate outcome of such matters. In the event that management's assessment of actual or potential claims and proceedings proves inaccurate or litigation, claims, proceedings, inquiries or investigations that are material arise in the future, there may be a material adverse effect on our business, financial condition or results of operations. Responding to litigation, claims, proceedings, inquiries, and investigations, even those that are ultimately non-meritorious, may also require us to incur significant expense and devote significant resources, and may generate adverse publicity that may damage our reputation or brand image, which could have an adverse impact on our business, financial condition or results of operations.

***Many factors may adversely affect the price of our publicly traded securities.***

Many factors may adversely affect the price of our common stock and publicly traded debt. Such factors, some of which are beyond our control, may include, but are not limited to: unfavorable economic conditions; changes in financial or tax reporting and changes in accounting principles or practices that materially affect our reported financial condition and results; investor perceptions of our business, strategies and performance or those of our competitors; actions by shareholders or others seeking to influence our business strategies; speculation by the media or investment community regarding our business, strategies and performance or those of our competitors; developments relating to pending litigation, claims, inquiries or investigations; changes in laws and regulations applicable to our products or business operations; trading activity in our securities or trading activity in derivative instruments with respect to our securities; changes in our credit ratings; the impact of our share repurchase programs or dividend policy; and the outcome of referenda and elections. In addition, corporate actions, such as those we may or may not take from time to time as part of our continuous review of our corporate structure and our strategy, including as a result of business, legal, regulatory and tax considerations, may not have the impact we intend and may adversely affect the price of our securities. The above factors, as well as the other risks included in this "Item 1A. Risk Factors," could adversely affect the price of our securities.

**Item 1B. Unresolved Staff Comments.**

We have received no written comments regarding our periodic or current reports from the staff of the SEC that were issued 180 days or more preceding the end of our 2018 fiscal year and that remain unresolved.

**Item 2. Properties.**

Our principal executive offices located in Purchase, New York and our facilities located in Plano, Texas, all of which we own, are our most significant corporate properties.

Each division utilizes plants, warehouses, distribution centers, storage facilities, offices and other facilities, either owned or leased, in connection with making, marketing, distributing and selling our products. The approximate number of such facilities utilized by each division is as follows:

	FLNA	QFNA	NAB	Latin America	ESSA	AMENA	Shared <sup>(a)</sup>
Plants <sup>(b)</sup>	35	5	65	45	85	45	5
Other Facilities <sup>(c)</sup>	1,660	4	440	575	350	335	45

(a) Shared properties are in addition to the other properties reported by our six divisions identified in this table.

(b) Includes manufacturing and processing plants as well as bottling and production plants.

(c) Includes warehouses, distribution centers, storage facilities, offices, including division headquarters, research and development facilities and other facilities.

Significant properties by division included in the table above are as follows:

- FLNA’s research and development facility in Plano, Texas, which is owned.
- QFNA’s food plant in Cedar Rapids, Iowa, which is owned.
- NAB’s research and development facility in Valhalla, New York, and a Tropicana plant in Bradenton, Florida, both of which are owned.
- Latin America’s three snack plants in Mexico (one in Vallejo, one in Celaya and one in Obregón) and one in Brazil (Sorocaba), all of which are owned.
- ESSA’s snack plant in Leicester, United Kingdom, which is leased; its snack plant in Kashira, Russia, its fruit juice plant in Zeebrugge, Belgium, its beverage plant in Lebedyan, Russia and its dairy plant in Moscow, Russia, all of which are owned.
- AMENA’s two beverage plants in Egypt (one in Tanta City and one in Sixth of October City) and its snack plant in Wuhan, China, all of which are owned; and its snack plant in Riyadh, Saudi Arabia, which is leased.
- Two concentrate plants in Cork, Ireland, which are shared by our NAB, ESSA and AMENA segments, both of which are owned; and one in Singapore, which is shared by our NAB and AMENA segments, which is leased.
- Shared service centers in Winston-Salem, North Carolina, and Plano, Texas, which are primarily shared by our FLNA, QFNA and NAB segments, both of which are leased.

Most of our plants are owned or leased on a long-term basis. In addition to company-owned or leased properties described above, we also utilize a highly distributed network of plants, warehouses and distribution centers that are owned or leased by our contract manufacturers, co-packers, strategic alliances or joint ventures in which we have an equity interest. We believe that our properties generally are in good operating condition and, taken as a whole, are suitable, adequate and of sufficient capacity for our current operations.

**Item 3. Legal Proceedings.**

As previously disclosed, in April 2017, Corporación Autónoma Regional de Cundinamarca, a Colombian environmental authority (the environmental authority), initiated an administrative proceeding regarding our subsidiary, PepsiCo Alimentos Z.F., Ltda. (PAZ), for allegedly delivering wastewater to a third party without first verifying that the third party had appropriate permits with respect to the discharge of such wastewater. In July 2018, the environmental authority initiated an administrative proceeding to impose a monetary sanction against PAZ with respect to the alleged permitting violation by the third party, and on August 13, 2018, PAZ submitted evidence of its defense to these allegations. If the environmental authority determines PAZ is responsible for the alleged permitting violations by the third party, the environmental authority may seek to impose monetary sanctions of up to \$1.3 million, which PAZ would be entitled to appeal.

In addition, we and our subsidiaries are party to a variety of litigation, claims, legal or regulatory proceedings, inquiries and investigations. While the results of such litigation, claims, legal or regulatory proceedings, inquiries and investigations cannot be predicted with certainty, management believes that the final outcome of the foregoing will not have a material adverse effect on our financial condition, results of operations or cash flows. Sanctions imposed by foreign authorities are levied in local currency and disclosed using the U.S. dollar equivalent at the time of imposition and are subject to currency fluctuations. See also “Item 1. Business – Regulatory Matters” and “Item 1A. Risk Factors.”

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Executive Officers of the Registrant**

The following is a list of names, ages and backgrounds of our current executive officers:

<b><u>Name</u></b>	<b><u>Age</u></b>	<b><u>Title</u></b>
Marie T. Gallagher	59	Senior Vice President and Controller, PepsiCo
Hugh F. Johnston	57	Vice Chairman, PepsiCo; Executive Vice President and Chief Financial Officer, PepsiCo
Dr. Mehmood Khan	60	Vice Chairman, PepsiCo; Executive Vice President, PepsiCo Chief Scientific Officer, Global Research and Development
Ramon Laguarda	55	Chairman of the Board of Directors and Chief Executive Officer, PepsiCo
Laxman Narasimhan	51	Chief Executive Officer, Latin America, Europe and Sub-Saharan Africa
Silviu Popovici	51	President, Europe Sub-Saharan Africa
Vivek Sankaran	56	Chief Executive Officer, Frito-Lay North America
Ronald Schellekens	54	Executive Vice President and Chief Human Resources Officer, PepsiCo
Mike Spanos	54	Chief Executive Officer, Asia, Middle East and North Africa
Kirk Tanner	50	Chief Executive Officer, North America Beverages
David Yawman	50	Executive Vice President, Government Affairs, General Counsel and Corporate Secretary, PepsiCo

**Marie T. Gallagher**, 59, was appointed PepsiCo’s Senior Vice President and Controller in May 2011. Ms. Gallagher joined PepsiCo in 2005 as Vice President and Assistant Controller. Prior to joining PepsiCo, Ms. Gallagher was Assistant Controller at Altria Corporate Services from 1992 to 2005 and, prior to that, a senior manager at Coopers & Lybrand.

**Hugh F. Johnston**, 57, was appointed Vice Chairman, PepsiCo in July 2015 and Executive Vice President and Chief Financial Officer, PepsiCo in March 2010. Mr. Johnston assumed responsibility for the Company's global e-commerce business and the Company's global business and information solutions function in July 2015. He previously held responsibility for the Quaker Foods North America division from 2014 to 2016, the position of Executive Vice President, Global Operations from 2009 to 2010 and the position of President of Pepsi-Cola North America from 2007 to 2009. He was formerly PepsiCo's Executive Vice President, Operations, a position he held from 2006 until 2007. From 2005 until 2006, Mr. Johnston was PepsiCo's Senior Vice President, Transformation. Prior to that, he served as Senior Vice President and Chief Financial Officer of PepsiCo Beverages and Foods from 2002 through 2005, and as PepsiCo's Senior Vice President of Mergers and Acquisitions in 2002. Mr. Johnston joined PepsiCo in 1987 as a Business Planner and held various finance positions until 1999 when he left to join Merck & Co., Inc. as Vice President, Retail, a position which he held until he rejoined PepsiCo in 2002. Prior to joining PepsiCo in 1987, Mr. Johnston was with General Electric Company in a variety of finance positions.

**Dr. Mehmood Khan**, 60, was appointed Vice Chairman, PepsiCo in February 2015 and Executive Vice President, PepsiCo Chief Scientific Officer, Global Research and Development in May 2012. He previously held the position of Chief Executive Officer of PepsiCo's Global Nutrition Group from 2010 to May 2012 and the position of PepsiCo's Chief Scientific Officer from 2008 to May 2012. Prior to joining PepsiCo, Dr. Khan served for five years at Takeda Pharmaceuticals in various leadership roles including President of Research and Development and Chief Medical Officer. Dr. Khan also served at the Mayo Clinic from 2001 until 2003 as the director of the Diabetes, Endocrinology and Nutrition Clinical Unit and as Consultant Physician in Endocrinology.

**Ramon Laguarta**, 55, has served as Chief Executive Officer of PepsiCo and as a director of the Board since October 2018, and assumed the role of Chairman of the Board in February 2019. Mr. Laguarta previously served as President from 2017 to 2018. Prior to serving as PepsiCo's President, Mr. Laguarta also held a variety of positions of increasing responsibility in Europe, including as Commercial Vice President of PepsiCo Europe from 2006 to 2008, PepsiCo Eastern Europe Region from 2008 to 2012, President, Developing & Emerging Markets, PepsiCo Europe from 2012 to 2015, Chief Executive Officer, PepsiCo Europe in 2015, and Chief Executive Officer, Europe Sub-Saharan Africa from 2015 to 2017. From 2002 to 2006, he was General Manager for Iberia Snacks and Juices, and from 1999 to 2001 a General Manager for Greece Snacks. Prior to joining PepsiCo in 1996 as a marketing vice president for Spain Snacks, Mr. Laguarta worked for Chupa Chups, S.A., where he worked in several international assignments in Europe and the United States.

**Laxman Narasimhan**, 51, was appointed Chief Executive Officer, Latin America, Europe and Sub-Saharan Africa in September 2017. He previously held the positions of Chief Executive Officer, Latin America from 2015 to September 2017, Chief Executive Officer, PepsiCo Latin America Foods from 2014 to July 2015 and Senior Vice President and Chief Financial Officer of PepsiCo Americas Foods, a business unit that had previously included the Company's Frito-Lay North America, Quaker Foods North America and Latin America Foods divisions, from 2012 to 2014. Prior to joining PepsiCo in 2012, Mr. Narasimhan spent 19 years at McKinsey & Company, where he served in various positions, including as a director and location manager of the New Delhi office and co-leader of the global consumer and shopper insights practice.

**Silviu Popovici**, 51, was appointed President, Europe Sub-Saharan Africa, effective September 2017. Mr. Popovici previously served as President, Russia, Ukraine and CIS (The Commonwealth of Independent States) from August 2015 to September 2017, and as President, PepsiCo Russia from January 2013 to July 2015. Mr. Popovici joined PepsiCo in 2011 following PepsiCo's acquisition of Wimm-Bill-Dann Foods OJSC (WBD) and served as General Manager, WBD Foods Division from February 2011 until December 2012. Prior to the acquisition, Mr. Popovici held senior leadership roles at WBD, running its dairy business from 2008 to 2011 and its beverages business from 2006 to 2008.

**Vivek Sankaran**, 56, was appointed Chief Executive Officer, Frito-Lay North America, effective January 2019. Prior to that, Mr. Sankaran served as President and Chief Operating Officer, Frito-Lay North America from April 2016 to December 2018; Chief Operating Officer, Frito-Lay North America from February 2016 to April 2016; Chief Commercial Officer, North America from 2014 to February 2016; Chief Customer Officer for Frito-Lay North America from 2012 to 2014; Senior Vice President and General Manager, Frito-Lay North America's South business unit from 2011 to 2012; and Senior Vice President, Corporate Strategy and Development from 2009 to 2010. Prior to joining PepsiCo in 2009, Mr. Sankaran was a partner at McKinsey & Company, where he advised Fortune 100 companies with a focus on retail and high tech and co-led the North America purchasing and supply management practice.

**Ronald Schellekens**, 54, was appointed Executive Vice President and Chief Human Resources Officer, PepsiCo, effective December 2018. Prior to that, Mr. Schellekens served as Group HR Director of Vodafone Group Services Limited from 2009 to December 2018, where he was responsible for the Vodafone Human Resource Management function, as well as health and safety, and property and real estate functions. Prior to joining Vodafone, Mr. Schellekens was executive vice president, human resources for the global downstream division of Royal Dutch Shell Plc. Prior to that, he worked for PepsiCo for nine years from 1994 to 2003 in various international, senior human resources roles, including assignments in Switzerland, Spain, South Africa, the United Kingdom and Poland, where he was most recently responsible for the Europe, Middle East & Africa region for PepsiCo Foods International. Prior to that, he served for nine years at AT&T Inc. in Human Resources.

**Mike Spanos**, 54, was appointed Chief Executive Officer, Asia, Middle East and North Africa, effective January 2018. Mr. Spanos previously served as interim head of PepsiCo's Asia, Middle East and North Africa division from October 2017 to January 2018 and as President and Chief Executive Officer, PepsiCo Greater China Region, from September 2014 to January 2018. Prior to that, Mr. Spanos served as Senior Vice President and Chief Customer Officer, PepsiCo North America Beverages from October 2011 to September 2014, as Senior Vice President and General Manager, PepsiCo Beverages Company's West business unit from March 2011 to October 2011 and as Senior Vice President, Retail Sales and Execution, PepsiCo Beverages Company from March 2010 to March 2011. Mr. Spanos joined PepsiCo in 1993 as a territory sales manager and unit manager in the Philadelphia market unit and served in various other leadership roles through March 2010. Prior to joining PepsiCo, Mr. Spanos served in the United States Marines Corps from 1987 to 1993, and with Tallahassee Medical Company as a sales representative in 1993.

**Kirk Tanner**, 50, was appointed Chief Executive Officer, North America Beverages, effective January 2019. Prior to that, Mr. Tanner served as President and Chief Operating Officer, North America Beverages from April 2016 to December 2018; Chief Operating Officer, North America Beverages and President, Global Foodservice from December 2015 to April 2016 and President, Global Foodservice from 2014 to December 2015. Mr. Tanner joined PepsiCo in 1992, where he has worked in numerous domestic and international locations and in a variety of roles, including senior vice president of Frito-Lay North America's West region from 2009 to 2013; vice president, sales of PepsiCo UK and Ireland from 2008 to 2009; region vice president, Frito-Lay North America's Mountain region from 2005 to 2008; region vice president, Frito-Lay North America's Mid-America region from 2002 to 2005; and region vice president, Frito-Lay North America's California region from 2000 to 2002.

**David Yawman**, 50, was appointed Executive Vice President, Government Affairs, General Counsel and Corporate Secretary, PepsiCo effective October 2017. Prior to that, Mr. Yawman served as Senior Vice President and Deputy General Counsel for PepsiCo and General Counsel for North America and Corporate from July 2017 to October 2017. He previously served as Senior Vice President, PepsiCo Deputy General Counsel, General Counsel, North America Beverages and Quaker Foods North America from July 2015 to July 2017, as Senior Vice President, PepsiCo Deputy General Counsel, General Counsel, PepsiCo America

Beverages from April 2014 to July 2015, as Senior Vice President, PepsiCo Chief Compliance and Ethics Officer from March 2012 to April 2014 and as Senior Vice President, General Counsel, Pepsi Beverages Company from February 2010 to March 2012. Prior to that, he served five years in the law department of The Pepsi Bottling Group, Inc. (PBG) and, prior to that, was a member of PepsiCo's corporate law department from the time he joined PepsiCo in 1998 until 2003.

Executive officers are elected by our Board of Directors, and their terms of office continue until the next annual meeting of the Board or until their successors are elected and have qualified. There are no family relationships among our executive officers.

**PART II****Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

## Stock Trading Symbol – PEP

Stock Exchange Listings – The Nasdaq Global Select Market is the principal market for our common stock, which is also listed on the SIX Swiss Exchange.

Shareholders – As of February 8, 2019, there were approximately 114,513 shareholders of record of our common stock.

Dividends – We have paid consecutive quarterly cash dividends since 1965. The declaration and payment of future dividends are at the discretion of the Board of Directors. Dividends are usually declared in February, May, July and November and paid at the end of March, June and September and the beginning of January. On February 13, 2019, the Board of Directors declared a quarterly dividend of \$0.9275 payable March 29, 2019, to shareholders of record on March 1, 2019. For the remainder of 2019, the dividend record dates for these payments are expected to be June 7, September 6 and December 6, 2019, subject to approval of the Board of Directors.

For information on securities authorized for issuance under our equity compensation plans, see “Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.”

A summary of our common stock repurchases (in millions, except average price per share) during the fourth quarter of 2018 is set forth in the table below.

**Issuer Purchases of Common Stock**

<b>Period</b>	<b>Total Number of Shares Repurchased<sup>(a)</sup></b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs<sup>(b)</sup></b>
9/8/2018				\$ 14,631
9/9/2018 - 10/6/2018	1.3	\$ 112.64	1.3	(147) 14,484
10/7/2018 - 11/3/2018	1.3	\$ 110.39	1.3	(145) 14,339
11/4/2018 - 12/1/2018	1.4	\$ 116.68	1.4	(163) 14,176
12/2/2018 - 12/29/2018	0.8	\$ 116.99	0.8	(92)
<b>Total</b>	<b>4.8</b>	<b>\$ 113.91</b>	<b>4.8</b>	<b>\$ 14,084</b>

(a) All shares were repurchased in open market transactions pursuant to publicly announced repurchase programs.

(b) Represents shares authorized for repurchase under the \$15 billion repurchase program authorized by our Board of Directors and publicly announced on February 13, 2018, which commenced on July 1, 2018 and will expire on June 30, 2021. Such shares may be repurchased in open market transactions, in privately negotiated transactions, in accelerated stock repurchase transactions or otherwise.

**Item 6. Selected Financial Data.****Five-Year Summary**

(unaudited, in millions except per share amounts)

The following selected financial data should be read in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” our consolidated financial statements and accompanying notes thereto. Our fiscal year ends on the last Saturday of each December and our fiscal year 2016 comprised fifty-three reporting weeks while all other fiscal years presented in the tables below comprised fifty-two reporting weeks.

	2018	2017	2016	2015	2014
Net revenue <sup>(a)</sup>	\$ 64,661	\$ 63,525	\$ 62,799	\$ 63,056	\$ 66,683
Operating profit <sup>(b)</sup>	\$ 10,110	\$ 10,276	\$ 9,804	\$ 8,274	\$ 9,755
(Benefit from)/provision for income taxes <sup>(c)</sup>	\$ (3,370)	\$ 4,694	\$ 2,174	\$ 1,941	\$ 2,199
Net income attributable to PepsiCo <sup>(c)</sup>	\$ 12,515	\$ 4,857	\$ 6,329	\$ 5,452	\$ 6,513
Net income attributable to PepsiCo per common share – basic <sup>(c)</sup>	\$ 8.84	\$ 3.40	\$ 4.39	\$ 3.71	\$ 4.31
Net income attributable to PepsiCo per common share – diluted <sup>(c)</sup>	\$ 8.78	\$ 3.38	\$ 4.36	\$ 3.67	\$ 4.27
Cash dividends declared per common share	\$ 3.5875	\$ 3.1675	\$ 2.96	\$ 2.7625	\$ 2.5325
Total assets	\$ 77,648	\$ 79,804	\$ 73,490	\$ 68,976	\$ 69,634
Long-term debt	\$ 28,295	\$ 33,796	\$ 30,053	\$ 29,213	\$ 23,821

(a) Our fiscal 2016 results included an extra week of results (53<sup>rd</sup> reporting week). The 53<sup>rd</sup> reporting week increased 2016 net revenue by \$657 million, including \$294 million in our FLNA segment, \$43 million in our QFNA segment, \$300 million in our NAB segment and \$20 million in our ESSA segment.

(b) Our fiscal results prior to 2018 reflect the retrospective adoption of guidance requiring the presentation of non-service cost components of net periodic benefit cost below operating profit. See Note 2 to our consolidated financial statements.

(c) Our fiscal 2018 results include other net tax benefits related to the reorganization of our international operations. Our fiscal 2018 and 2017 results include the impact of the TCJ Act. See Note 5 to our consolidated financial statements.

The following information highlights certain items that impacted our results of operations and financial condition for the five years presented above:

2018							
	Operating profit	Other pension and retiree medical benefits income	Interest expense	Benefit from income taxes <sup>(d)</sup>	Net income attributable to noncontrolling interests	Net income attributable to PepsiCo	Net income attributable to PepsiCo per common share – diluted
Mark-to-market net impact <sup>(e)</sup>	\$ (163)	\$ —	\$ —	\$ 38	\$ —	\$ (125)	\$ (0.09)
Restructuring and impairment charges <sup>(f)</sup>	\$ (272)	\$ (36)	\$ —	\$ 56	\$ 1	\$ (251)	\$ (0.18)
Merger and integration charges <sup>(g)</sup>	\$ (75)	\$ —	\$ —	\$ —	\$ —	\$ (75)	\$ (0.05)
Net tax benefit related to the TCJ Act <sup>(h)</sup>	\$ —	\$ —	\$ —	\$ 28	\$ —	\$ 28	\$ 0.02
Other net tax benefits <sup>(i)</sup>	\$ —	\$ —	\$ —	\$ 5,064	\$ —	\$ 5,064	\$ 3.55
Charges related to cash tender and exchange offers <sup>(j)</sup>	\$ —	\$ —	\$ (253)	\$ 62	\$ —	\$ (191)	\$ (0.13)
Tax reform bonus <sup>(k)</sup>	\$ (87)	\$ —	\$ —	\$ 21	\$ —	\$ (66)	\$ (0.05)
Gains on beverage refranchising <sup>(l)</sup>	\$ 202	\$ —	\$ —	\$ (30)	\$ —	\$ 172	\$ 0.12
Gains on sale of assets <sup>(m)</sup>	\$ 76	\$ —	\$ —	\$ (19)	\$ —	\$ 57	\$ 0.04
2017							
	Operating profit <sup>(b)</sup>	Other pension and retiree medical benefits income <sup>(b)</sup>	Provision for income taxes <sup>(d)</sup>	Net income attributable to PepsiCo	Net income attributable to PepsiCo per common share – diluted		
Mark-to-market net impact <sup>(e)</sup>	\$ 15	\$ —	\$ (7)	\$ 8	\$ 0.01		
Restructuring and impairment charges <sup>(f)</sup>	\$ (229)	\$ (66)	\$ 71	\$ (224)	\$ (0.16)		
Provisional net tax expense related to the TCJ Act <sup>(h)</sup>	\$ —	\$ —	\$ (2,451)	\$ (2,451)	\$ (1.70)		
Gain on sale of Britvic plc (Britvic) securities <sup>(n)</sup>	\$ 95	\$ —	\$ (10)	\$ 85	\$ 0.06		
Gain on beverage refranchising <sup>(l)</sup>	\$ 140	\$ —	\$ (33)	\$ 107	\$ 0.07		
Gain on sale of assets <sup>(m)</sup>	\$ 87	\$ —	\$ (25)	\$ 62	\$ 0.04		

## 2016

	Operating profit <sup>(b)</sup>	Other pension and retiree medical benefits expense <sup>(b)</sup>	Interest expense	Provision for income taxes <sup>(d)</sup>	Net income attributable to noncontrolling interests	Net income attributable to PepsiCo	Net income attributable to PepsiCo per common share – diluted
Mark-to-market net impact <sup>(e)</sup>	\$ 167	\$ —	\$ —	\$ (56)	\$ —	\$ 111	\$ 0.08
Restructuring and impairment charges <sup>(f)</sup>	\$ (155)	\$ (5)	\$ —	\$ 26	\$ 3	\$ (131)	\$ (0.09)
Charge related to the transaction with Tingyi <sup>(o)</sup>	\$ (373)	\$ —	\$ —	\$ —	\$ —	\$ (373)	\$ (0.26)
Charge related to debt redemption <sup>(j)</sup>	\$ —	\$ —	\$ (233)	\$ 77	\$ —	\$ (156)	\$ (0.11)
Pension-related settlement charge <sup>(p)</sup>	\$ —	\$ (242)	\$ —	\$ 80	\$ —	\$ (162)	\$ (0.11)
53 <sup>rd</sup> reporting week <sup>(q)</sup>	\$ 126	\$ —	\$ (19)	\$ (44)	\$ (1)	\$ 62	\$ 0.04

## 2015

	Operating profit <sup>(b)</sup>	Other pension and retiree medical benefits income <sup>(b)</sup>	Provision for income taxes <sup>(d)</sup>	Net income attributable to PepsiCo	Net income attributable to PepsiCo per common share – diluted
Mark-to-market net impact <sup>(e)</sup>	\$ 11	\$ —	\$ (3)	\$ 8	\$ —
Restructuring and impairment charges <sup>(f)</sup>	\$ (207)	\$ (23)	\$ 46	\$ (184)	\$ (0.12)
Charge related to the transaction with Tingyi <sup>(o)</sup>	\$ (73)	\$ —	\$ —	\$ (73)	\$ (0.05)
Pension-related settlement benefits <sup>(p)</sup>	\$ 67	\$ —	\$ (25)	\$ 42	\$ 0.03
Venezuela impairment charges <sup>(r)</sup>	\$ (1,359)	\$ —	\$ —	\$ (1,359)	\$ (0.91)
Tax benefit <sup>(i)</sup>	\$ —	\$ —	\$ 230	\$ 230	\$ 0.15
Müller Quaker Dairy (MQD) impairment <sup>(s)</sup>	\$ (76)	\$ —	\$ 28	\$ (48)	\$ (0.03)
Gain on beverage refranchising <sup>(l)</sup>	\$ 39	\$ —	\$ (11)	\$ 28	\$ 0.02
Other productivity initiatives <sup>(t)</sup>	\$ (90)	\$ —	\$ 24	\$ (66)	\$ (0.04)
Joint venture impairment charge <sup>(u)</sup>	\$ (29)	\$ —	\$ —	\$ (29)	\$ (0.02)

## 2014

	Operating profit <sup>(b)</sup>	Other pension and retiree medical benefits expense <sup>(b)</sup>	Provision for income taxes <sup>(d)</sup>	Net income attributable to noncontrolling interests	Net income attributable to PepsiCo	Net income attributable to PepsiCo per common share – diluted
Mark-to-market net impact <sup>(e)</sup>	\$ (68)	\$ —	\$ 24	\$ —	\$ (44)	\$ (0.03)
Restructuring and impairment charges <sup>(f)</sup>	\$ (384)	\$ (34)	\$ 99	\$ 3	\$ (316)	\$ (0.21)
Pension-related settlement charge <sup>(p)</sup>	\$ —	\$ (141)	\$ 53	\$ —	\$ (88)	\$ (0.06)
Venezuela remeasurement charge <sup>(v)</sup>	\$ (105)	\$ —	\$ —	\$ —	\$ (105)	\$ (0.07)
Gain on sale of assets <sup>(m)</sup>	\$ 31	\$ —	\$ 3	\$ —	\$ 34	\$ 0.02
Other productivity initiatives <sup>(t)</sup>	\$ (67)	\$ —	\$ 13	\$ —	\$ (54)	\$ (0.04)

- (d) Benefit from/provision for income taxes is the expected tax benefit/charge on the underlying item based on the tax laws and income tax rates applicable to the underlying item in its corresponding tax jurisdiction and tax year.
- (e) Mark-to-market net gains and losses on commodity derivatives in corporate unallocated expenses.
- (f) Expenses related to the 2019 Multi-Year Productivity Plan (2019 Productivity Plan), 2014 Multi-Year Productivity Plan (2014 Productivity Plan) and 2012 Multi-Year Productivity Plan (2012 Productivity Plan). See Note 3 to our consolidated financial statements for further discussion of our 2019 and 2014 Productivity Plans.
- (g) In 2018, merger and integration charges related to our acquisition of SodaStream. \$57 million of this charge was recorded in the ESSA segment, with the balance recorded in corporate unallocated expenses. See Note 14 to our consolidated financial statements.
- (h) In 2018, a net tax benefit and, in 2017, a provisional net tax expense, each associated with the enactment of the TCJ Act. See Note 5 to our consolidated financial statements.
- (i) In 2018, other net tax benefits of \$4.3 billion resulting from the reorganization of our international operations, including the intercompany transfer of certain intangible assets. Also in 2018, non-cash tax benefits of \$717 million associated with both the conclusion of certain international tax audits and our agreement with the IRS resolving all open matters related to the audits of taxable years 2012 and 2013. See Note 5 to our consolidated financial statements. In 2015, non-cash tax benefit associated with our agreement with the IRS resolving substantially all open matters related to the audits for taxable years 2010 through 2011, which reduced our reserve for uncertain tax positions for the tax years 2010 through 2011.
- (j) In 2018, interest expense in connection with our cash tender and exchange offers, primarily representing the tender price paid over the carrying value of the tendered notes. In 2016, interest expense primarily representing the premium paid in accordance with the “make-whole” redemption provisions to redeem all of our outstanding 7.900% senior notes due 2018 and 5.125% senior notes due 2019 for the principal amounts of \$1.5 billion and \$750 million, respectively. See Note 8 to our consolidated financial statements.
- (k) In 2018, bonus extended to certain U.S. employees in connection with the TCJ Act in the following segments: \$44 million in FLNA, \$2 million in QFNA and \$41 million in NAB.
- (l) In 2018, gains of \$58 million and \$144 million associated with refranchising our entire beverage bottling operations and snack distribution operations in Czech Republic, Hungary and Slovakia (CHS) in the ESSA segment and refranchising a portion of our beverage business in Thailand in the AMENA segment, respectively. In 2017, gain in the AMENA segment associated with refranchising a portion of our beverage business in Jordan. See Note 14 to our consolidated financial statements. In 2015, gain in the AMENA segment associated with refranchising a portion of our beverage businesses in India.
- (m) In 2018, gains associated with the sale of assets in the following segments: \$64 million in NAB and \$12 million in AMENA. In 2017, gains associated with the sale of assets in the following segments: \$17 million in FLNA, \$21 million in NAB, \$21 million in AMENA and \$28 million in corporate unallocated expenses. In 2014, gain in the ESSA segment associated with the sale of agricultural assets in Russia.
- (n) In 2017, gain in the ESSA segment associated with the sale of our minority stake in Britvic.
- (o) In 2016, impairment charge in the AMENA segment to reduce the value of our 5% indirect equity interest in KSF Beverage Holding Co., Ltd. (KSFB), formerly known as Tingyi-Asahi Beverages Holding Co. Ltd., to its estimated fair value. See Note 9 to our consolidated financial statements. In 2015, write-off in the AMENA segment of the value of a call option to increase our holding in KSFB to 20%.
- (p) In 2016, pension settlement charge related to the purchase of a group annuity contract. In 2015, benefits in the NAB segment associated with the settlement of pension-related liabilities from previous acquisitions. In 2014, lump sum settlement charge related to payments for pension liabilities to certain former employees who had vested benefits.
- (q) Our fiscal 2016 results included the 53<sup>rd</sup> reporting week, the impact of which was fully offset by incremental investments in our business.
- (r) In 2015, charges in the Latin America segment related to the impairment of investments in our wholly-owned Venezuelan subsidiaries and beverage joint venture. Beginning in the fourth quarter of 2015, our financial results have not included the results of our Venezuelan businesses.
- (s) In 2015, impairment charges in the QFNA segment associated with our MQD joint venture investment, including a charge related to ceasing its operations.
- (t) In 2015 and 2014, expenses related to other productivity initiatives outside the scope of the 2014 and 2012 Productivity Plans.
- (u) In 2015, impairment charge in the AMENA segment associated with a joint venture in the Middle East.
- (v) In 2014, net charge related to our remeasurement of the bolivar for certain net monetary assets of our Venezuelan businesses. \$126 million of this charge was in corporate unallocated expenses, with the balance (equity income of \$21 million) in our Latin America segment.

## Selected Quarterly Financial Data

Selected financial data for 2018 and 2017 is summarized as follows and highlights certain items that impacted our quarterly results (in millions except per share amounts, unaudited):

	2018				2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net revenue	\$ 12,562	\$ 16,090	\$ 16,485	\$ 19,524	\$ 12,049	\$ 15,710	\$ 16,240	\$ 19,526
Gross profit <sup>(a)</sup>	\$ 6,907	\$ 8,827	\$ 8,958	\$ 10,588	\$ 6,759	\$ 8,651	\$ 8,872	\$ 10,447
Operating profit <sup>(a)</sup>	\$ 1,807	\$ 3,028	\$ 2,844	\$ 2,431	\$ 1,863	\$ 2,919	\$ 2,924	\$ 2,570
Mark-to-market net impact <sup>(b)</sup>	\$ (31)	\$ 3	\$ (29)	\$ (106)	\$ (14)	\$ (26)	\$ 27	\$ 28
Restructuring and impairment charges <sup>(c)</sup>	\$ (12)	\$ (32)	\$ (35)	\$ (229)	\$ (27)	\$ (34)	\$ (8)	\$ (226)
Merger and integration charges <sup>(d)</sup>	—	—	—	\$ (75)	—	—	—	—
Net tax (expense)/benefit related to the TCJ Act <sup>(e)</sup>	\$ (1)	\$ (777)	\$ (76)	\$ 882	—	—	—	\$ (2,451)
Other net tax benefits <sup>(f)</sup>	—	\$ 314	\$ 364	\$ 4,386	—	—	—	—
Charges related to cash tender and exchange offers <sup>(g)</sup>	—	—	—	\$ (253)	—	—	—	—
Tax reform bonus <sup>(h)</sup>	\$ (87)	—	—	—	—	—	—	—
Gains on beverage franchising <sup>(i)</sup>	—	\$ 144	—	\$ 58	—	—	—	\$ 140
Gains on sale of assets <sup>(j)</sup>	\$ 18	\$ 9	\$ 37	\$ 12	—	—	\$ 21	\$ 66
Gain on sale of Britvic securities <sup>(k)</sup>	—	—	—	—	—	\$ 95	—	—
Provision for/(benefit from) income taxes <sup>(l)</sup>	\$ 304	\$ 1,070	\$ 188	\$ (4,932)	\$ 392	\$ 656	\$ 620	\$ 3,026
Net income/(loss) attributable to PepsiCo <sup>(l)</sup>	\$ 1,343	\$ 1,820	\$ 2,498	\$ 6,854	\$ 1,318	\$ 2,105	\$ 2,144	\$ (710)
Net income/(loss) attributable to PepsiCo per common share <sup>(l)</sup>								
Basic	\$ 0.94	\$ 1.28	\$ 1.77	\$ 4.86	\$ 0.92	\$ 1.47	\$ 1.50	\$ (0.50)
Diluted	\$ 0.94	\$ 1.28	\$ 1.75	\$ 4.83	\$ 0.91	\$ 1.46	\$ 1.49	\$ (0.50)
Cash dividends declared per common share	\$ 0.805	\$ 0.9275	\$ 0.9275	\$ 0.9275	\$ 0.7525	\$ 0.805	\$ 0.805	\$ 0.805

(a) In 2017, reflect the retrospective adoption of guidance requiring the presentation of non-service cost components of net periodic benefit cost below operating profit. See Note 2 to our consolidated financial statements.

(b) Mark-to-market net gains and losses on commodity derivatives in corporate unallocated expenses.

(c) Expenses related to the 2019 and 2014 Productivity Plans. See Note 3 to our consolidated financial statements.

(d) In 2018, merger and integration charges related to our acquisition of SodaStream. \$57 million of this charge was recorded in the ESSA segment, with the balance recorded in corporate unallocated expenses. See Note 14 to our consolidated financial statements.

(e) In 2018, a net tax benefit and, in 2017, a provisional net tax expense, each associated with the enactment of the TCJ Act. See Note 5 to our consolidated financial statements.

(f) In 2018, other net tax benefits of \$4.3 billion resulting from the reorganization of our international operations. Also in 2018, non-cash tax benefits of \$717 million associated with both the conclusion of certain international tax audits and our agreement with the IRS resolving all open matters related to the audits of taxable years 2012 and 2013. See Note 5 to our consolidated financial statements.

(g) In 2018, interest expense in connection with our cash tender and exchange offers. See Note 8 to our consolidated financial statements.

(h) In 2018, bonus extended to certain U.S. employees in connection with the TCJ Act in the following segments: \$44 million in FLNA, \$2 million in QFNA and \$41 million in NAB.

(i) In 2018, gains of \$58 million and \$144 million associated with franchising our entire beverage bottling operations and snack distribution operations in CHS in the ESSA segment and franchising a portion of our beverage business in Thailand in the AMENA segment, respectively. In 2017, gain in the AMENA segment associated with franchising a portion of our beverage business in Jordan. See Note 14 to our consolidated financial statements.

(j) In 2018, gains associated with the sale of assets in the following segments: \$64 million in NAB and \$12 million in AMENA. In 2017, gains associated with the sale of assets in the following segments: \$17 million in FLNA, \$21 million in NAB, \$21 million in AMENA and \$28 million in corporate unallocated expenses.

(k) In 2017, gain in the ESSA segment associated with the sale of our minority stake in Britvic. See Note 9 to our consolidated financial statements.

- (l) Our fiscal 2018 results include other net tax benefits related to the reorganization of our international operations. Our fiscal 2018 and 2017 results include the impact of the TCJ Act. See Note 5 to our consolidated financial statements.

**Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.**

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*Our discussion and analysis is intended to help the reader understand our results of operations and financial condition and is provided as an addition to, and should be read in connection with, our consolidated financial statements and the accompanying notes. Definitions of key terms can be found in the glossary. Tabular dollars are presented in millions, except per share amounts. All per share amounts reflect common stock per share amounts, assume dilution unless otherwise noted, and are based on unrounded amounts. Percentage changes are based on unrounded amounts.*

## **OUR BUSINESS**

### **Executive Overview**

We are a leading global food and beverage company with a complementary portfolio of brands, including Frito-Lay, Gatorade, Pepsi-Cola, Quaker and Tropicana. Through our operations, authorized bottlers, contract manufacturers and other third parties, we make, market, distribute and sell a wide variety of convenient beverages, foods and snacks, serving customers and consumers in more than 200 countries and territories.

At PepsiCo, we are focused on an approach called Winning with Purpose that will help make our company faster, stronger and better at meeting the needs of our customers, consumers, partners and communities, while caring for our planet and inspiring our associates.

Our strategies are designed to address key challenges facing our Company, including: shifting consumer preferences and behaviors; a highly competitive operating environment; a rapidly changing retail landscape, including the growth in e-commerce; continued macroeconomic and political volatility; and an evolving regulatory landscape.

We intend to focus on the following areas to address and adapt to these challenges:

- Winning in the marketplace and accelerating growth by strengthening and broadening our portfolio, while focusing on locally meeting the needs of our consumers and customers;
- Continuing to implement our productivity initiatives to improve our operational efficiency and enhance our competitive advantage while continuing to transform our core capabilities with technology and building and retaining a talented workforce to drive cost savings; and
- Continuing to lead with purpose by focusing on our impact on the planet and our people, assisting in establishing a more sustainable food system, minimizing our impact on the environment, protecting human rights and securing supply while positioning our Company for sustainable growth.

We believe these priorities will position our Company for long-term sustainable growth.

See also “Item 1A. Risk Factors” for additional information about risks and uncertainties that the Company faces.

### **Our Operations**

See “Item 1. Business” for information on our divisions and a description of our distribution network, ingredients and other supplies, brands and intellectual property rights, seasonality, customers and competition. In addition, see Note 1 to our consolidated financial statements for financial information about our divisions and geographic areas.

## **Other Relationships**

Certain members of our Board of Directors also serve on the boards of certain vendors and customers. These Board members do not participate in our vendor selection and negotiations nor in our customer negotiations. Our transactions with these vendors and customers are in the normal course of business and are consistent with terms negotiated with other vendors and customers. In addition, certain of our employees serve on the boards of Pepsi Bottling Ventures LLC and other affiliated companies of PepsiCo and do not receive incremental compensation for such services.

## **Our Business Risks**

We are subject to risks in the normal course of business. During 2018 and 2017, certain jurisdictions in which our products are made, manufactured, distributed or sold operated in a challenging environment, experiencing unstable economic, political and social conditions, civil unrest, natural disasters, debt and credit issues, and currency fluctuations. We continue to monitor the economic, operating and political environment in these markets closely and to identify actions to potentially mitigate any unfavorable impacts on our future results.

In addition, certain jurisdictions in which our products are made, manufactured, distributed or sold have either imposed, or are considering imposing, new or increased taxes or regulations on the manufacture, distribution or sale of our products or their packaging, ingredients or substances contained in, or attributes of, our products or their packaging, commodities used in the production of our products or their packaging or the recyclability or recoverability of our packaging. These taxes and regulations vary in scope and form. For example, some taxes apply to all beverages, including non-caloric beverages, while others apply only to beverages with a caloric sweetener (e.g., sugar). In addition, some regulations apply to all products using certain types of packaging (e.g., plastic), while others are designed to increase the sustainability of packaging and encourage waste reduction and increased recycling rates.

We sell a wide variety of beverages, foods and snacks in more than 200 countries and territories and the profile of the products we sell, the amount of revenue attributable to such products and the type of packaging used varies by jurisdiction. Because of this, we cannot predict the scope or form potential taxes, regulations or other limitations on our products or their packaging may take, and therefore cannot predict the impact of such taxes, regulations or limitations on our financial results. In addition, taxes, regulations and limitations may impact us and our competitors differently. We continue to monitor existing and proposed taxes and regulations in the jurisdictions in which our products are made, manufactured, distributed and sold and to consider actions we may take to potentially mitigate the unfavorable impact, if any, of such taxes, regulations or limitations, including advocating alternative measures with respect to the imposition, form and scope of any such taxes, regulations or limitations.

In addition, our industry continues to be affected by disruption of the retail landscape, including the rapid growth in sales through e-commerce websites and mobile commerce applications, including through subscription services, the integration of physical and digital operations among retailers and the international expansion of hard discounters. We continue to monitor changes in the retail landscape and to identify actions we may take to build our global e-commerce capabilities, distribute our products effectively through all existing and emerging channels of trade and potentially mitigate any unfavorable impacts on our future results.

During the fourth quarter of 2017, the TCJ Act was enacted in the United States. As a result of the enactment of the TCJ Act, we recognized a provisional net tax expense of \$2.5 billion in the fourth quarter of 2017. In 2018, we recognized a net tax benefit of \$28 million in connection with the TCJ Act. See further information in “Items Affecting Comparability.” While our accounting for the recorded impact of the TCJ Act is deemed to be complete, these amounts are based on prevailing regulations and currently available information, and any additional guidance issued by the IRS could impact the aforementioned amounts in future periods.

For

additional information, see “Our Liquidity and Capital Resources,” “Our Critical Accounting Policies” and Note 5 to our consolidated financial statements.

See also “Item 1A. Risk Factors,” “Executive Overview” above and “Market Risks” below for more information about these risks and the actions we have taken to address key challenges.

### ***Risk Management Framework***

The achievement of our strategic and operating objectives involves taking risks and that those risks may evolve over time. To identify, assess, prioritize, address, manage, monitor and communicate these risks across the Company’s operations, we leverage an integrated risk management framework. This framework includes the following:

- PepsiCo’s Board of Directors has oversight responsibility for PepsiCo’s integrated risk management framework. One of the Board’s primary responsibilities is overseeing and interacting with senior management with respect to key aspects of the Company’s business, including risk assessment and risk mitigation of the Company’s top risks. The Board receives updates on key risks throughout the year, including risks related to cybersecurity. In addition, the Board has tasked designated Committees of the Board with oversight of certain categories of risk management, and the Committees report to the Board regularly on these matters.
  - The Audit Committee of the Board reviews and assesses the guidelines and policies governing PepsiCo’s risk management and oversight processes, and assists the Board’s oversight of financial, compliance and employee safety risks facing PepsiCo;
  - The Compensation Committee of the Board reviews PepsiCo’s employee compensation policies and practices to assess whether such policies and practices could lead to unnecessary risk-taking behavior;
  - The Nominating and Corporate Governance Committee assists the Board in its oversight of the Company’s governance structure and other corporate governance matters, including succession planning; and
  - The Public Policy and Sustainability Committee of the Board assists the Board in its oversight of PepsiCo’s policies, programs and related risks that concern key public policy and sustainability matters.
- The PepsiCo Risk Committee (PRC), which is comprised of a cross-functional, geographically diverse, senior management group, including PepsiCo’s Chairman of the Board and Chief Executive Officer, meets regularly to identify, assess, prioritize and address top strategic, financial, operating, compliance, safety, reputational and other risks. The PRC is also responsible for reporting progress on our risk mitigation efforts to the Board;
- Division and key country risk committees, comprised of cross-functional senior management teams, meet regularly to identify, assess, prioritize and address division and country-specific business risks;
- PepsiCo’s Risk Management Office, which manages the overall risk management process, provides ongoing guidance, tools and analytical support to the PRC and the division and key country risk committees, identifies and assesses potential risks and facilitates ongoing communication between the parties, as well as with PepsiCo’s Board of Directors and the Audit Committee of the Board;
- PepsiCo’s Corporate Audit Department evaluates the ongoing effectiveness of our key internal controls through periodic audit and review procedures; and
- PepsiCo’s Compliance & Ethics and Law Departments lead and coordinate our compliance policies and practices.

## **Market Risks**

We are exposed to market risks arising from adverse changes in:

- commodity prices, affecting the cost of our raw materials and energy;
- foreign exchange rates and currency restrictions; and
- interest rates.

In the normal course of business, we manage commodity price, foreign exchange and interest rate risks through a variety of strategies, including productivity initiatives, global purchasing programs and hedging. Ongoing productivity initiatives involve the identification and effective implementation of meaningful cost-saving opportunities or efficiencies, including the use of derivatives. Our global purchasing programs include fixed-price contracts and purchase orders and pricing agreements. See “Item 1A. Risk Factors” for further discussion of our market risks, and see “Our Liquidity and Capital Resources” for further information on our non-cancelable purchasing commitments.

The fair value of our derivatives fluctuates based on market rates and prices. The sensitivity of our derivatives to these market fluctuations is discussed below. See Note 9 to our consolidated financial statements for further discussion of these derivatives and our hedging policies. See “Our Critical Accounting Policies” for a discussion of the exposure of our pension and retiree medical plan assets and liabilities to risks related to market fluctuations.

Inflationary, deflationary and recessionary conditions impacting these market risks also impact the demand for and pricing of our products. See “Item 1A. Risk Factors” for further discussion.

### *Commodity Prices*

Our commodity derivatives had a total notional value of \$1.1 billion as of December 29, 2018 and \$0.9 billion as of December 30, 2017. At the end of 2018, the potential change in fair value of commodity derivative instruments, assuming a 10% decrease in the underlying commodity price, would have increased our net unrealized losses in 2018 by \$100 million.

### *Foreign Exchange*

Our operations outside of the United States generated 43% of our consolidated net revenue in 2018, with Mexico, Russia, Canada, the United Kingdom and Brazil comprising approximately 20% of our consolidated net revenue in 2018. As a result, we are exposed to foreign exchange risks in the international markets in which our products are made, manufactured, distributed or sold. During 2018, unfavorable foreign exchange reduced net revenue growth by one percentage point due to declines in the Russian ruble, Turkish lira and Brazilian real. Currency declines against the U.S. dollar which are not offset could adversely impact our future financial results.

In addition, volatile economic, political and social conditions and civil unrest in certain markets in which our products are made, manufactured, distributed or sold, including in Argentina, Brazil, China, India, Mexico, the Middle East, Russia and Turkey, and currency fluctuations in certain of these international markets continue to result in challenging operating environments. We also continue to monitor the economic and political developments related to the United Kingdom’s pending withdrawal from the European Union, including how the United Kingdom will interact with other European Union countries following its departure, as well as the economic, operating and political environment in Russia, and the potential impact for the ESSA segment and our other businesses.

Our foreign currency derivatives had a total notional value of \$2.0 billion as of December 29, 2018 and \$1.6 billion as of December 30, 2017. The total notional amount of our debt instruments designated as net

investment hedges was \$0.9 billion as of December 29, 2018 and \$1.5 billion as of December 30, 2017. At the end of 2018, we estimate that an unfavorable 10% change in the underlying exchange rates would have decreased our net unrealized gains in 2018 by \$149 million.

*Interest Rates*

Our interest rate derivatives had a total notional value of \$10.5 billion as of December 29, 2018 and \$14.2 billion as of December 30, 2017. Assuming year-end 2018 investment levels and variable rate debt, a 1-percentage-point increase in interest rates would have increased our net interest expense in 2018 by \$7 million due to lower cash and cash equivalents and short-term investments levels as compared with our variable rate debt.

## OUR FINANCIAL RESULTS

### Results of Operations — Consolidated Review

In the discussions of net revenue and operating profit below, “effective net pricing” reflects the year-over-year impact of discrete pricing actions, sales incentive activities and mix resulting from selling varying products in different package sizes and in different countries, and “net pricing” reflects the year-over-year combined impact of list price changes, weight changes per package, discounts and allowances. Additionally, “acquisitions and divestitures,” except as otherwise noted, reflect all mergers and acquisitions activity, including the impact of acquisitions, divestitures and changes in ownership or control in consolidated subsidiaries and nonconsolidated equity investees.

#### *Volume*

Our beverage volume in the NAB, Latin America, ESSA and AMENA segments reflects sales to authorized bottlers, independent distributors and retailers, as well as the sale of beverages bearing Company-owned or licensed trademarks that have been sold through our authorized independent bottlers. Bottler case sales (BCS) and concentrate shipments and equivalents (CSE) are not necessarily equal during any given period due to seasonality, timing of product launches, product mix, bottler inventory practices and other factors. While our beverage revenues are not entirely based on BCS volume, as there are independent bottlers in the supply chain, we believe that BCS is a valuable measure as it quantifies the sell-through of our beverage products at the consumer level. Sales of products from our unconsolidated joint ventures are reflected in our reported volume. NAB, Latin America, ESSA and AMENA, either independently or in conjunction with third parties, make, market, distribute and sell ready-to-drink tea products through a joint venture with Unilever (under the Lipton brand name), and NAB, either independently or in conjunction with third parties, makes, markets, distributes and sells ready-to-drink coffee products through a joint venture with Starbucks. In addition, AMENA licenses the Tropicana brand for use in China on co-branded juice products in connection with a strategic alliance with Tingyi.

Our food and snack volume in the FLNA, QFNA, Latin America, ESSA and AMENA segments is reported on a system-wide basis, which includes our own sales and the sales by our noncontrolled affiliates of snacks bearing Company-owned or licensed trademarks.

#### *Servings*

Since our divisions each use different measures of physical unit volume (i.e., kilos, gallons, pounds and case sales), a common servings metric is necessary to reflect our consolidated physical unit volume. Our divisions’ physical volume measures are converted into servings based on U.S. Food and Drug Administration guidelines for single-serving sizes of our products.

In 2018, total servings increased 1% compared to 2017. In 2017, total servings decreased 1% compared to 2016. Excluding the impact of the 53<sup>rd</sup> reporting week in 2016, total servings in 2017 was even with the prior year. Servings growth reflects adjustments to the prior year results for divestitures and other structural changes.

**Consolidated Net Revenue and Operating Profit**

	2018	2017	2016	Change	
				2018	2017
Net revenue	\$ 64,661	\$ 63,525	\$ 62,799	2 %	1%
Operating profit <sup>(a)</sup>	\$ 10,110	\$ 10,276	\$ 9,804	(2)%	5%
Operating profit margin <sup>(a)</sup>	15.6%	16.2%	15.6%	(0.5)	0.6

(a) In 2017 and 2016, operating profit and operating profit margin reflect the retrospective adoption of guidance requiring the presentation of non-service cost components of net periodic benefit cost below operating profit. See Note 2 to our consolidated financial statements.

See “Results of Operations – Division Review” for a tabular presentation and discussion of key drivers of net revenue.

**2018**

Operating profit decreased 2% and operating profit margin declined 0.5 percentage points. The operating profit performance was driven by certain operating cost increases and a 6-percentage-point impact of higher commodity costs, partially offset by productivity savings of more than \$1 billion and net revenue growth.

The impact of refranchising a portion of our beverage business in Jordan in 2017 and a prior-year gain associated with the sale of our minority stake in Britvic negatively impacted operating profit performance by 2.5 percentage points. These impacts were offset by a 2-percentage-point positive impact of refranchising a portion of our beverage business in Thailand and our entire beverage bottling operations and snack distribution operations in CHS in 2018. Items affecting comparability (see “Items Affecting Comparability”) negatively impacted operating profit performance by 3 percentage points and decreased operating profit margin by 0.5 percentage points, primarily due to higher mark-to-market net impact on commodity derivatives included in corporate unallocated expenses.

**2017**

Operating profit increased 5% and operating profit margin improved 0.6 percentage points. Operating profit growth was driven by productivity savings of more than \$1 billion and effective net pricing, partially offset by certain operating cost increases, a 7-percentage-point impact of higher commodity costs and unfavorable foreign exchange.

The impact of refranchising a portion of our beverage business in Jordan and a gain associated with the sale of our minority stake in Britvic each contributed 1 percentage point to operating profit growth. Items affecting comparability (see “Items Affecting Comparability”) also contributed 2 percentage points to operating profit growth and increased operating profit margin by 0.2 percentage points, primarily reflecting a prior-year impairment charge to reduce the value of our 5% indirect equity interest in KSFB to its estimated fair value.

**Other Consolidated Results**

	2018	2017	2016	Change	
				2018	2017
Other pension and retiree medical benefits income/(expense) <sup>(a)</sup>	\$ 298	\$ 233	\$ (19)	\$ 65	\$ 252
Net interest expense	\$ (1,219)	\$ (907)	\$ (1,232)	\$ (312)	\$ 325
Annual tax rate <sup>(b)</sup>	(36.7)%	48.9%	25.4%		
Net income attributable to PepsiCo	\$ 12,515	\$ 4,857	\$ 6,329	158%	(23)%
Net income attributable to PepsiCo per common share – diluted	\$ 8.78	\$ 3.38	\$ 4.36	160%	(23)%
Mark-to-market net impact	0.09	(0.01)	(0.08)		
Restructuring and impairment charges	0.18	0.16	0.09		
Merger and integration charges	0.05	—	—		
Net tax (benefit)/expense related to the TCJ Act <sup>(b)</sup>	(0.02)	1.70	—		
Other net tax benefits <sup>(b)</sup>	(3.55)	—	—		
Charges related to cash tender and exchange offers	0.13	—	—		
Charge related to the transaction with Tingyi	—	—	0.26		
Charge related to debt redemption	—	—	0.11		
Pension-related settlement charge	—	—	0.11		
Net income attributable to PepsiCo per common share – diluted, excluding above items <sup>(c)</sup>	\$ 5.66	\$ 5.23	\$ 4.85	8%	8%
Impact of foreign exchange translation				1	1
Growth in net income attributable to PepsiCo per common share – diluted, excluding above items, on a constant currency basis <sup>(c)</sup>				9%	9%

(a) In 2017 and 2016, reflect the retrospective adoption of guidance requiring the presentation of non-service cost components of net periodic benefit cost below operating profit. See Note 2 to our consolidated financial statements.

(b) See Note 5 to our consolidated financial statements.

(c) See “Non-GAAP Measures.”

**2018**

Other pension and retiree medical benefits income increased \$65 million, reflecting the impact of the \$1.4 billion discretionary pension contribution to the PepsiCo Employees Retirement Plan A (Plan A) in the United States, as well as the recognition of net asset gains, partially offset by higher amortization of net losses.

Net interest expense increased \$312 million reflecting a charge of \$253 million in connection with our cash tender and exchange offers, primarily representing the tender price paid over the carrying value of the tendered notes. This increase also reflects higher interest rates on debt balances, as well as losses on the market value of investments used to economically hedge a portion of our deferred compensation liability. These impacts were partially offset by higher interest income due to higher interest rates on cash balances.

The reported tax rate decreased 85.6 percentage points, reflecting both other net tax benefits related to the reorganization of our international operations, which reduced the reported tax rate by 45 percentage points, and the prior year provisional net tax expense related to the TCJ Act, which reduced the current year reported tax rate by 25 percentage points. Additionally, the favorable conclusion of certain international tax audits and the favorable resolution with the IRS of all open matters related to the audits of taxable years 2012 and 2013, collectively, reduced the reported tax rate by 7 percentage points. See Note 5 to our consolidated financial statements for further information.

Net income attributable to PepsiCo increased 158% and net income attributable to PepsiCo per common share increased 160%. Items affecting comparability (see “Items Affecting Comparability”) positively contributed 150 percentage points to net income attributable to PepsiCo growth and 152 percentage points to net income attributable to PepsiCo per common share growth.

2017

Other pension and retiree medical benefits income increased \$252 million, primarily reflecting a settlement charge of \$242 million related to the purchase of a group annuity contract in 2016.

Net interest expense decreased \$325 million reflecting a charge of \$233 million in 2016 representing the premium paid in accordance with the “make-whole” redemption provisions to redeem all of our outstanding 7.900% senior notes due 2018 and 5.125% senior notes due 2019 for the principal amounts of \$1.5 billion and \$750 million, respectively. This decrease also reflects higher interest income due to higher interest rates and average cash balances, as well as gains on the market value of investments used to economically hedge a portion of our deferred compensation liability. These impacts were partially offset by higher interest expense due to higher average debt balances.

The reported tax rate increased 23.5 percentage points primarily as a result of the provisional net tax expense related to the TCJ Act, which contributed 26 percentage points to the increase, partially offset by the impact of the 2016 impairment charge to reduce the value of our 5% indirect equity interest in KSFB to its estimated fair value, which had no corresponding tax benefit, as well as the impact of recognizing excess tax benefits in the provision for income taxes as a result of the changes in accounting for certain aspects of share-based payments to employees in 2017. See Note 2 and Note 5 to our consolidated financial statements for additional information.

Net income attributable to PepsiCo and net income attributable to PepsiCo per common share both decreased 23%. Items affecting comparability (see “Items Affecting Comparability”) negatively impacted both net income attributable to PepsiCo performance and net income attributable to PepsiCo per common share performance by 30 percentage points, primarily as a result of the provisional net tax expense related to the TCJ Act.

### **Non-GAAP Measures**

Certain financial measures contained in this Form 10-K adjust for the impact of specified items and are not in accordance with U.S. Generally Accepted Accounting Principles (GAAP). We use non-GAAP financial measures internally to make operating and strategic decisions, including the preparation of our annual operating plan, evaluation of our overall business performance and as a factor in determining compensation for certain employees. We believe presenting non-GAAP financial measures in this Form 10-K provides additional information to facilitate comparison of our historical operating results and trends in our underlying operating results, and provides additional transparency on how we evaluate our business. We also believe presenting these measures in this Form 10-K allows investors to view our performance using the same measures that we use in evaluating our financial and business performance and trends.

We consider quantitative and qualitative factors in assessing whether to adjust for the impact of items that may be significant or that could affect an understanding of our ongoing financial and business performance or trends. Examples of items for which we may make adjustments include: amounts related to mark-to-market gains or losses (non-cash); charges related to restructuring programs; charges or adjustments related to the enactment of new laws, rules or regulations, such as significant tax law changes; amounts related to the resolution of tax positions; tax benefits related to reorganizations of our operations; gains or losses associated with mergers, acquisitions, divestitures and other structural changes; debt redemptions, cash tender or exchange offers; pension and retiree medical related items; asset impairments (non-cash); and

remeasurements of net monetary assets. See below and “Items Affecting Comparability” for a description of adjustments to our U.S. GAAP financial measures in this Form 10-K.

Non-GAAP information should be considered as supplemental in nature and is not meant to be considered in isolation or as a substitute for the related financial information prepared in accordance with U.S. GAAP. In addition, our non-GAAP financial measures may not be the same as or comparable to similar non-GAAP measures presented by other companies.

The following non-GAAP financial measures are contained in this Form 10-K:

- cost of sales, gross profit, selling, general and administrative expenses, other pension and retiree medical benefits income/expense, interest expense, benefit from/provision for income taxes and noncontrolling interests, each adjusted for items affecting comparability;
- operating profit, adjusted for items affecting comparability, and net income attributable to PepsiCo per common share – diluted, adjusted for items affecting comparability, and the corresponding constant currency growth rates;
- organic revenue growth;
- free cash flow; and
- return on invested capital (ROIC) and net ROIC, excluding items affecting comparability.

*Cost of Sales, Gross Profit, Selling, General and Administrative Expenses, Other Pension and Retiree Medical Benefits Income/Expense, Interest Expense, Benefit from/Provision for Income Taxes, Annual Tax Rate and Noncontrolling Interests, Adjusted for Items Affecting Comparability; Operating Profit, Adjusted for Items Affecting Comparability, and Net Income Attributable to PepsiCo per Common Share – Diluted, Adjusted for Items Affecting Comparability, and the Corresponding Constant Currency Growth Rates*

These measures exclude the net impact of mark-to-market gains and losses on centrally managed commodity derivatives that do not qualify for hedge accounting, restructuring and impairment charges related to our 2019 and 2014 Productivity Plans, merger and integration charges associated with our acquisition of SodaStream, net tax benefit/expense associated with the enactment of the TCJ Act, other net tax benefits, charges related to cash tender and exchange offers, a charge related to the transaction with Tingyi, a charge related to debt redemption, and a pension-related settlement charge (see “Items Affecting Comparability” for a detailed description of each of these items). We also evaluate performance on operating profit, adjusted for items affecting comparability, and net income attributable to PepsiCo per common share – diluted, adjusted for items affecting comparability, on a constant currency basis, which measure our financial results assuming constant foreign currency exchange rates used for translation based on the rates in effect for the comparable prior-year period. In order to compute our constant currency results, we multiply or divide, as appropriate, our current year U.S. dollar results by the current year average foreign exchange rates and then multiply or divide, as appropriate, those amounts by the prior-year average foreign exchange rates. We believe these measures provide useful information in evaluating the results of our business because they exclude items that we believe are not indicative of our ongoing performance. We are not able to reconcile our full year projected 2019 annual tax rate, excluding items affecting comparability, to our full year projected 2019 reported annual tax rate because we are unable to predict the 2019 impact of foreign exchange or the mark-to-market net impact on commodity derivatives due to the unpredictability of future changes in foreign exchange rates and commodity prices. Therefore, we are unable to provide a reconciliation of this measure.

#### *Organic Revenue Growth*

We define organic revenue growth as net revenue growth adjusted for the impact of foreign exchange translation, as well as the impact from acquisitions, divestitures and other structural changes. Our 2018 reported results reflect the accounting policy election taken in conjunction with the adoption of the revenue

recognition guidance to exclude from net revenue and cost of sales all sales, use, value-added and certain excise taxes assessed by governmental authorities on revenue-producing transactions not already excluded. Our 2018 organic revenue growth excludes the impact of approximately \$75 million of these taxes previously recognized in net revenue. In addition, our fiscal 2016 reported results included an extra week of results. Our 2017 organic revenue growth excludes the impact of the 53rd reporting week from our 2016 results.

We believe organic revenue provides useful information in evaluating the results of our business because it excludes items that we believe are not indicative of ongoing performance or that we believe impact comparability with the prior year.

See “Net Revenue and Organic Revenue Growth” in “Results of Operations – Division Review.”

#### *Free Cash Flow*

We define free cash flow as net cash provided by operating activities less capital spending, plus sales of property, plant and equipment. Since net capital spending is essential to our product innovation initiatives and maintaining our operational capabilities, we believe that it is a recurring and necessary use of cash. As such, we believe investors should also consider net capital spending when evaluating our cash from operating activities. Free cash flow is used by us primarily for financing activities, including debt repayments, dividends and share repurchases. Free cash flow is not a measure of cash available for discretionary expenditures since we have certain non-discretionary obligations such as debt service that are not deducted from the measure.

See “Free Cash Flow” in “Our Liquidity and Capital Resources.”

#### *ROIC and Net ROIC, Excluding Items Affecting Comparability*

We define ROIC as net income attributable to PepsiCo plus interest expense after-tax divided by the sum of quarterly average debt obligations and quarterly average common shareholders’ equity. Although ROIC is a common financial metric, numerous methods exist for calculating ROIC. Accordingly, the method used by management to calculate ROIC may differ from the methods other companies use to calculate their ROIC.

We believe this metric serves as a measure of how well we use our capital to generate returns. In addition, we use net ROIC, excluding items affecting comparability, to compare our performance over various reporting periods on a consistent basis because it removes from our operating results the impact of items that are not indicative of our ongoing performance and reflects how management evaluates our operating results and trends. We define net ROIC, excluding items affecting comparability, as ROIC, adjusted for quarterly average cash, cash equivalents and short-term investments, after-tax interest income and items affecting comparability. We believe the calculation of ROIC and net ROIC, excluding items affecting comparability, provides useful information to investors and is an additional relevant comparison of our performance to consider when evaluating our capital allocation efficiency.

See “Return on Invested Capital” in “Our Liquidity and Capital Resources.”

## Items Affecting Comparability

Our reported financial results in this Form 10-K are impacted by the following items in each of the following years:

	2018								
	Cost of sales	Gross profit	Selling, general and administrative expenses	Operating profit	Other pension and retiree medical benefits income	Interest expense	(Benefit from)/provision for income taxes <sup>(a)</sup>	Net income attributable to noncontrolling interests	Net income attributable to PepsiCo
Reported, GAAP Measure	\$ 29,381	\$ 35,280	\$ 25,170	\$ 10,110	\$ 298	\$ 1,525	\$ (3,370)	\$ 44	\$ 12,515
Items Affecting Comparability									
Mark-to-market net impact	(83)	83	(80)	163	—	—	38	—	125
Restructuring and impairment charges	(3)	3	(269)	272	36	—	56	1	251
Merger and integration charges	—	—	(75)	75	—	—	—	—	75
Net tax benefit related to the TCJ Act	—	—	—	—	—	—	28	—	(28)
Other net tax benefits	—	—	—	—	—	—	5,064	—	(5,064)
Charges related to cash tender and exchange offers	—	—	—	—	—	(253)	62	—	191
Core, Non-GAAP Measure	<u>\$ 29,295</u>	<u>\$ 35,366</u>	<u>\$ 24,746</u>	<u>\$ 10,620</u>	<u>\$ 334</u>	<u>\$ 1,272</u>	<u>\$ 1,878</u>	<u>\$ 45</u>	<u>\$ 8,065</u>
	2017 <sup>(b)</sup>								
	Cost of sales	Gross profit	Selling, general and administrative expenses	Operating profit	Other pension and retiree medical benefits income	Provision for income taxes <sup>(a)</sup>	Net income attributable to PepsiCo		
Reported, GAAP Measure	\$ 28,796	\$ 34,729	\$ 24,453	\$ 10,276	\$ 233	\$ 4,694	\$ 4,857		
Items Affecting Comparability									
Mark-to-market net impact	8	(8)	7	(15)	—	(7)	(8)		
Restructuring and impairment charges	—	—	(229)	229	66	71	224		
Provisional net tax expense related to the TCJ Act	—	—	—	—	—	(2,451)	2,451		
Core, Non-GAAP Measure	<u>\$ 28,804</u>	<u>\$ 34,721</u>	<u>\$ 24,231</u>	<u>\$ 10,490</u>	<u>\$ 299</u>	<u>\$ 2,307</u>	<u>\$ 7,524</u>		

	2016 <sup>(b)</sup>									
	Cost of sales	Gross profit	Selling, general and administrative expenses	Operating profit	Other pension and retiree medical benefits (expense)/income	Interest expense	Provision for income taxes <sup>(a)</sup>	Net income attributable to noncontrolling interests	Net income attributable to PepsiCo	
Reported, GAAP Measure	\$ 28,222	\$ 34,577	\$ 24,773	\$ 9,804	\$ (19)	\$ 1,342	\$ 2,174	\$ 50	\$ 6,329	
Items Affecting Comparability										
Mark-to-market net impact	78	(78)	89	(167)	—	—	(56)	—	(111)	
Restructuring and impairment charges	—	—	(155)	155	5	—	26	3	131	
Charge related to the transaction with Tingyi	—	—	(373)	373	—	—	—	—	373	
Charge related to debt redemption	—	—	—	—	—	(233)	77	—	156	
Pension-related settlement charge	—	—	—	—	242	—	80	—	162	
Core, Non-GAAP Measure	<u>\$ 28,300</u>	<u>\$ 34,499</u>	<u>\$ 24,334</u>	<u>\$ 10,165</u>	<u>\$ 228</u>	<u>\$ 1,109</u>	<u>\$ 2,301</u>	<u>\$ 53</u>	<u>\$ 7,040</u>	

(a) Benefit from/provision for income taxes is the expected tax benefit/charge on the underlying item based on the tax laws and income tax rates applicable to the underlying item in its corresponding tax jurisdiction and tax year.

(b) Reflects the retrospective adoption of guidance requiring the presentation of non-service cost components of net periodic benefit cost below operating profit. See Note 2 to our consolidated financial statements.

### **Mark-to-Market Net Impact**

We centrally manage commodity derivatives on behalf of our divisions. These commodity derivatives include energy, agricultural products and metals. Commodity derivatives that do not qualify for hedge accounting treatment are marked to market each period with the resulting gains and losses recorded in corporate unallocated expenses as either cost of sales or selling, general and administrative expenses, depending on the underlying commodity. These gains and losses are subsequently reflected in division results when the divisions recognize the cost of the underlying commodity in operating profit. Therefore, the divisions realize the economic effects of the derivative without experiencing any resulting mark-to-market volatility, which remains in corporate unallocated expenses.

### **Restructuring and Impairment Charges**

#### *2019 Multi-Year Productivity Plan*

Our 2019 Productivity Plan, publicly announced on February 15, 2019, will leverage new technology and business models to further simplify, harmonize and automate processes; re-engineer our go-to-market and information systems, including deploying the right automation for each market; simplify our organization and optimize our manufacturing and supply chain footprint. In connection with this program, we expect to incur pre-tax charges of approximately \$2.5 billion, of which \$138 million is included in our 2018 results, approximately \$800 million is expected to be reflected in our 2019 results and the balance to be reflected in our 2020 through 2023 results. These pre-tax charges will consist of approximately 70% of severance and other employee-related costs, 15% for asset impairments (all non-cash) resulting from plant closures and related actions, and 15% for other costs associated with the implementation of our initiatives. We expect that these pre-tax charges will result in cash expenditures of approximately \$1.6 billion, of which we expect approximately \$450 million to be reflected in our 2019 cash flows and the balance to be reflected in our 2020 through 2023 cash flows. We expect to incur the majority of the pre-tax charges and cash expenditures in our 2019 and 2020 results.

The total expected program pre-tax charges are expected to be incurred by division approximately as follows:

	FLNA	QFNA	NAB	Latin America	ESSA	AMENA	Corporate
Expected pre-tax charges	10%	3%	35%	12%	25%	13%	2%

#### *2014 Multi-Year Productivity Plan*

To build on the successful implementation of the 2014 Productivity Plan, we expanded and extended the program through the end of 2019 to take advantage of additional opportunities within the initiatives of the 2014 Productivity Plan to further strengthen our beverage, food and snack businesses. In connection with this program, we expect to incur pre-tax charges and cash expenditures of approximately \$1.3 billion and \$960 million, respectively. This total pre-tax charge is expected to consist of approximately 55% of severance and other employee-related costs, 15% for asset impairments (all non-cash) resulting from plant closures and related actions, and 30% for other costs associated with the implementation of our initiatives. To date, we have incurred \$1.2 billion of pre-tax charges and \$814 million of cash expenditures. We expect to complete the program and incur the program's remaining pre-tax charges and cash expenditures before the end of 2019.

The total expected program pre-tax charges are expected to be incurred by division approximately as follows:

	FLNA	QFNA	NAB	Latin America	ESSA	AMENA	Corporate
Expected pre-tax charges	14%	3%	30%	15%	20%	6%	12%

See Note 3 to our consolidated financial statements for further information related to our 2019 and 2014 Productivity Plans.

We regularly evaluate productivity initiatives beyond the productivity plans and other initiatives discussed above and in Note 3 to our consolidated financial statements.

#### *Merger and Integration Charges*

In 2018, we incurred merger and integration charges of \$75 million (\$0.05 per share) related to our acquisition of SodaStream, including \$57 million recorded in the ESSA segment and \$18 million recorded in corporate unallocated expenses. These charges include closing costs, advisory fees and employee-related costs.

See Note 14 to our consolidated financial statements.

#### *Net Tax (Benefit)/Expense Related to the TCJ Act*

During the fourth quarter of 2017, the TCJ Act was enacted in the United States. Among its many provisions, the TCJ Act imposed a mandatory one-time transition tax on undistributed international earnings and reduced the U.S. corporate income tax rate from 35% to 21%, effective January 1, 2018.

In 2017, we recorded a provisional net tax expense of \$2.5 billion (\$1.70 per share) associated with the enactment of the TCJ Act. Included in the provisional net tax expense of \$2.5 billion was a provisional mandatory one-time transition tax of approximately \$4 billion on undistributed international earnings, included in other liabilities. This mandatory one-time transition tax was partially offset by a provisional \$1.5 billion benefit resulting from the required remeasurement of our deferred tax assets and liabilities to the new, lower U.S. corporate income tax rate.

In 2018, we recorded a net tax benefit of \$28 million (\$0.02 per share) in connection with the TCJ Act.

See Note 5 to our consolidated financial statements.

### ***Other Net Tax Benefits***

In 2018, we reorganized our international operations, including the intercompany transfer of certain intangible assets. As a result, we recognized other net tax benefits of \$4.3 billion (\$3.05 per share). Also in 2018, we recognized non-cash tax benefits associated with both the conclusion of certain international tax audits and our agreement with the IRS resolving all open matters related to the audits of taxable years 2012 and 2013. The conclusion of certain international tax audits and the resolution with the IRS resulted in non-cash tax benefits of \$364 million (\$0.26 per share) and \$353 million (\$0.24 per share), respectively.

See Note 5 to our consolidated financial statements.

### ***Charges Related to Cash Tender and Exchange Offers***

In 2018, we recorded a pre-tax charge of \$253 million (\$191 million after-tax or \$0.13 per share) to interest expense in connection with our cash tender and exchange offers, primarily representing the tender price paid over the carrying value of the tendered notes.

See Note 8 to our consolidated financial statements.

### ***Charge Related to the Transaction with Tingyi***

In 2016, we recorded a pre- and after-tax impairment charge of \$373 million (\$0.26 per share) in the AMENA segment to reduce the value of our 5% indirect equity interest in KSFB to its estimated fair value.

See Note 9 to our consolidated financial statements.

### ***Charge Related to Debt Redemption***

In 2016, we paid \$2.5 billion to redeem all of our outstanding 7.900% senior notes due 2018 and 5.125% senior notes due 2019 for the principal amounts of \$1.5 billion and \$750 million, respectively, and terminated certain interest rate swaps. As a result, we recorded a pre-tax charge of \$233 million (\$156 million after-tax or \$0.11 per share) to interest expense, primarily representing the premium paid in accordance with the “make-whole” redemption provisions.

See Note 8 to our consolidated financial statements.

### ***Pension-Related Settlement Charge***

In 2016, we recorded a pre-tax pension settlement charge in corporate unallocated expenses of \$242 million (\$162 million after-tax or \$0.11 per share) related to the purchase of a group annuity contract.

See Note 7 to our consolidated financial statements.

## Results of Operations — Division Review

The results and discussions below are based on how our Chief Executive Officer monitors the performance of our divisions. See “Non-GAAP Measures” and “Items Affecting Comparability” for a discussion of items to consider when evaluating our results and related information regarding non-GAAP measures.

### Net Revenue and Organic Revenue Growth

Organic revenue growth is a non-GAAP financial measure. For further information on organic revenue growth, see “Non-GAAP Measures.”

	2018						
	Net revenue growth	Impact of			Organic revenue growth <sup>(a)</sup>	Impact of	
		Foreign exchange translation	Acquisitions and divestitures	Sales and certain other taxes		Volume <sup>(b)</sup>	Effective net pricing <sup>(c)</sup>
FLNA	3.5 %	—	—	—	3 %	1	2
QFNA	(1.5)%	—	—	—	(2)%	(0.5)	(1)
NAB	1 %	—	—	—	0.5 %	(1)	2
Latin America	2 %	6	—	—	8 %	1	7
ESSA	4 %	2	—	0.5	7 %	4	3
AMENA	(2)%	1	8	—	7 %	3	3
Total	2 %	1	1	—	4 %	1	3

  

	2017						
	Net revenue growth	Impact of			Organic revenue growth <sup>(a)</sup>	Impact of	
		Foreign exchange translation	Acquisitions and divestitures	53rd reporting week <sup>(d)</sup>		Volume <sup>(b)</sup>	Effective net pricing <sup>(c)</sup>
FLNA	2 %	—	—	2	3 %	1	2.5
QFNA	(2)%	—	—	2	(1)%	—	(1)
NAB	(2)%	—	(1)	1	(2)%	(2.5)	1
Latin America	6 %	(1)	0.5	—	5 %	(2)	7
ESSA	8 %	(3)	—	—	6 %	3	2
AMENA	(5)%	10	—	—	5 %	—	5
Total	1 %	—	—	1	2 %	—	3

(a) Amounts may not sum due to rounding.

(b) Excludes the impact of acquisitions and divestitures. In certain instances, volume growth varies from the amounts disclosed in the following divisional discussions due to nonconsolidated joint venture volume, and, for our beverage businesses, temporary timing differences between BCS and CSE, as well as the mix of beverage volume sold by our Company-owned and franchise-owned bottlers. Our net revenue excludes nonconsolidated joint venture volume, and, for our franchise-owned beverage businesses, is based on CSE.

(c) Includes the year-over-year impact of discrete pricing actions, sales incentive activities and mix resulting from selling varying products in different package sizes and in different countries.

(d) Our fiscal 2016 results included a 53rd reporting week which increased 2016 net revenue by \$657 million, including \$294 million in our FLNA segment, \$43 million in our QFNA segment, \$300 million in our NAB segment and \$20 million in our ESSA segment. Our 2017 organic revenue growth excludes the impact of the 53rd reporting week from our 2016 results.

**Frito-Lay North America**

	2018	2017 <sup>(a)</sup>	2016 <sup>(a)</sup>	% Change	
				2018	2017
Net revenue	\$ 16,346	\$ 15,798	\$ 15,549	3.5	2
Impact of foreign exchange translation	—	—	—	—	—
Impact of acquisitions and divestitures	—	—	—	—	—
Impact of 53 <sup>rd</sup> reporting week	—	—	—	—	2
Organic revenue growth <sup>(b)</sup>				<u>3</u> <sup>(d)</sup>	<u>3</u> <sup>(d)</sup>
Operating profit	\$ 5,008	\$ 4,793	\$ 4,612	4.5	4
Restructuring and impairment charges <sup>(c)</sup>	36	54	12	—	—
Operating profit excluding above item <sup>(b)</sup>	<u>\$ 5,044</u>	<u>\$ 4,847</u>	<u>\$ 4,624</u>	<u>4</u>	<u>5</u>
Impact of foreign exchange translation	—	—	—	—	—
Operating profit growth excluding above item, on a constant currency basis <sup>(b)</sup>				<u>4</u>	<u>5</u>

(a) In 2017 and 2016, operating profit and restructuring and impairment charges reflect the retrospective adoption of guidance requiring the presentation of non-service cost components of net periodic benefit cost below operating profit. See Note 2 to our consolidated financial statements.

(b) See “Non-GAAP Measures.”

(c) See “Items Affecting Comparability.”

(d) Does not sum due to rounding.

**2018**

Net revenue grew 3.5%, primarily reflecting effective net pricing and volume growth. Volume grew 1%, reflecting mid-single-digit growth in variety packs and low-single-digit growth in trademark Doritos, partially offset by a double-digit decline in Santitas.

Operating profit grew 4.5%, primarily reflecting the net revenue growth and productivity savings, partially offset by certain operating cost increases and a 1-percentage-point impact of a bonus extended to certain U.S. employees in connection with the TCJ Act.

**2017**

Net revenue grew 2%, primarily reflecting effective net pricing, partially offset by the impact of the 53<sup>rd</sup> reporting week in 2016, which reduced net revenue growth by 2 percentage points. Volume declined 1%, reflecting mid-single-digit declines in trademark Lay’s and Fritos and a low-single-digit decline in trademark Doritos, partially offset by high-single-digit growth in variety packs. The 53<sup>rd</sup> reporting week in 2016 negatively impacted volume performance by 2 percentage points.

Operating profit grew 4%, primarily reflecting productivity savings, the effective net pricing and a 1-percentage-point impact of 2016 incremental investments into our business. These impacts were partially offset by certain operating cost increases, including strategic initiatives, and a 1-percentage-point impact of higher commodity costs, primarily cooking oil. The 53<sup>rd</sup> reporting week in 2016 reduced operating profit growth by 2 percentage points.

**Quaker Foods North America**

	2018	2017 <sup>(a)</sup>	2016 <sup>(a)</sup>	% Change	
				2018	2017
Net revenue	\$ 2,465	\$ 2,503	\$ 2,564	(1.5)	(2)
Impact of foreign exchange translation	—	—	—	—	—
Impact of acquisitions and divestitures	—	—	—	—	—
Impact of 53 <sup>rd</sup> reporting week	—	—	—	—	2
Organic revenue growth <sup>(b)</sup>	<u>(2)</u> <sup>(d)</sup>	<u>(1)</u> <sup>(d)</sup>			
Operating profit	\$ 637	\$ 640	\$ 649	—	(1)
Restructuring and impairment charges <sup>(c)</sup>	7	9	1		
Operating profit excluding above item <sup>(b)</sup>	<u>\$ 644</u>	<u>\$ 649</u>	<u>\$ 650</u>	<u>(1)</u>	<u>—</u>
Impact of foreign exchange translation	—	—	—	—	—
Operating profit growth excluding above item, on a constant currency basis <sup>(b)</sup>	<u>(1)</u>	<u>—</u>			

(a) In 2017 and 2016, operating profit and restructuring and impairment charges reflect the retrospective adoption of guidance requiring the presentation of non-service cost components of net periodic benefit cost below operating profit. See Note 2 to our consolidated financial statements.

(b) See “Non-GAAP Measures.”

(c) See “Items Affecting Comparability.”

(d) Does not sum due to rounding.

**2018**

Net revenue declined 1.5% and volume declined 0.5%. The net revenue performance reflects unfavorable net pricing and mix and the volume decline. The volume decline was driven by a double-digit decline in trademark Gamesa and a mid-single-digit decline in ready-to-eat cereals, partially offset by mid-single-digit growth in oatmeal.

Operating profit decreased slightly, reflecting certain operating cost increases, the net revenue performance and a 3-percentage-point impact of higher commodity costs. These impacts were partially offset by productivity savings, lower advertising and marketing expenses and a 1-percentage-point positive contribution from insurance settlement recoveries related to the 2017 earthquake in Mexico.

**2017**

Net revenue declined 2%, reflecting the impact of the 53<sup>rd</sup> reporting week in 2016, which negatively impacted net revenue performance by 2 percentage points, as well as unfavorable mix. Volume declined 2%, reflecting a low-single-digit decline in ready-to-eat cereals and high-single-digit declines in trademark Roni and Gamesa, in part reflecting the impact of the 53<sup>rd</sup> reporting week in 2016 which negatively impacted volume performance by 2 percentage points.

Operating profit decreased 1%, reflecting certain operating cost increases and the net revenue performance. The 53<sup>rd</sup> reporting week in 2016 negatively impacted operating profit performance by 2 percentage points. These impacts were partially offset by productivity savings, lower advertising and marketing expenses and a 1.5-percentage-point impact of 2016 incremental investments into our business. Higher restructuring and impairment charges negatively impacted operating profit performance by 1 percentage point.

## North America Beverages

	2018	2017 <sup>(a)</sup>	2016 <sup>(a)</sup>	% Change	
				2018	2017
Net revenue	\$ 21,072	\$ 20,936	\$ 21,312	1	(2)
Impact of foreign exchange translation				—	—
Impact of acquisitions and divestitures				—	(1)
Impact of sales and certain other taxes <sup>(b)</sup>				—	—
Impact of 53 <sup>rd</sup> reporting week				—	1
Organic revenue growth <sup>(b)</sup>				<u>0.5</u> <sup>(d)</sup>	<u>(2)</u>
Operating profit	\$ 2,276	\$ 2,700	\$ 2,947	(16)	(8)
Restructuring and impairment charges <sup>(c)</sup>	88	43	33		
Operating profit excluding above item <sup>(b)</sup>	<u>\$ 2,364</u>	<u>\$ 2,743</u>	<u>\$ 2,980</u>	<u>(14)</u>	<u>(8)</u>
Impact of foreign exchange translation				—	—
Operating profit growth excluding above item, on a constant currency basis <sup>(b)</sup>				<u>(14)</u>	<u>(8)</u>

(a) In 2017 and 2016, operating profit and restructuring and impairment charges reflect the retrospective adoption of guidance requiring the presentation of non-service cost components of net periodic benefit cost below operating profit. See Note 2 to our consolidated financial statements.

(b) See “Non-GAAP Measures.”

(c) See “Items Affecting Comparability.”

(d) Does not sum due to rounding.

### 2018

Net revenue grew 1%, driven by effective net pricing, partially offset by a decline in volume. Volume decreased 1%, driven by a 3% decline in CSD volume, partially offset by a 2% increase in non-carbonated beverage volume. The non-carbonated beverage volume increase primarily reflected a high-single-digit increase in our overall water portfolio. Additionally, a low-single-digit increase in Gatorade sports drinks was offset by a low-single-digit decline in our juice and juice drinks portfolio.

Operating profit decreased 16%, reflecting certain operating cost increases, including increased transportation costs, a 7-percentage-point impact of higher commodity costs and higher advertising and marketing expenses. These impacts were partially offset by productivity savings and the net revenue growth. Higher gains on asset sales positively contributed 1.5 percentage points to operating profit performance. A bonus extended to certain U.S. employees in connection with the TCJ Act negatively impacted operating profit performance by 1.5 percentage points and was partially offset by prior-year costs related to hurricanes which positively contributed 1 percentage point to operating profit performance.

### 2017

Net revenue decreased 2%, primarily reflecting a decline in volume, partially offset by effective net pricing, as well as acquisitions which positively contributed 1 percentage point to the net revenue performance. The 53<sup>rd</sup> reporting week in 2016 negatively impacted net revenue performance by 1 percentage point. Volume decreased 3.5%, driven by a 5% decline in CSD volume and a 1% decline in non-carbonated beverage volume. The non-carbonated beverage volume decrease primarily reflected mid-single-digit declines in Gatorade sports drinks and in our juice and juice drinks portfolio, partially offset by a mid-single-digit increase in our overall water portfolio and a low-single-digit increase in Lipton ready-to-drink teas. Acquisitions had a nominal positive contribution to the volume performance. The 53<sup>rd</sup> reporting week in 2016 negatively impacted volume performance by 1.5 percentage points.

Operating profit decreased 8%, primarily reflecting certain operating cost increases, the net revenue performance and a 2-percentage-point impact of higher commodity costs. These impacts were partially offset by productivity savings and lower advertising and marketing expenses. Costs related to the hurricanes that occurred in 2017 negatively impacted operating profit performance by 1 percentage point and were offset by a gain associated with a sale of an asset. In addition, the 53<sup>rd</sup> reporting week in 2016 negatively impacted operating profit performance by 1 percentage point and was offset by incremental investments in our business in 2016.

## Latin America

	2018	2017 <sup>(a)</sup>	2016 <sup>(a)</sup>	% Change	
				2018	2017
Net revenue	\$ 7,354	\$ 7,208	\$ 6,820	2	6
Impact of foreign exchange translation				6	(1)
Impact of acquisitions and divestitures				—	0.5
Organic revenue growth <sup>(b)</sup>				8	5 <sup>(d)</sup>
Operating profit	\$ 1,049	\$ 924	\$ 904	13	2
Restructuring and impairment charges <sup>(c)</sup>	40	56	27		
Operating profit excluding above item <sup>(b)</sup>	\$ 1,089	\$ 980	\$ 931	11	5
Impact of foreign exchange translation				2	1
Operating profit growth excluding above item, on a constant currency basis <sup>(b)</sup>				13	6

(a) In 2017 and 2016, operating profit and restructuring and impairment charges reflect the retrospective adoption of guidance requiring the presentation of non-service cost components of net periodic benefit cost below operating profit. See Note 2 to our consolidated financial statements.

(b) See “Non-GAAP Measures.”

(c) See “Items Affecting Comparability.”

(d) Does not sum due to rounding.

## 2018

Net revenue grew 2%, reflecting effective net pricing, partially offset by a 6-percentage-point impact of unfavorable foreign exchange.

Snacks volume grew 1%, reflecting low-single-digit growth in Mexico, partially offset by a mid-single-digit decline in Brazil.

Beverage volume declined 1%, reflecting a high-single-digit decline in Brazil, a low-single-digit decline in Mexico and a mid-single-digit decline in Argentina, partially offset by double-digit growth in Colombia, mid-single-digit growth in Guatemala and low-single-digit growth in Honduras.

Operating profit increased 13%, reflecting the net revenue growth, productivity savings and a 4-percentage-point impact of insurance settlement recoveries related to the 2017 earthquake in Mexico. These impacts were partially offset by certain operating cost increases, a 14-percentage-point impact of higher commodity costs and higher advertising and marketing expenses.

## 2017

Net revenue increased 6%, reflecting effective net pricing, partially offset by volume declines. Favorable foreign exchange contributed 1 percentage point to net revenue growth.

Snacks volume declined 1.5%, reflecting low-single-digit declines in Brazil and Mexico.

Beverage volume declined 2%, reflecting a mid-single-digit decline in Brazil and a low-single-digit decline in Argentina, partially offset by high-single-digit growth in Guatemala. Additionally, Mexico experienced a slight decline.

Operating profit increased 2%, reflecting the effective net pricing and productivity savings. These impacts were partially offset by certain operating cost increases, the volume declines and a 16-percentage-point impact of higher commodity costs. Higher restructuring and impairment charges reduced operating profit growth by 3 percentage points.

### Europe Sub-Saharan Africa

	2018	2017 <sup>(a)</sup>	2016 <sup>(a)</sup>	% Change	
				2018	2017
Net revenue	\$ 11,523	\$ 11,050	\$ 10,216	4	8
Impact of foreign exchange translation				2	(3)
Impact of acquisitions and divestitures				—	—
Impact of sales and certain other taxes <sup>(b)</sup>				0.5	—
Impact of 53 <sup>rd</sup> reporting week				—	—
Organic revenue growth <sup>(b)</sup>				7 <sup>(d)</sup>	6 <sup>(d)</sup>
Operating profit	\$ 1,364	\$ 1,316	\$ 1,061	4	24
Restructuring and impairment charges <sup>(c)</sup>	63	53	60		
Merger and integration charges <sup>(c)</sup>	57	—	—		
Operating profit excluding above items <sup>(b)</sup>	\$ 1,484	\$ 1,369	\$ 1,121	8	22
Impact of foreign exchange translation				3	—
Operating profit growth excluding above items, on a constant currency basis <sup>(b)</sup>				11	22

(a) In 2017 and 2016, operating profit and restructuring and impairment charges reflect the retrospective adoption of guidance requiring the presentation of non-service cost components of net periodic benefit cost below operating profit. See Note 2 to our consolidated financial statements.

(b) See “Non-GAAP Measures.”

(c) See “Items Affecting Comparability.”

(d) Does not sum due to rounding.

### 2018

Net revenue increased 4%, reflecting volume growth and effective net pricing, partially offset by a 2-percentage-point impact of unfavorable foreign exchange.

Snacks volume grew 3%, reflecting mid-single-digit growth in the Netherlands, partially offset by low-single-digit declines in the United Kingdom and South Africa. Additionally, Russia and Turkey experienced low-single-digit growth.

Beverage volume grew 7%, reflecting double-digit growth in Germany and Poland and high-single-digit growth in France and Nigeria, partially offset by a low-single-digit decline in the United Kingdom. Additionally, Russia and Turkey experienced mid-single-digit growth.

Operating profit increased 4%, reflecting the net revenue growth, productivity savings and a 4-percentage-point net impact of refranchising our entire beverage bottling operations and snack distribution operations in CHS. These impacts were partially offset by certain operating cost increases and an 8-percentage-point impact of higher commodity costs. Additionally, a prior-year gain on the sale of our minority stake in Britvic

and the merger and integration charges related to our acquisition of SodaStream reduced operating profit growth by 7 percentage points and 4 percentage points, respectively.

## 2017

Net revenue increased 8%, reflecting volume growth and effective net pricing, as well as favorable foreign exchange, which contributed 3 percentage points to net revenue growth.

Snacks volume grew 5%, reflecting high-single-digit growth in Russia, partially offset by a slight decline in the United Kingdom and a low-single-digit decline in Spain. Additionally, Turkey, South Africa and the Netherlands experienced mid-single-digit growth.

Beverage volume grew 1%, reflecting mid-single-digit growth in Poland and Nigeria and low-single-digit growth in Turkey and France, partially offset by mid-single-digit declines in Russia and Germany, and a low-single-digit decline in the United Kingdom.

Operating profit increased 24%, reflecting the net revenue growth and productivity savings. Additionally, a gain on the sale of our minority stake in Britvic in 2017 contributed 8 percentage points to operating profit growth. These impacts were partially offset by certain operating cost increases, higher advertising and marketing expenses and a 7-percentage-point impact of higher commodity costs.

## Asia, Middle East and North Africa

	2018	2017	2016	% Change	
				2018	2017
Net revenue	\$ 5,901	\$ 6,030	\$ 6,338	(2)	(5)
Impact of foreign exchange translation				1	10
Impact of acquisitions and divestitures				8	—
Impact of sales and certain other taxes <sup>(a)</sup>				—	—
Organic revenue growth <sup>(a)</sup>				7	5
Operating profit	\$ 1,172	\$ 1,073	\$ 619	9	73
Restructuring and impairment charges <sup>(b)</sup>	28	(3)	14		
Charge related to the transaction with Tingyi <sup>(b)</sup>	—	—	373		
Operating profit excluding above items <sup>(a)</sup>	\$ 1,200	\$ 1,070	\$ 1,006	12	6
Impact of foreign exchange translation				(1)	8
Operating profit growth excluding above items, on a constant currency basis <sup>(a)</sup>				11	15 <sup>(c)</sup>

(a) See “Non-GAAP Measures.”

(b) See “Items Affecting Comparability.”

(c) Does not sum due to rounding.

## 2018

Net revenue declined 2%, reflecting an 8-percentage-point impact of refranchising a portion of our beverage businesses in Thailand in 2018 and Jordan in 2017, partially offset by net volume growth and effective net pricing.

Snacks volume grew 5%, reflecting double-digit growth in India, China and Pakistan, partially offset by a mid-single-digit decline in the Middle East. Additionally, Australia experienced low-single-digit growth.

Beverage volume declined slightly, reflecting a mid-single-digit decline in the Middle East and a double-digit decline in the Philippines, partially offset by double-digit growth in Vietnam, mid-single-digit growth in India and low-single-digit growth in Pakistan and China.

Operating profit grew 9%, primarily reflecting the effective net pricing, productivity savings and the net volume growth, partially offset by certain operating cost increases, higher advertising and marketing expenses and a 4-percentage-point impact of higher commodity costs. The net impact of refranchising a portion of our beverage business in Thailand in 2018 contributed 13 percentage points to operating profit growth and was offset by a 16-percentage-point negative impact of the prior year refranchising of a portion of our beverage business in Jordan.

## 2017

Net revenue decreased 5%, reflecting unfavorable foreign exchange, which negatively impacted net revenue performance by 10 percentage points, primarily driven by a weak Egyptian pound. This impact was partially offset by effective net pricing.

Snacks volume grew 5%, driven by high-single-digit growth in China and India and double-digit growth in Pakistan. Additionally, the Middle East experienced low-single-digit growth and Australia experienced mid-single-digit growth.

Beverage volume declined 1%, reflecting a double-digit decline in India and a mid-single-digit decline in the Middle East, partially offset by mid-single-digit growth in China, high-single-digit growth in Pakistan and low-single-digit growth in the Philippines.

Operating profit improvement primarily reflected a 2016 impairment charge to reduce the value of our 5% indirect equity interest in KSFB to its estimated fair value. The effective net pricing and productivity savings also increased operating profit growth. Additionally, the impact of refranchising a portion of our beverage business in Jordan contributed 14 percentage points to operating profit growth. These impacts were partially offset by certain operating cost increases and a 32-percentage-point impact of higher commodity costs, primarily due to transaction-related foreign exchange on raw material purchases driven by the weak Egyptian pound. Unfavorable foreign exchange translation reduced operating profit growth by 8 percentage points.

## Our Liquidity and Capital Resources

We believe that our cash generating capability and financial condition, together with our revolving credit facilities and other available methods of debt financing, such as commercial paper borrowings and long-term debt financing, will be adequate to meet our operating, investing and financing needs. Our primary sources of cash available to fund cash outflows, such as our anticipated share repurchases, dividend payments, debt repayments and transition tax liability under the TCJ Act, include cash from operations, proceeds obtained from issuances of commercial paper and long-term debt and cash, cash equivalents and short-term investments. However, there can be no assurance that volatility in the global capital and credit markets will not impair our ability to access these markets on terms commercially acceptable to us, or at all. See Note 8 to our consolidated financial statements for a description of our credit facilities. See also “Item 1A. Risk Factors” and “Our Business Risks” for further discussion.

As of December 29, 2018, we had cash, cash equivalents, short-term investments and restricted cash in our consolidated subsidiaries of \$5.7 billion outside the United States. The restricted cash of approximately \$2.0 billion held outside the United States relates to our acquisition of SodaStream. Refer to Note 13 to our consolidated financial statements for further discussion of restricted cash. The TCJ Act imposed a mandatory one-time transition tax on undistributed international earnings, including \$18.9 billion held in our consolidated subsidiaries outside the United States as of December 30, 2017. As of December 29, 2018, our mandatory transition tax liability is \$3.8 billion. Under the provisions of the TCJ Act, this transition tax liability must be paid over eight years; we currently expect to pay approximately \$0.4 billion of this liability in 2019 and the remainder over the period 2020 to 2026. See “Credit Facilities and Long-Term Contractual Commitments.” While our accounting for the recorded impact of the TCJ Act is deemed to be complete, this amount is based on prevailing regulations and currently available information, and any additional guidance issued by the IRS could impact the aforementioned amount in future periods. The IRS issued additional guidance in the first quarter of 2019 and we are currently evaluating the impact of this guidance.

In connection with the TCJ Act, during 2018 we repatriated \$20.4 billion of cash, cash equivalents and short-term investments held in our foreign subsidiaries without such funds being subject to further U.S. federal income tax liability. The repatriated cash was used primarily for repayment of commercial paper and to fund discretionary benefit plan contributions, debt repayments, dividend payments, share repurchases and our acquisition of SodaStream. See “Item 1A. Risk Factors,” “Our Business Risks,” “Items Affecting Comparability,” “Our Critical Accounting Policies,” as well as Note 5 to our consolidated financial statements.

As of December 29, 2018, cash, cash equivalents and short-term investments in our consolidated subsidiaries subject to currency controls or currency exchange restrictions were not material.

Furthermore, our cash provided from operating activities is somewhat impacted by seasonality. Working capital needs are impacted by weekly sales, which are generally highest in the third quarter due to seasonal and holiday-related sales patterns, and generally lowest in the first quarter. On a continuing basis, we consider various transactions to increase shareholder value and enhance our business results, including acquisitions, divestitures, joint ventures, dividends, share repurchases, productivity and other efficiency initiatives, and other structural changes. These transactions may result in future cash proceeds or payments.

The table below summarizes our cash activity:

	<b>2018</b>	2017	2016
Net cash provided by operating activities	<b>\$ 9,415</b>	\$ 10,030	\$ 10,663
Net cash provided by/(used for) investing activities	<b>\$ 4,564</b>	\$ (4,403)	\$ (7,150)
Net cash used for financing activities	<b>\$ (13,769)</b>	\$ (4,186)	\$ (3,211)

### ***Operating Activities***

During 2018, net cash provided by operating activities was \$9.4 billion, compared to \$10.0 billion in the prior year. The operating cash flow performance primarily reflects the discretionary contributions of \$1.5 billion to our pension and retiree medical plans in the current year, partially offset by lower net cash tax payments in the current year.

During 2017, net cash provided by operating activities was \$10 billion, compared to \$10.7 billion in 2016. The operating cash flow performance primarily reflects unfavorable working capital comparisons to 2016. This decrease is mainly due to higher current year payments to vendors and customers, coupled with higher net cash tax payments in 2017, partially offset by lower pension and retiree medical plan contributions in 2017.

See Note 7 to our consolidated financial statements for further discussion of pension contributions.

### ***Investing Activities***

During 2018, net cash provided by investing activities was \$4.6 billion, primarily reflecting net maturities and sales of debt securities with maturities greater than three months of \$8.7 billion, partially offset by net capital spending of \$3.1 billion and \$1.2 billion of cash paid, net of cash and cash equivalents acquired, in connection with our acquisition of SodaStream.

During 2017, net cash used for investing activities was \$4.4 billion, primarily reflecting net capital spending of \$2.8 billion and net purchases of debt securities with maturities greater than three months of \$1.9 billion.

See Note 1 to our consolidated financial statements for further discussion of capital spending by division; see Note 9 to our consolidated financial statements for further discussion of our investments in debt securities.

We expect 2019 net capital spending to be approximately \$4.5 billion.

### ***Financing Activities***

During 2018, net cash used for financing activities was \$13.8 billion, primarily reflecting the return of operating cash flow to our shareholders through dividend payments and share repurchases of \$6.9 billion, payments of long-term debt borrowings of \$4.0 billion, cash tender and exchange offers of \$1.6 billion and net payments of short-term borrowings of \$1.4 billion.

During 2017, net cash used for financing activities was \$4.2 billion, primarily reflecting the return of operating cash flow to our shareholders through dividend payments and share repurchases of \$6.5 billion and net payments of short-term borrowings of \$1.1 billion, partially offset by net proceeds from long-term debt of \$3.1 billion and proceeds from exercises of stock options of \$0.5 billion.

See Note 8 to our consolidated financial statements for further discussion of debt obligations.

We annually review our capital structure with our Board of Directors, including our dividend policy and share repurchase activity. On February 11, 2015, we announced a share repurchase program providing for the repurchase of up to \$12.0 billion of PepsiCo common stock which commenced on July 1, 2015 and expired on June 30, 2018 (2015 share repurchase program). The 2015 share repurchase program had approximately \$4.3 billion of authorized repurchase capacity unused at expiration. On February 13, 2018, we announced the 2018 share repurchase program providing for the repurchase of up to \$15.0 billion of PepsiCo common stock which commenced on July 1, 2018 and will expire on June 30, 2021. On February 15, 2019, we announced a 3% increase in our annualized dividend to \$3.82 per share from \$3.71 per share, effective with the dividend expected to be paid in June 2019. We expect to return a total of approximately \$8 billion to shareholders in 2019 through share repurchases of approximately \$3 billion and dividends of approximately \$5 billion.

## Free Cash Flow

Free cash flow is a non-GAAP financial measure. For further information on free cash flow see “Non-GAAP Measures.”

The table below reconciles net cash provided by operating activities, as reflected in our cash flow statement, to our free cash flow.

	2018	2017	2016	% Change	
				2018	2017
Net cash provided by operating activities	\$ 9,415	\$ 10,030	\$ 10,663	(6)	(6)
Capital spending	(3,282)	(2,969)	(3,040)		
Sales of property, plant and equipment	134	180	99		
Free cash flow <sup>(a)</sup>	\$ 6,267	\$ 7,241	\$ 7,722	(13)	(6)

(a) See “Non-GAAP Measures.” In addition, when evaluating free cash flow, we also consider the following items impacting comparability: \$1.5 billion, \$6 million and \$459 million in discretionary pension and retiree medical contributions and associated net cash tax benefits of \$473 million, \$1 million and \$151 million in 2018, 2017 and 2016, respectively; \$266 million, \$113 million and \$125 million of payments related to restructuring charges and associated net cash tax benefits of \$45 million, \$30 million and \$22 million in 2018, 2017 and 2016, respectively; tax payments related to the TCJ Act of \$115 million in 2018; certain other items of \$47 million in 2018; net cash tax benefit related to debt redemption charge of \$83 million in 2016; and net cash received related to interest rate swaps of \$5 million in 2016. We will also consider payments related to the transition tax liability of \$3.8 billion as of December 29, 2018, which we currently expect to be paid over the period 2019 to 2026 under the provisions of the TCJ Act, as an item impacting comparability.

We use free cash flow primarily for financing activities, including debt repayments, dividends and share repurchases. We expect to continue to return free cash flow to our shareholders through dividends and share repurchases while maintaining Tier 1 commercial paper access, which we believe will facilitate appropriate financial flexibility and ready access to global capital and credit markets at favorable interest rates. However, see “Item 1A. Risk Factors” and “Our Business Risks” for certain factors that may impact our credit ratings or our operating cash flows.

Any downgrade of our credit ratings by a credit rating agency, especially any downgrade to below investment grade, whether or not as a result of our actions or factors which are beyond our control, could increase our future borrowing costs and impair our ability to access capital and credit markets on terms commercially acceptable to us, or at all. In addition, any downgrade of our current short-term credit ratings could impair our ability to access the commercial paper market with the same flexibility that we have experienced historically, and therefore require us to rely more heavily on more expensive types of debt financing. See “Item 1A. Risk Factors,” “Our Business Risks” and Note 8 to our consolidated financial statements for further discussion.

## Credit Facilities and Long-Term Contractual Commitments

See Note 8 to our consolidated financial statements for a description of our credit facilities.

The following table summarizes our long-term contractual commitments by period:

	Payments Due by Period <sup>(a)</sup>				
	Total	2019	2020 – 2021	2022 – 2023	2024 and beyond
Long-term debt obligations <sup>(b)</sup>	\$ 28,351	\$ —	\$ 7,166	\$ 5,093	\$ 16,092
Interest on debt obligations <sup>(c)</sup>	11,157	1,044	1,759	1,322	7,032
Operating leases <sup>(d)</sup>	1,840	459	700	371	310
Purchasing commitments <sup>(e)</sup>	2,602	982	1,221	252	147
Marketing commitments <sup>(e)</sup>	1,686	452	796	234	204
	<u>\$ 45,636</u>	<u>\$ 2,937</u>	<u>\$ 11,642</u>	<u>\$ 7,272</u>	<u>\$ 23,785</u>

(a) Based on year-end foreign exchange rates. Reserves for uncertain tax positions are excluded from the table above as we are unable to reasonably predict the ultimate amount or timing of any such settlements. However, under the provisions of the TCJ Act, our transition tax liability of \$3.8 billion, of which \$3.4 billion is recorded in other liabilities on our balance sheet, must be paid over eight years. We expect to pay approximately \$0.4 billion in 2019, \$0.3 billion per year in 2020-2023, \$0.6 billion in 2024, \$0.7 billion in 2025 and \$0.9 billion in 2026 and these amounts are excluded from the table above.

(b) Excludes \$3,953 million related to current maturities of debt, \$56 million related to the fair value adjustments for debt acquired in acquisitions and interest rate swaps and payments of \$119 million related to unamortized net discounts.

(c) Interest payments on floating-rate debt are estimated using interest rates effective as of December 29, 2018.

(d) See Note 15 to our consolidated financial statements for additional information on operating leases.

(e) Primarily reflects non-cancelable commitments as of December 29, 2018.

Long-term contractual commitments, except for our long-term debt obligations and transition tax liability, are generally not recorded on our balance sheet. Operating leases primarily represent building leases. Non-cancelable purchasing commitments are primarily for oranges, orange juice and certain other commodities. Non-cancelable marketing commitments are primarily for sports marketing. Bottler funding to independent bottlers is not reflected in our long-term contractual commitments as it is negotiated on an annual basis. Accrued liabilities for pension and retiree medical plans are not reflected in our long-term contractual commitments. See Note 7 to our consolidated financial statements for additional information regarding our pension and retiree medical obligations.

### ***Off-Balance-Sheet Arrangements***

We do not have guarantees or other off-balance-sheet financing arrangements, including variable interest entities, that we believe could have a material impact on our financial condition or liquidity.

We coordinate, on an aggregate basis, the contract negotiations of raw material requirements, including sweeteners, aluminum cans and plastic bottles and closures for us and certain of our independent bottlers. Once we have negotiated the contracts, the bottlers order and take delivery directly from the supplier and pay the suppliers directly. Consequently, transactions between our independent bottlers and suppliers are not reflected in our consolidated financial statements. As the contracting party, we could be liable to these suppliers in the event of any nonpayment by our independent bottlers, but we consider this exposure to be remote.

## Return on Invested Capital

ROIC is a non-GAAP financial measure. For further information on ROIC, see “Non-GAAP Measures.”

	2018	2017	2016
Net income attributable to PepsiCo	\$ 12,515 <sup>(a)</sup>	\$ 4,857 <sup>(a)</sup>	\$ 6,329
Interest expense	1,525	1,151	1,342
Tax on interest expense	(339)	(415)	(483)
	<u>\$ 13,701</u>	<u>\$ 5,593</u>	<u>\$ 7,188</u>
Average debt obligations <sup>(b)</sup>	\$ 38,169	\$ 38,707	\$ 35,308
Average common shareholders' equity <sup>(c)</sup>	11,368	12,004	11,943
Average invested capital	<u>\$ 49,537</u>	<u>\$ 50,711</u>	<u>\$ 47,251</u>
Return on invested capital	27.7 % <sup>(a)</sup>	11.0 % <sup>(a)</sup>	15.2 %

(a) Our fiscal 2018 results include other net tax benefits related to the reorganization of our international operations. Our fiscal 2018 and 2017 results include the impact of the TCJ Act. See Note 5 to our consolidated financial statements.

(b) Average debt obligations includes a quarterly average of short-term and long-term debt obligations.

(c) Average common shareholders' equity includes a quarterly average of common stock, capital in excess of par value, retained earnings, accumulated other comprehensive loss and repurchased common stock.

The table below reconciles ROIC as calculated above to net ROIC, excluding items affecting comparability.

	2018	2017	2016
ROIC	27.7 %	11.0 %	15.2 %
Impact of:			
Average cash, cash equivalents and short-term investments	7.8	7.6	6.0
Interest income	(0.6)	(0.5)	(0.2)
Tax on interest income	0.1	0.2	0.1
Mark-to-market net impact	0.2	—	(0.2)
Restructuring and impairment charges	0.4	0.3	0.1
Merger and integration charges	0.1	—	—
Net tax (benefit)/expense related to the TCJ Act	(1.1)	4.5	—
Other net tax benefits	(9.7)	0.1	0.1
Charges related to cash tender and exchange offers	(0.1)	—	—
Charges related to the transaction with Tingyi	—	(0.1)	0.6
Pension-related settlement charge	—	—	0.3
Venezuela impairment charges	—	(0.2)	(0.5)
Net ROIC, excluding items affecting comparability	<u>24.8 %</u>	<u>22.9 %</u>	<u>21.5 %</u>

## OUR CRITICAL ACCOUNTING POLICIES

An appreciation of our critical accounting policies is necessary to understand our financial results. These policies may require management to make difficult and subjective judgments regarding uncertainties, and as a result, such estimates may significantly impact our financial results. The precision of these estimates and the likelihood of future changes depend on a number of underlying variables and a range of possible outcomes. Other than our accounting for pension and retiree medical plans, our critical accounting policies do not involve a choice between alternative methods of accounting. We applied our critical accounting policies and estimation methods consistently in all material respects and for all periods presented. We have discussed our critical accounting policies with our Audit Committee.

Our critical accounting policies are:

- revenue recognition;
- goodwill and other intangible assets;
- income tax expense and accruals; and
- pension and retiree medical plans.

### **Revenue Recognition**

We recognize revenue when our performance obligation is satisfied. Our primary performance obligation (the distribution and sales of beverage products and food and snack products) is satisfied upon the shipment or delivery of products to our customers, which is also when control is transferred. The transfer of control of products to our customers is typically based on written sales terms that do not allow for a right of return. However, our policy for DSD and certain chilled products is to remove and replace damaged and out-of-date products from store shelves to ensure that consumers receive the product quality and freshness they expect. Similarly, our policy for certain warehouse-distributed products is to replace damaged and out-of-date products. As a result, we record reserves, based on estimates, for anticipated damaged and out-of-date products.

Our products are sold for cash or on credit terms. Our credit terms, which are established in accordance with local and industry practices, typically require payment within 30 days of delivery in the United States, and generally within 30 to 90 days internationally, and may allow discounts for early payment.

We estimate and reserve for our bad debt exposure based on our experience with past due accounts and collectibility, the aging of accounts receivable and our analysis of customer data.

Our policy is to provide customers with product when needed. In fact, our commitment to freshness and product dating serves to regulate the quantity of product shipped or delivered. In addition, DSD products are placed on the shelf by our employees with customer shelf space and storerooms limiting the quantity of product. For product delivered through other distribution networks, we monitor customer inventory levels.

As discussed in “Our Customers” in “Item 1. Business,” we offer sales incentives and discounts through various programs to customers and consumers. Total marketplace spending includes sales incentives, discounts, advertising and other marketing activities. Sales incentives and discounts are primarily accounted for as a reduction of revenue and include payments to customers for performing activities on our behalf, such as payments for in-store displays, payments to gain distribution of new products, payments for shelf space and discounts to promote lower retail prices. Sales incentives and discounts also include support provided to our independent bottlers through funding of advertising and other marketing activities.

See Note 2 to our consolidated financial statements for additional information on our revenue recognition and related policies, including total marketplace spending.

### **Goodwill and Other Intangible Assets**

We sell products under a number of brand names, many of which were developed by us. Brand development costs are expensed as incurred. We also purchase brands and other intangible assets in acquisitions. In a business combination, the consideration is first assigned to identifiable assets and liabilities, including brands and other intangible assets, based on estimated fair values, with any excess recorded as goodwill. Determining fair value requires significant estimates and assumptions based on an evaluation of a number of factors, such as marketplace participants, product life cycles, market share, consumer awareness, brand history and future

expansion expectations, amount and timing of future cash flows and the discount rate applied to the cash flows.

We believe that a brand has an indefinite life if it has a history of strong revenue and cash flow performance and we have the intent and ability to support the brand with marketplace spending for the foreseeable future. If these indefinite-lived brand criteria are not met, brands are amortized over their expected useful lives, which generally range from 20 to 40 years. Determining the expected life of a brand requires management judgment and is based on an evaluation of a number of factors, including market share, consumer awareness, brand history, future expansion expectations and regulatory restrictions, as well as the macroeconomic environment of the countries in which the brand is sold.

In connection with previous acquisitions, we reacquired certain franchise rights which provided the exclusive and perpetual rights to manufacture and/or distribute beverages for sale in specified territories. In determining the useful life of these franchise rights, many factors were considered, including the pre-existing perpetual bottling arrangements, the indefinite period expected for these franchise rights to contribute to our future cash flows, as well as the lack of any factors that would limit the useful life of these franchise rights to us, including legal, regulatory, contractual, competitive, economic or other factors. Therefore, certain of these franchise rights are considered as indefinite-lived. Franchise rights that are not considered indefinite-lived are amortized over the remaining contractual period of the contract in which the right was granted.

Indefinite-lived intangible assets and goodwill are not amortized and, as a result, are assessed for impairment at least annually, using either a qualitative or quantitative approach. We perform this annual assessment during our third quarter. Where we use the qualitative assessment, first we determine if, based on qualitative factors, it is more likely than not that an impairment exists. Factors considered include macroeconomic, industry and competitive conditions, legal and regulatory environment, historical financial performance and significant changes in the brand or reporting unit. If the qualitative assessment indicates that it is more likely than not that an impairment exists, then a quantitative assessment is performed.

In the quantitative assessment, estimated fair value is determined using discounted cash flows and requires an analysis of several estimates including future cash flows or income consistent with management's strategic business plans, annual sales growth rates, perpetuity growth assumptions and the selection of assumptions underlying a discount rate (weighted-average cost of capital) based on market data available at the time. Significant management judgment is necessary to estimate the impact of competitive operating, macroeconomic and other factors to estimate future levels of sales, operating profit or cash flows. All assumptions used in our impairment evaluations for indefinite-lived intangible assets, such as forecasted growth rates and weighted-average cost of capital, are based on the best available market information and are consistent with our internal forecasts and operating plans. These assumptions could be adversely impacted by certain of the risks described in "Item 1A. Risk Factors" and "Our Business Risks."

Amortizable intangible assets are only evaluated for impairment upon a significant change in the operating or macroeconomic environment. If an evaluation of the undiscounted future cash flows indicates impairment, the asset is written down to its estimated fair value, which is based on its discounted future cash flows.

See Note 2 and Note 4 to our consolidated financial statements.

### **Income Tax Expense and Accruals**

Our annual tax rate is based on our income, statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Significant judgment is required in determining our annual tax rate and in evaluating our tax positions. We establish reserves when, despite our belief that our tax return positions are fully supportable, we believe that certain positions are subject to challenge and that we likely

will not succeed. We adjust these reserves, as well as the related interest, in light of changing facts and circumstances, such as the progress of a tax audit. See “Item 1A. Risk Factors” for further discussion.

An estimated annual effective tax rate is applied to our quarterly operating results. In the event there is a significant or unusual item recognized in our quarterly operating results, the tax attributable to that item is separately calculated and recorded at the same time as that item. We consider the tax adjustments from the resolution of prior year tax matters to be among such items.

Tax law requires items to be included in our tax returns at different times than the items are reflected in our financial statements. As a result, our annual tax rate reflected in our financial statements is different than that reported in our tax returns (our cash tax rate). Some of these differences are permanent, such as expenses that are not deductible in our tax return, and some differences reverse over time, such as depreciation expense. These temporary differences create deferred tax assets and liabilities. Deferred tax assets generally represent items that can be used as a tax deduction or credit in our tax returns in future years for which we have already recorded the tax benefit on our income statement. We establish valuation allowances for our deferred tax assets if, based on the available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax liabilities generally represent tax expense recognized in our financial statements for which payment has been deferred, or expense for which we have already taken a deduction in our tax return but have not yet recognized as expense in our financial statements.

During the fourth quarter of 2017, the TCJ Act was enacted in the United States. Among its many provisions, the TCJ Act imposed a mandatory one-time transition tax on undistributed international earnings and reduced the U.S. corporate income tax rate from 35% to 21%, effective January 1, 2018. As a result of the enactment of the TCJ Act, we recognized a provisional net tax expense of \$2.5 billion (\$1.70 per share) in the fourth quarter of 2017.

Included in the provisional net tax expense of \$2.5 billion recognized in 2017 is a provisional mandatory one-time transition tax of approximately \$4 billion on undistributed international earnings, included in other liabilities. This provisional mandatory one-time transition tax was partially offset by a provisional \$1.5 billion benefit resulting from the required remeasurement of our deferred tax assets and liabilities to the new, lower U.S. corporate income tax rate, effective January 1, 2018. The effect of the remeasurement was recorded in the fourth quarter of 2017, consistent with the enactment date of the TCJ Act and reflected in our provision for income taxes.

During 2018, we recognized a net tax benefit of \$28 million (\$0.02 per share) in connection with the TCJ Act. See further information in “Items Affecting Comparability.”

While our accounting for the recorded impact of the TCJ Act is deemed to be complete, these amounts are based on prevailing regulations and currently available information, and any additional guidance issued by the IRS could impact the aforementioned amounts in future periods. As a result of the TCJ Act, we currently expect our annual tax rate, excluding items affecting comparability, in percentage terms, to be in the low twenties in 2019. However, we continue to evaluate the impact of the TCJ Act on our annual tax rate due to certain provisions, such as the global intangible low-tax income (GILTI) provision, which may impact our tax rate in future years.

In 2018, our annual tax rate was (36.7)% compared to 48.9% in 2017, as discussed in “Other Consolidated Results.” The tax rate decreased 85.6 percentage points compared to 2017, reflecting both other net tax benefits related to the reorganization of our international operations, which reduced the reported tax rate by 45 percentage points, and the prior year provisional net tax expense related to the TCJ Act, which reduced the current year reported tax rate by 25 percentage points. Additionally, the favorable conclusion of certain international tax audits and the favorable resolution with the IRS of all open matters related to the audits of

taxable years 2012 and 2013, collectively, reduced the reported tax rate by 7 percentage points. See Note 5 to our consolidated financial statements.

## **Pension and Retiree Medical Plans**

Our pension plans cover certain employees in the United States and certain international employees. Benefits are determined based on either years of service or a combination of years of service and earnings. Certain U.S. and Canada retirees are also eligible for medical and life insurance benefits (retiree medical) if they meet age and service requirements. Generally, our share of retiree medical costs is capped at specified dollar amounts, which vary based upon years of service, with retirees contributing the remainder of the cost. In addition, we have been phasing out certain subsidies of retiree medical benefits.

In 2016, we approved an amendment to reorganize the U.S. qualified defined benefit pension plans that resulted in the combination of two plans effective December 31, 2016, and the spinoff of a portion of the combined plan into a pre-existing plan effective January 1, 2017. The benefits offered to the plans' participants were unchanged. The result of the reorganization was the creation of Plan A and the PepsiCo Employees Retirement Plan I (Plan I). The reorganization was made to facilitate a targeted investment strategy over time and to provide additional flexibility in evaluating opportunities to reduce risk and volatility. Actuarial gains and losses associated with Plan A are amortized over the average remaining service life of the active participants, while the actuarial gains and losses associated with Plan I are amortized over the remaining life expectancy of the inactive participants. As a result of these changes, the pre-tax net periodic benefit cost decreased by \$42 million (\$27 million after-tax, reflecting tax rates effective for the 2017 tax year, or \$0.02 per share) in 2017, primarily impacting corporate unallocated expenses. See Note 7 to our consolidated financial statements.

In 2016, the U.S. qualified defined benefit pension plans purchased a group annuity contract whereby an unrelated insurance company assumed the obligation to pay and administer future annuity payments for certain retirees. In 2016, we made discretionary contributions of \$452 million primarily to fund the transfer of the obligation. This transaction triggered a pre-tax settlement charge of \$242 million (\$162 million after-tax or \$0.11 per share). See "Items Affecting Comparability" and Note 7 to our consolidated financial statements.

### ***Our Assumptions***

The determination of pension and retiree medical expenses and obligations requires the use of assumptions to estimate the amount of benefits that employees earn while working, as well as the present value of those benefits. Annual pension and retiree medical expense amounts are principally based on four components: (1) the value of benefits earned by employees for working during the year (service cost), (2) the increase in the projected benefit obligation due to the passage of time (interest cost), and (3) other gains and losses as discussed in Note 7 to our consolidated financial statements, reduced by (4) the expected return on assets for our funded plans.

Significant assumptions used to measure our annual pension and retiree medical expenses include:

- certain employee-related demographic factors, such as turnover, retirement age and mortality;
- the expected return on assets in our funded plans;
- for pension expense, the rate of salary increases for plans where benefits are based on earnings;
- for retiree medical expense, health care cost trend rates; and
- for pension and retiree medical expense, the spot rates along the yield curve used to determine service and interest costs and the present value of liabilities.

Certain assumptions reflect our historical experience and management’s best judgment regarding future expectations. All actuarial assumptions are reviewed annually, except in the case of an interim remeasurement due to a significant event such as a curtailment or settlement. Due to the significant management judgment involved, our assumptions could have a material impact on the measurement of our pension and retiree medical expenses and obligations.

At each measurement date, the discount rates are based on interest rates for high-quality, long-term corporate debt securities with maturities comparable to those of our liabilities. Our U.S. obligation and pension and retiree medical expense is based on the discount rates determined using the Mercer Above Mean Curve. This curve includes bonds that closely match the timing and amount of our expected benefit payments and reflects the portfolio of investments we would consider to settle our liabilities.

See Note 7 to our consolidated financial statements for information about the expected rate of return on plan assets and our plans’ investment strategy. Although we review our expected long-term rates of return on an annual basis, our asset returns in a given year do not significantly influence our evaluation of long-term rates of return.

The health care trend rate used to determine our retiree medical plans’ liability and expense is reviewed annually. Our review is based on our claims experience, information provided by our health plans and actuaries, and our knowledge of the health care industry. Our review of the trend rate considers factors such as demographics, plan design, new medical technologies and changes in medical carriers.

Weighted-average assumptions for pension and retiree medical expense are as follows:

	2019	2018	2017
<b><i>Pension</i></b>			
Service cost discount rate	4.4%	3.7%	4.3%
Interest cost discount rate	3.9%	3.2%	3.5%
Expected rate of return on plan assets	6.8%	6.9%	7.2%
Expected rate of salary increases	3.2%	3.2%	3.2%
<b><i>Retiree medical</i></b>			
Service cost discount rate	4.3%	3.6%	4.0%
Interest cost discount rate	3.8%	3.0%	3.2%
Expected rate of return on plan assets	6.6%	6.5%	7.5%
Current health care cost trend rate	5.7%	5.8%	5.9%

Based on our assumptions, we expect our total pension and retiree medical expense to increase in 2019 primarily driven by the recognition of prior experience losses on return on plan assets, partially offset by the impact of higher discount rates and discretionary plan contributions.

### ***Sensitivity of Assumptions***

A decrease in each of the collective discount rates or in the expected rate of return assumptions would increase expense for our benefit plans. A 25-basis-point decrease in each of the above discount rates and expected rate of return assumptions would individually increase 2019 pre-tax pension and retiree medical expense as follows:

Assumption	Amount
Discount rates used in the calculation of expense	\$42
Expected rate of return	\$40

***Funding***

We make contributions to pension trusts that provide plan benefits for certain pension plans. These contributions are made in accordance with applicable tax regulations that provide for current tax deductions for our contributions and taxation to the employee only upon receipt of plan benefits. Generally, we do not fund our pension plans when our contributions would not be currently tax deductible. As our retiree medical plans are not subject to regulatory funding requirements, we generally fund these plans on a pay-as-you-go basis, although we periodically review available options to make additional contributions toward these benefits.

Our pension and retiree medical contributions are subject to change as a result of many factors, such as changes in interest rates, deviations between actual and expected asset returns and changes in tax or other benefit laws. We regularly evaluate different opportunities to reduce risk and volatility associated with our pension and retiree medical plans. See Note 7 to our consolidated financial statements for our past and expected contributions and estimated future benefit payments.

**Consolidated Statement of Income**

PepsiCo, Inc. and Subsidiaries

Fiscal years ended December 29, 2018, December 30, 2017 and December 31, 2016

(in millions except per share amounts)

	2018	2017	2016
<b>Net Revenue</b>	<b>\$ 64,661</b>	<b>\$ 63,525</b>	<b>\$ 62,799</b>
Cost of sales	29,381	28,796	28,222
Gross profit	35,280	34,729	34,577
Selling, general and administrative expenses	25,170	24,453	24,773
<b>Operating Profit</b>	<b>10,110</b>	<b>10,276</b>	<b>9,804</b>
Other pension and retiree medical benefits income/(expense)	298	233	(19)
Interest expense	(1,525)	(1,151)	(1,342)
Interest income and other	306	244	110
Income before income taxes	9,189	9,602	8,553
(Benefit from)/provision for income taxes (See Note 5)	(3,370)	4,694	2,174
Net income	12,559	4,908	6,379
Less: Net income attributable to noncontrolling interests	44	51	50
<b>Net Income Attributable to PepsiCo</b>	<b>\$ 12,515</b>	<b>\$ 4,857</b>	<b>\$ 6,329</b>
<b>Net Income Attributable to PepsiCo per Common Share</b>			
<b>Basic</b>	<b>\$ 8.84</b>	<b>\$ 3.40</b>	<b>\$ 4.39</b>
<b>Diluted</b>	<b>\$ 8.78</b>	<b>\$ 3.38</b>	<b>\$ 4.36</b>
Weighted-average common shares outstanding			
Basic	1,415	1,425	1,439
Diluted	1,425	1,438	1,452

See accompanying notes to the consolidated financial statements.

**Consolidated Statement of Comprehensive Income**

PepsiCo, Inc. and Subsidiaries

Fiscal years ended December 29, 2018, December 30, 2017 and December 31, 2016

(in millions)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net income	\$ 12,559	\$ 4,908	\$ 6,379
Other comprehensive income/(loss), net of taxes:			
Net currency translation adjustment	(1,641)	1,109	(302)
Net change on cash flow hedges	40	(36)	46
Net pension and retiree medical adjustments	(467)	(159)	(316)
Net change on available-for-sale securities	6	(68)	(24)
Other	—	16	—
	<u>(2,062)</u>	<u>862</u>	<u>(596)</u>
Comprehensive income	10,497	5,770	5,783
Comprehensive income attributable to noncontrolling interests	(44)	(51)	(54)
<b>Comprehensive Income Attributable to PepsiCo</b>	<b>\$ 10,453</b>	<b>\$ 5,719</b>	<b>\$ 5,729</b>

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See accompanying notes to the consolidated financial statements.

**Consolidated Statement of Cash Flows**

PepsiCo, Inc. and Subsidiaries

Fiscal years ended December 29, 2018, December 30, 2017 and December 31, 2016

(in millions)

	2018	2017	2016
<b>Operating Activities</b>			
Net income	\$ 12,559	\$ 4,908	\$ 6,379
Depreciation and amortization	2,399	2,369	2,368
Share-based compensation expense	256	292	284
Restructuring and impairment charges	308	295	160
Cash payments for restructuring charges	(255)	(113)	(125)
Charge related to the transaction with Tingyi	—	—	373
Pension and retiree medical plan expenses	221	221	501
Pension and retiree medical plan contributions	(1,708)	(220)	(695)
Deferred income taxes and other tax charges and credits	(531)	619	452
Other net tax benefits related to international reorganizations	(4,347)	—	—
Net tax (benefit)/expense related to the TCJ Act	(28)	2,451	—
Change in assets and liabilities:			
Accounts and notes receivable	(253)	(202)	(349)
Inventories	(174)	(168)	(75)
Prepaid expenses and other current assets	9	20	10
Accounts payable and other current liabilities	882	201	981
Income taxes payable	333	(338)	329
Other, net	(256)	(305)	70
<b>Net Cash Provided by Operating Activities</b>	<b>9,415</b>	<b>10,030</b>	<b>10,663</b>
<b>Investing Activities</b>			
Capital spending	(3,282)	(2,969)	(3,040)
Sales of property, plant and equipment	134	180	99
Acquisition of SodaStream, net of cash and cash equivalents acquired	(1,197)	—	—
Other acquisitions and investments in noncontrolled affiliates	(299)	(61)	(212)
Divestitures	505	267	85
Short-term investments, by original maturity:			
More than three months - purchases	(5,637)	(18,385)	(12,504)
More than three months - maturities	12,824	15,744	8,399
More than three months - sales	1,498	790	—
Three months or less, net	16	2	16
Other investing, net	2	29	7
<b>Net Cash Provided by/(Used for) Investing Activities</b>	<b>4,564</b>	<b>(4,403)</b>	<b>(7,150)</b>
<b>Financing Activities</b>			
Proceeds from issuances of long-term debt	—	7,509	7,818
Payments of long-term debt	(4,007)	(4,406)	(3,105)
Cash tender and exchange offers/debt redemptions	(1,589)	—	(2,504)
Short-term borrowings, by original maturity:			
More than three months - proceeds	3	91	59
More than three months - payments	(17)	(128)	(27)
Three months or less, net	(1,352)	(1,016)	1,505
Cash dividends paid	(4,930)	(4,472)	(4,227)
Share repurchases - common	(2,000)	(2,000)	(3,000)
Share repurchases - preferred	(2)	(5)	(7)
Proceeds from exercises of stock options	281	462	465
Withholding tax payments on RSUs, PSUs and PEPunits converted	(103)	(145)	(130)
Other financing	(53)	(76)	(58)
<b>Net Cash Used for Financing Activities</b>	<b>(13,769)</b>	<b>(4,186)</b>	<b>(3,211)</b>
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(98)	47	(252)
<b>Net Increase in Cash and Cash Equivalents and Restricted Cash</b>	<b>112</b>	<b>1,488</b>	<b>50</b>
<b>Cash and Cash Equivalents and Restricted Cash, Beginning of Year</b>	<b>10,657</b>	<b>9,169</b>	<b>9,119</b>
<b>Cash and Cash Equivalents and Restricted Cash, End of Year</b>	<b>\$ 10,769</b>	<b>\$ 10,657</b>	<b>\$ 9,169</b>

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See accompanying notes to the consolidated financial statements.

**Consolidated Balance Sheet**

PepsiCo, Inc. and Subsidiaries

December 29, 2018 and December 30, 2017

(in millions except per share amounts)

	2018	2017
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 8,721	\$ 10,610
Short-term investments	272	8,900
Restricted cash	1,997	—
Accounts and notes receivable, net	7,142	7,024
Inventories	3,128	2,947
Prepaid expenses and other current assets	633	1,546
<b>Total Current Assets</b>	<b>21,893</b>	<b>31,027</b>
<b>Property, Plant and Equipment, net</b>	<b>17,589</b>	<b>17,240</b>
<b>Amortizable Intangible Assets, net</b>	<b>1,644</b>	<b>1,268</b>
Goodwill	14,808	14,744
Other indefinite-lived intangible assets	14,181	12,570
<b>Indefinite-Lived Intangible Assets</b>	<b>28,989</b>	<b>27,314</b>
<b>Investments in Noncontrolled Affiliates</b>	<b>2,409</b>	<b>2,042</b>
<b>Deferred Income Taxes</b>	<b>4,364</b>	<b>—</b>
<b>Other Assets</b>	<b>760</b>	<b>913</b>
<b>Total Assets</b>	<b>\$ 77,648</b>	<b>\$ 79,804</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Short-term debt obligations	\$ 4,026	\$ 5,485
Accounts payable and other current liabilities	18,112	15,017
<b>Total Current Liabilities</b>	<b>22,138</b>	<b>20,502</b>
<b>Long-Term Debt Obligations</b>	<b>28,295</b>	<b>33,796</b>
<b>Deferred Income Taxes</b>	<b>3,499</b>	<b>3,242</b>
<b>Other Liabilities</b>	<b>9,114</b>	<b>11,283</b>
<b>Total Liabilities</b>	<b>63,046</b>	<b>68,823</b>
Commitments and contingencies		
<b>Preferred Stock, no par value</b>	<b>—</b>	<b>41</b>
<b>Repurchased Preferred Stock</b>	<b>—</b>	<b>(197)</b>
<b>PepsiCo Common Shareholders' Equity</b>		
Common stock, par value $1^{2}/_{3}\phi$ per share (authorized 3,600 shares; issued, net of repurchased common stock at par value: 1,409 and 1,420 shares, respectively)	23	24
Capital in excess of par value	3,953	3,996
Retained earnings	59,947	52,839
Accumulated other comprehensive loss	(15,119)	(13,057)
Repurchased common stock, in excess of par value (458 and 446 shares, respectively)	(34,286)	(32,757)
<b>Total PepsiCo Common Shareholders' Equity</b>	<b>14,518</b>	<b>11,045</b>
Noncontrolling interests	84	92
<b>Total Equity</b>	<b>14,602</b>	<b>10,981</b>
<b>Total Liabilities and Equity</b>	<b>\$ 77,648</b>	<b>\$ 79,804</b>

See accompanying notes to the consolidated financial statements.

## Consolidated Statement of Equity

PepsiCo, Inc. and Subsidiaries

Fiscal years ended December 29, 2018, December 30, 2017 and December 31, 2016

(in millions)

	2018		2017		2016	
	Shares	Amount	Shares	Amount	Shares	Amount
<b>Preferred Stock</b>						
Balance, beginning of year	0.8	\$ 41	0.8	\$ 41	0.8	\$ 41
Conversion to common stock	(0.1)	(6)	—	—	—	—
Retirement of preferred stock	(0.7)	(35)	—	—	—	—
Balance, end of year	—	—	0.8	41	0.8	41
<b>Repurchased Preferred Stock</b>						
Balance, beginning of year	(0.7)	(197)	(0.7)	(192)	(0.7)	(186)
Redemptions	—	(2)	—	(5)	—	(6)
Retirement of preferred stock	0.7	199	—	—	—	—
Balance, end of year	—	—	(0.7)	(197)	(0.7)	(192)
<b>Common Stock</b>						
Balance, beginning of year	1,420	24	1,428	24	1,448	24
Share issued in connection with preferred stock conversion to common stock	1	—	—	—	—	—
Change in repurchased common stock	(12)	(1)	(8)	—	(20)	—
Balance, end of year	1,409	23	1,420	24	1,428	24
<b>Capital in Excess of Par Value</b>						
Balance, beginning of year		3,996		4,091		4,076
Share-based compensation expense		250		290		289
Equity issued in connection with preferred stock conversion to common stock		6		—		—
Stock option exercises, RSUs, PSUs and PEPunits converted <sup>(a)</sup>		(193)		(236)		(138)
Withholding tax on RSUs, PSUs and PEPunits converted		(103)		(145)		(130)
Other		(3)		(4)		(6)
Balance, end of year		3,953		3,996		4,091
<b>Retained Earnings</b>						
Balance, beginning of year		52,839		52,518		50,472
Cumulative effect of accounting changes		(145)		—		—
Net income attributable to PepsiCo		12,515		4,857		6,329
Cash dividends declared - common <sup>(b)</sup>		(5,098)		(4,536)		(4,282)
Cash dividends declared - preferred		—		—		(1)
Retirement of preferred stock		(164)		—		—
Balance, end of year		59,947		52,839		52,518
<b>Accumulated Other Comprehensive Loss</b>						
Balance, beginning of year		(13,057)		(13,919)		(13,319)
Other comprehensive (loss)/income attributable to PepsiCo		(2,062)		862		(600)
Balance, end of year		(15,119)		(13,057)		(13,919)
<b>Repurchased Common Stock</b>						
Balance, beginning of year	(446)	(32,757)	(438)	(31,468)	(418)	(29,185)
Share repurchases	(18)	(2,000)	(18)	(2,000)	(29)	(3,000)
Stock option exercises, RSUs, PSUs and PEPunits converted	6	469	10	708	9	712
Other	—	2	—	3	—	5
Balance, end of year	(458)	(34,286)	(446)	(32,757)	(438)	(31,468)
<b>Total PepsiCo Common Shareholders' Equity</b>		<b>14,518</b>		<b>11,045</b>		<b>11,246</b>
<b>Noncontrolling Interests</b>						
Balance, beginning of year		92		104		107
Net income attributable to noncontrolling interests		44		51		50
Distributions to noncontrolling interests		(49)		(62)		(55)
Currency translation adjustment		—		—		4
Other, net		(3)		(1)		(2)
Balance, end of year		84		92		104
<b>Total Equity</b>		<b>\$ 14,602</b>		<b>\$ 10,981</b>		<b>\$ 11,199</b>

(a) Includes total tax benefits of \$110 million in 2016.

(b) Cash dividends declared per common share were \$3.5875, \$3.1675 and \$2.96 for 2018, 2017 and 2016, respectively.



**Notes to Consolidated Financial Statements****Note 1 — Basis of Presentation and Our Divisions*****Basis of Presentation***

The accompanying financial statements have been prepared in accordance with U.S. GAAP and include the consolidated accounts of PepsiCo, Inc. and the affiliates that we control. In addition, we include our share of the results of certain other affiliates using the equity method based on our economic ownership interest, our ability to exercise significant influence over the operating or financial decisions of these affiliates or our ability to direct their economic resources. We do not control these other affiliates, as our ownership in these other affiliates is generally 50% or less. Intercompany balances and transactions are eliminated. As a result of exchange restrictions and other operating restrictions, we do not have control over our Venezuelan subsidiaries. As such, our Venezuelan subsidiaries are not included within our consolidated financial results for any period presented.

Raw materials, direct labor and plant overhead, as well as purchasing and receiving costs, costs directly related to production planning, inspection costs and raw materials handling facilities, are included in cost of sales. The costs of moving, storing and delivering finished product, including merchandising activities, are included in selling, general and administrative expenses.

The preparation of our consolidated financial statements requires us to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities. Estimates are used in determining, among other items, sales incentives accruals, tax reserves, share-based compensation, pension and retiree medical accruals, amounts and useful lives for intangible assets and future cash flows associated with impairment testing for perpetual brands, goodwill and other long-lived assets. We evaluate our estimates on an ongoing basis using our historical experience, as well as other factors we believe appropriate under the circumstances, such as current economic conditions, and adjust or revise our estimates as circumstances change. As future events and their effect cannot be determined with precision, actual results could differ significantly from these estimates.

Our fiscal year ends on the last Saturday of each December, resulting in an additional week of results every five or six years. Our fiscal 2016 results included an extra week. While our North America results are reported on a weekly calendar basis, most of our international operations report on a monthly calendar basis. Certain operations in our ESSA segment report on a weekly calendar basis. The following chart details our quarterly reporting schedule:

Quarter	United States and Canada	International
First Quarter	12 weeks	January, February
Second Quarter	12 weeks	March, April and May
Third Quarter	12 weeks	June, July and August
Fourth Quarter	16 weeks (17 weeks for 2016)	September, October, November and December

See “Our Divisions” below, and for additional unaudited information on items affecting the comparability of our consolidated results, see further unaudited information in “Items Affecting Comparability” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Unless otherwise noted, tabular dollars are in millions, except per share amounts. All per share amounts reflect common per share amounts, assume dilution unless otherwise noted, and are based on unrounded amounts. Certain reclassifications were made to the prior years’ financial statements to conform to the current year presentation, including the adoption of the recently issued accounting pronouncements disclosed in Note 2.

## ***Our Divisions***

Through our operations, authorized bottlers, contract manufacturers and other third parties, we make, market, distribute and sell a wide variety of convenient beverages, foods and snacks, serving customers and consumers in more than 200 countries and territories with our largest operations in North America, Mexico, Russia, the United Kingdom and Brazil. Division results are based on how our Chief Executive Officer assesses the performance of and allocates resources to our divisions and are considered our reportable segments. For additional unaudited information on our divisions, see “Our Operations” contained in “Item 1. Business.” The accounting policies for the divisions are the same as those described in Note 2, except for the following allocation methodologies:

- share-based compensation expense;
- pension and retiree medical expense; and
- derivatives.

### *Share-Based Compensation Expense*

Our divisions are held accountable for share-based compensation expense and, therefore, this expense is allocated to our divisions as an incremental employee compensation cost.

The allocation of share-based compensation expense of each division is as follows:

	2018	2017	2016
FLNA	13%	13%	14%
QFNA	1%	1%	2%
NAB	18%	18%	22%
Latin America	8%	7%	7%
ESSA	9%	9%	11%
AMENA	8%	9%	10%
Corporate unallocated expenses	43%	43%	34%

The expense allocated to our divisions excludes any impact of changes in our assumptions during the year which reflect market conditions over which division management has no control. Therefore, any variances between allocated expense and our actual expense are recognized in corporate unallocated expenses.

### *Pension and Retiree Medical Expense*

Pension and retiree medical service costs measured at fixed discount rates are reflected in division results. The variance between the fixed discount rate used to determine the service cost reflected in division results and the discount rate as disclosed in Note 7 is reflected in corporate unallocated expenses.

### *Derivatives*

We centrally manage commodity derivatives on behalf of our divisions. These commodity derivatives include energy, agricultural products and metals. Commodity derivatives that do not qualify for hedge accounting treatment are marked to market each period with the resulting gains and losses recorded in corporate unallocated expenses as either cost of sales or selling, general and administrative expenses, depending on the underlying commodity. These gains and losses are subsequently reflected in division results when the divisions recognize the cost of the underlying commodity in operating profit. Therefore, the divisions realize the economic effects of the derivative without experiencing any resulting mark-to-market volatility, which remains in corporate unallocated expenses. These derivatives hedge underlying commodity price risk and were not entered into for trading or speculative purposes.

Net revenue and operating profit of each division are as follows:

	Net Revenue			Operating Profit <sup>(b)</sup>		
	2018 <sup>(a)</sup>	2017	2016	2018	2017 <sup>(c)</sup>	2016 <sup>(c)</sup>
FLNA	\$ 16,346	\$ 15,798	\$ 15,549	\$ 5,008	\$ 4,793	\$ 4,612
QFNA	2,465	2,503	2,564	637	640	649
NAB	21,072	20,936	21,312	2,276	2,700	2,947
Latin America	7,354	7,208	6,820	1,049	924	904
ESSA	11,523	11,050	10,216	1,364	1,316	1,061
AMENA	5,901	6,030	6,338	1,172	1,073	619
Total division	64,661	63,525	62,799	11,506	11,446	10,792
Corporate unallocated expenses	—	—	—	(1,396)	(1,170)	(988)
	\$ 64,661	\$ 63,525	\$ 62,799	\$ 10,110	\$ 10,276	\$ 9,804

(a) Our primary performance obligation is the distribution and sales of beverage products and food and snack products to our customers, each comprising approximately 50% of our consolidated net revenue. Internationally, our Latin America segment is predominantly a food and snack business, ESSA's beverage business and food and snack business are each approximately 50% of the segment's net revenue and AMENA's beverage business and food and snack business are approximately 35% and 65%, respectively, of the segment's net revenue. Beverage revenue from company-owned bottlers, which primarily includes our consolidated bottling operations in our NAB and ESSA segments, is approximately 40% of our consolidated net revenue. Generally, our finished goods beverage operations produce higher net revenue, but lower operating margins as compared to concentrate sold to authorized bottling partners for the manufacture of finished goods beverages. See Note 2 for additional information.

(b) For further unaudited information on certain items that impacted our financial performance, see "Item 6. Selected Financial Data."

(c) Reflects the retrospective adoption of guidance requiring the presentation of non-service cost components of net periodic benefit cost below operating profit. See Note 2 for additional information.

### Corporate Unallocated Expenses

Corporate unallocated expenses include costs of our corporate headquarters, centrally managed initiatives such as commodity derivative gains and losses, foreign exchange transaction gains and losses, our ongoing business transformation initiatives, unallocated research and development costs, unallocated insurance and benefit programs, and certain other items.

### Other Division Information

Total assets and capital spending of each division are as follows:

	Total Assets		Capital Spending		
	2018	2017	2018	2017	2016
FLNA	\$ 6,577	\$ 5,979	\$ 840	\$ 665	\$ 801
QFNA	870	804	53	44	41
NAB	29,878	28,592	945	904	769
Latin America	6,458	4,976	492	481	507
ESSA <sup>(a)</sup>	17,410	13,556	479	481	439
AMENA	6,433	5,668	323	308	381
Total division	67,626	59,575	3,132	2,883	2,938
Corporate <sup>(b)</sup>	10,022	20,229	150	86	102
	\$ 77,648	\$ 79,804	\$ 3,282	\$ 2,969	\$ 3,040

(a) In 2018, the change in assets was primarily related to our acquisition of SodaStream.

(b) Corporate assets consist principally of certain cash and cash equivalents, restricted cash, short-term investments, derivative instruments, property, plant and equipment and tax assets. In 2018, the change in assets was primarily due to a decrease in short-term investments and cash and cash equivalents. Refer to the cash flow statement for additional information.

Amortization of intangible assets and depreciation and other amortization of each division are as follows:

	Amortization of Intangible Assets			Depreciation and Other Amortization		
	2018	2017	2016	2018	2017	2016
FLNA	\$ 7	\$ 7	\$ 7	\$ 457	\$ 449	\$ 435
QFNA	—	—	—	45	47	50
NAB	31	31	37	821	780	809
Latin America	5	5	5	253	245	211
ESSA	23	22	18	331	329	321
AMENA	3	3	3	237	257	294
Total division	69	68	70	2,144	2,107	2,120
Corporate	—	—	—	186	194	178
	\$ 69	\$ 68	\$ 70	\$ 2,330	\$ 2,301	\$ 2,298

Net revenue and long-lived assets by country are as follows:

	Net Revenue			Long-Lived Assets <sup>(a)</sup>	
	2018	2017	2016	2018	2017
United States	\$ 37,148	\$ 36,546	\$ 36,732	\$ 29,169	\$ 28,418
Mexico	3,878	3,650	3,431	1,404	1,205
Russia <sup>(b)</sup>	3,191	3,232	2,648	3,926	4,708
Canada	2,736	2,691	2,692	2,565	2,739
United Kingdom	1,743	1,650	1,737	759	817
Brazil	1,335	1,427	1,305	639	777
All other countries <sup>(c)</sup>	14,630	14,329	14,254	12,169	9,200
	\$ 64,661	\$ 63,525	\$ 62,799	\$ 50,631	\$ 47,864

(a) Long-lived assets represent property, plant and equipment, indefinite-lived intangible assets, amortizable intangible assets and investments in noncontrolled affiliates. These assets are reported in the country where they are primarily used.

(b) Change in net revenue in 2017 primarily reflects appreciation of the Russian ruble. Change in long-lived assets in 2018 primarily reflects depreciation of the Russian ruble.

(c) Change in long-lived assets in 2018 primarily related to our acquisition of SodaStream.

## Note 2 — Our Significant Accounting Policies

### Revenue Recognition

We recognize revenue when our performance obligation is satisfied. Our primary performance obligation (the distribution and sales of beverage products and food and snack products) is satisfied upon the shipment or delivery of products to our customers, which is also when control is transferred. Merchandising activities are performed after a customer obtains control of the product, are accounted for as fulfillment of our performance obligation to ship or deliver product to our customers and are recorded in selling, general and administrative expenses. Merchandising activities are immaterial in the context of our contracts.

The transfer of control of products to our customers is typically based on written sales terms that do not allow for a right of return. However, our policy for DSD and certain chilled products is to remove and replace damaged and out-of-date products from store shelves to ensure that consumers receive the product quality and freshness they expect. Similarly, our policy for certain warehouse-distributed products is to replace damaged and out-of-date products. As a result, we record reserves, based on estimates, for anticipated damaged and out-of-date products.

In addition, upon adoption of the revenue recognition guidance (see subsequent discussion of “Recently Issued Accounting Pronouncements - Adopted”), we exclude from net revenue and cost of sales, all sales,

use, value-added and certain excise taxes assessed by governmental authorities on revenue-producing transactions.

Our products are sold for cash or on credit terms. Our credit terms, which are established in accordance with local and industry practices, typically require payment within 30 days of delivery in the United States, and generally within 30 to 90 days internationally, and may allow discounts for early payment.

We estimate and reserve for our bad debt exposure based on our experience with past due accounts and collectibility, the aging of accounts receivable and our analysis of customer data. Bad debt expense is classified within selling, general and administrative expenses on our income statement.

We are exposed to concentration of credit risk from our major customers, including Walmart. In 2018, sales to Walmart (including Sam's) represented approximately 13% of our consolidated net revenue, including concentrate sales to our independent bottlers, which were used in finished goods sold by them to Walmart. We have not experienced credit issues with these customers.

### ***Total Marketplace Spending***

We offer sales incentives and discounts through various programs to customers and consumers. Total marketplace spending includes sales incentives, discounts, advertising and other marketing activities. Sales incentives and discounts are primarily accounted for as a reduction of revenue and include payments to customers for performing activities on our behalf, such as payments for in-store displays, payments to gain distribution of new products, payments for shelf space and discounts to promote lower retail prices. Sales incentives and discounts also include support provided to our independent bottlers through funding of advertising and other marketing activities.

A number of our sales incentives, such as bottler funding to independent bottlers and customer volume rebates, are based on annual targets, and accruals are established during the year for the expected payout. These accruals are based on contract terms and our historical experience with similar programs and require management judgment with respect to estimating customer participation and performance levels. Differences between estimated expense and actual incentive costs are normally insignificant and are recognized in earnings in the period such differences are determined. In addition, certain advertising and marketing costs are also based on annual targets and recognized during the year as incurred.

The terms of most of our incentive arrangements do not exceed a year, and, therefore, do not require highly uncertain long-term estimates. Certain arrangements, such as fountain pouring rights, may extend beyond one year. Upfront payments to customers under these arrangements are recognized over the shorter of the economic or contractual life, primarily as a reduction of revenue, and the remaining balances of \$218 million as of December 29, 2018 and \$262 million as of December 30, 2017 are included in prepaid expenses and other current assets and other assets on our balance sheet. For additional unaudited information on our sales incentives, see "Our Customers" in "Item 1. Business."

For interim reporting, our policy is to allocate our forecasted full-year sales incentives for most of our programs to each of our interim reporting periods in the same year that benefits from the programs. The allocation methodology is based on our forecasted sales incentives for the full year and the proportion of each interim period's actual gross revenue or volume, as applicable, to our forecasted annual gross revenue or volume, as applicable. Based on our review of the forecasts at each interim period, any changes in estimates and the related allocation of sales incentives are recognized beginning in the interim period that they are identified. In addition, we apply a similar allocation methodology for interim reporting purposes for certain advertising and other marketing activities. Our annual financial statements are not impacted by this interim allocation methodology.

Advertising and other marketing activities, reported as selling, general and administrative expenses, totaled \$4.2 billion in 2018, \$4.1 billion in 2017 and \$4.2 billion in 2016, including advertising expenses of \$2.6 billion in 2018, \$2.4 billion in 2017 and \$2.5 billion in 2016. Deferred advertising costs are not expensed until the year first used and consist of:

- media and personal service prepayments;
- promotional materials in inventory; and
- production costs of future media advertising.

Deferred advertising costs of \$47 million and \$46 million as of December 29, 2018 and December 30, 2017, respectively, are classified as prepaid expenses and other current assets on our balance sheet.

### ***Distribution Costs***

Distribution costs, including the costs of shipping and handling activities, which include certain merchandising activities, are reported as selling, general and administrative expenses. Shipping and handling expenses were \$10.5 billion in 2018, \$9.9 billion in 2017 and \$9.7 billion in 2016.

### ***Cash Equivalents***

Cash equivalents are highly liquid investments with original maturities of three months or less.

### ***Software Costs***

We capitalize certain computer software and software development costs incurred in connection with developing or obtaining computer software for internal use when both the preliminary project stage is completed and it is probable that the software will be used as intended. Capitalized software costs include (i) external direct costs of materials and services utilized in developing or obtaining computer software, (ii) compensation and related benefits for employees who are directly associated with the software projects and (iii) interest costs incurred while developing internal-use computer software. Capitalized software costs are included in property, plant and equipment on our balance sheet and amortized on a straight-line basis when placed into service over the estimated useful lives of the software, which approximate five to 10 years. Software amortization totaled \$204 million in 2018, \$224 million in 2017 and \$214 million in 2016. Net capitalized software and development costs were \$577 million and \$686 million as of December 29, 2018 and December 30, 2017, respectively.

### ***Commitments and Contingencies***

We are subject to various claims and contingencies related to lawsuits, certain taxes and environmental matters, as well as commitments under contractual and other commercial obligations. We recognize liabilities for contingencies and commitments when a loss is probable and estimable. For additional unaudited information on our commitments, see “Our Liquidity and Capital Resources” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

### ***Research and Development***

We engage in a variety of research and development activities and continue to invest to accelerate growth and to drive innovation globally. Consumer research is excluded from research and development costs and included in other marketing costs. Research and development costs were \$680 million, \$737 million and \$760 million in 2018, 2017 and 2016, respectively, and are reported within selling, general and administrative expenses.

See “Research and Development” in “Item 1. Business” for additional unaudited information about our research and development activities.

### ***Goodwill and Other Intangible Assets***

Indefinite-lived intangible assets and goodwill are not amortized and, as a result, are assessed for impairment at least annually, using either a qualitative or quantitative approach. We perform this annual assessment during our third quarter. Where we use the qualitative assessment, first we determine if, based on qualitative factors, it is more likely than not that an impairment exists. Factors considered include macroeconomic, industry and competitive conditions, legal and regulatory environment, historical financial performance and significant changes in the brand or reporting unit. If the qualitative assessment indicates that it is more likely than not that an impairment exists, then a quantitative assessment is performed.

In the quantitative assessment of indefinite lived-intangible assets and goodwill, an assessment is performed to determine the fair value of the indefinite-lived intangible asset and the reporting unit, respectively. Estimated fair value is determined using discounted cash flows and requires an analysis of several estimates including future cash flows or income consistent with management's strategic business plans, annual sales growth rates, perpetuity growth assumptions and the selection of assumptions underlying a discount rate (weighted-average cost of capital) based on market data available at the time. Significant management judgment is necessary to estimate the impact of competitive operating, macroeconomic and other factors to estimate future levels of sales, operating profit or cash flows. All assumptions used in our impairment evaluations for indefinite-lived intangible assets and goodwill, such as forecasted growth rates and weighted-average cost of capital, are based on the best available market information and are consistent with our internal forecasts and operating plans. These assumptions could be adversely impacted by certain of the risks described in "Item 1A. Risk Factors" and "Our Business Risks" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Amortizable intangible assets are only evaluated for impairment upon a significant change in the operating or macroeconomic environment. If an evaluation of the undiscounted future cash flows indicates impairment, the asset is written down to its estimated fair value, which is based on its discounted future cash flows.

See also Note 4, and for additional unaudited information on goodwill and other intangible assets, see "Our Critical Accounting Policies" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

### ***Other Significant Accounting Policies***

Our other significant accounting policies are disclosed as follows:

- *Basis of Presentation* – Note 1 includes a description of our policies regarding use of estimates, basis of presentation and consolidation.
- *Property, Plant and Equipment* – Note 4.
- *Income Taxes* – Note 5, and for additional unaudited information, see "Our Critical Accounting Policies" in Management's Discussion and Analysis of Financial Condition and Results of Operations.
- *Share-Based Compensation* – Note 6.
- *Pension, Retiree Medical and Savings Plans* – Note 7, and for additional unaudited information, see "Our Critical Accounting Policies" in Management's Discussion and Analysis of Financial Condition and Results of Operations.
- *Financial Instruments* – Note 9, and for additional unaudited information, see "Our Business Risks" in Management's Discussion and Analysis of Financial Condition and Results of Operations.
- *Inventories* – Note 15. Inventories are valued at the lower of cost or net realizable value. Cost is determined using the average; first-in, first-out (FIFO) or, in limited instances, last-in, first-out (LIFO) methods.
- *Translation of Financial Statements of Foreign Subsidiaries* – Financial statements of foreign subsidiaries are translated into U.S. dollars using period-end exchange rates for assets and liabilities

and weighted-average exchange rates for revenues and expenses. Adjustments resulting from translating net assets are reported as a separate component of accumulated other comprehensive loss within common shareholders' equity as currency translation adjustment.

### ***Recently Issued Accounting Pronouncements - Adopted***

In 2017, the Financial Accounting Standards Board (FASB) issued guidance to retrospectively present the service cost component of net periodic benefit cost for pension and retiree medical plans along with other compensation costs in operating profit and present the other components of net periodic benefit cost separately below operating profit in the income statement. The guidance also allows only the service cost component of net periodic benefit cost to be eligible for capitalization within inventory or fixed assets on a prospective basis. We adopted the provisions of this guidance retrospectively in the first quarter of 2018, using historical information previously disclosed in our pension and retiree medical benefits footnote as the estimation basis. We also updated our allocation of service costs to our divisions to better approximate actual service cost. The impact from retrospective adoption of this guidance resulted in an increase to cost of sales and selling, general and administrative expenses of \$11 million and \$222 million, respectively, for the year ended December 30, 2017 and an increase of \$13 million and a decrease of \$32 million, respectively, for the year ended December 31, 2016. We recorded a corresponding increase of \$233 million and decrease of \$19 million for the years ended December 30, 2017 and December 31, 2016, respectively, to other pension and retiree medical benefits income/(expense) below operating profit.

The (decreases)/increases to operating profit for each division and to corporate unallocated expenses are as follows:

	2017 <sup>(a)</sup>	2016 <sup>(b)</sup>
FLNA	\$ (30)	\$ (47)
QFNA	(2)	(4)
NAB	(7)	(12)
Latin America	16	17
ESSA	(38)	(47)
AMENA	—	—
Corporate unallocated expenses	(172)	112 <sup>(c)</sup>
<b>Total</b>	<b>\$ (233)</b>	<b>\$ 19</b>

(a) Includes restructuring charges of \$66 million, including \$13 million in our FLNA segment, \$2 million in our QFNA segment, \$11 million in our NAB segment, \$7 million in our Latin America segment and \$33 million in corporate unallocated expenses. See "Items Affecting Comparability" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

(b) Includes restructuring charges of \$5 million, including \$1 million in our FLNA segment, \$2 million in our NAB segment and \$2 million in corporate unallocated expenses. See "Items Affecting Comparability" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

(c) Reflects a settlement charge of \$242 million related to a group annuity contract purchase. See "Items Affecting Comparability" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

The changes described above had no impact on our consolidated net revenue, net income or earnings per share. See Note 7 for further information on our service cost and other components of net periodic benefit cost for pension and retiree medical plans.

In 2016, the FASB issued guidance to clarify how restricted cash should be presented in the cash flow statement. We adopted the provisions of this guidance retrospectively during the first quarter of 2018; the adoption did not have a material impact on our financial statements and primarily related to collateral posted against our derivative asset or liability positions. See Note 9 and Note 13 for further information.

In 2016, the FASB issued guidance that requires companies to account for the income tax effects of intercompany transfers of assets, other than inventory, when the transfer occurs versus deferring income tax effects until the transferred asset is sold to an outside party or otherwise recognized. We adopted the provisions of this guidance during the first quarter of 2018; the adoption did not have a material impact on our financial statements and we recorded an adjustment of \$8 million to beginning retained earnings.

In 2016, the FASB issued guidance that requires companies to measure investments in certain equity securities at fair value and recognize any changes in fair value in net income. We adopted the provisions of this guidance during the first quarter of 2018; the adoption did not have an impact on our financial statements. See Note 9 for further information on our investments in equity securities.

In 2014, the FASB issued guidance on revenue recognition, with final amendments issued in 2016. The guidance provides for a five-step model to determine the revenue recognized for the transfer of goods or services to customers that reflects the expected entitled consideration in exchange for those goods or services. It also provides clarification for principal versus agent considerations and identifying performance obligations. In addition, the FASB introduced practical expedients related to disclosures of remaining performance obligations, as well as other amendments related to guidance on collectibility, non-cash consideration and the presentation of sales and other similar taxes. Financial statement disclosures required under the guidance will enable users to understand the nature, amount, timing, judgments and uncertainty of revenue and cash flows relating to customer contracts. The two permitted transition methods under the guidance are the full retrospective approach or a cumulative effect adjustment to the opening retained earnings in the year of adoption (cumulative effect approach). We adopted the guidance applied to all contracts using the cumulative effect approach during the first quarter of 2018; the adoption did not have a material impact on our financial statements.

We utilized a comprehensive approach to assess the impact of the guidance on our contract portfolio by reviewing our current accounting policies and practices to identify potential differences that would result from applying the new requirements to our revenue contracts, including evaluation of our performance obligations, principal versus agent considerations and variable consideration. We completed our contract and business process reviews and implemented changes to our controls and disclosures under the new guidance.

As a result of the implementation of the guidance, which did not have a material impact on our accounting policies upon adoption, in the first quarter of 2018, we recorded an adjustment of \$137 million to beginning retained earnings to reflect marketplace spending that our customers and independent bottlers expect to be entitled to in line with revenue recognition. In addition, we excluded from net revenue and cost of sales all sales, use, value-added and certain excise taxes assessed by governmental authorities on revenue-producing transactions that were not already excluded. The impact of these taxes previously recognized in net revenue and cost of sales was approximately \$75 million for the fiscal year ended December 30, 2017, with no impact on operating profit.

#### ***Recently Issued Accounting Pronouncements - Not Yet Adopted***

In 2018, the FASB issued guidance related to the TCJ Act for the optional reclassification of the residual tax effects, arising from the change in corporate tax rate, in accumulated other comprehensive loss to retained earnings. The reclassification is the difference between the amount previously recorded in other comprehensive income at the historical U.S. federal tax rate that remains in accumulated other comprehensive loss at the time the TCJ Act was effective and the amount that would have been recorded using the newly enacted rate. If elected, the guidance can be applied retrospectively to each period during which the impact of the TCJ Act is recognized or in the period of adoption. We will adopt the guidance when it becomes effective in the first quarter of 2019, but we are not planning to make the optional reclassification.

In 2017, the FASB issued guidance to amend and simplify the application of hedge accounting guidance to better portray the economic results of risk management activities in the financial statements. The guidance expands the ability to hedge nonfinancial and financial risk components, reduces complexity in fair value hedges of interest rate risk, eliminates the requirement to separately measure and report hedge ineffectiveness, as well as eases certain hedge effectiveness assessment requirements. Under this guidance, certain of our derivatives used to hedge commodity price risk that did not previously qualify for hedge accounting treatment will qualify prospectively. We will adopt the guidance when it becomes effective in the first quarter of 2019. The guidance is not expected to have a material impact on our financial statements or disclosures. See Note 9 for further information.

In 2016, the FASB issued guidance on leases, with amendments issued in 2018. The guidance requires lessees to recognize most leases on the balance sheet but record expenses in the income statement in a manner similar to current accounting. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. The two permitted transition methods under the guidance are the modified retrospective transition approach, which requires application of the guidance for all comparative periods presented, and the cumulative effect adjustment approach, which requires prospective application at the adoption date.

We continue to utilize a comprehensive approach to assess the impact of this guidance on our financial statements and related disclosures, including the increase in the assets and liabilities on our balance sheet and the impact on our current lease portfolio from both a lessor and lessee perspective. We are substantially complete with our comprehensive review of our lease portfolio including significant leases by geography and by asset type that will be impacted by the new guidance, and enhancing our controls. In addition, we are progressing on the implementation of a new software platform, and corresponding controls, for administering our leases and facilitating compliance with the new guidance.

As part of our adoption, we will not reassess historical lease classification, will not recognize short-term leases on our balance sheet, will utilize the portfolio approach to group leases with similar characteristics and will not separate lease and non-lease components for our real estate leases. We will adopt the guidance prospectively when it becomes effective in the first quarter of 2019. The guidance is not expected to have a material impact on our financial statements, with an expected increase of approximately 2% to each of our total assets and total liabilities on our balance sheet, subject to completion of our assessment. See Note 15 for our minimum lease payments under non-cancelable operating leases.

### Note 3 — Restructuring and Impairment Charges

A summary of our restructuring and impairment charges and other productivity initiatives is as follows:

	2018	2017	2016
2019 Productivity Plan	\$ 138	\$ —	\$ —
2014 Productivity Plan	170	295	160
Total restructuring and impairment charges	308	295	160
Other productivity initiatives	8	16	12
Total restructuring and impairment charges and other productivity initiatives	\$ 316	\$ 311	\$ 172

#### *2019 Multi-Year Productivity Plan*

The 2019 Productivity Plan, publicly announced on February 15, 2019, will leverage new technology and business models to further simplify, harmonize and automate processes; re-engineer our go-to-market and information systems, including deploying the right automation for each market; simplify our organization and optimize our manufacturing and supply chain footprint.

A summary of our 2019 Productivity Plan charges is as follows:

	<b>2018</b>
Costs of sales	<b>\$ 3</b>
Selling, general and administrative expenses	<b>100</b>
Other pension and retiree medical benefits expense	<b>35</b>
Total restructuring and impairment charges	<b>\$ 138</b>
After-tax amount	<b>\$ 109</b>
Net income attributable to PepsiCo per common share	<b>\$ 0.08</b>
	<b>2018</b>
FLNA	<b>\$ 31</b>
QFNA	<b>5</b>
NAB	<b>40</b>
Latin America	<b>9</b>
ESSA	<b>8</b>
AMENA	<b>3</b>
Corporate	<b>7</b>
	<b>103</b>
Other pension and retiree medical benefits expense	<b>35</b>
	<b>\$ 138</b>

A summary of our 2019 Productivity Plan activity is as follows:

	<b>Severance and Other Employee Costs</b>	<b>Asset Impairments</b>	<b>Other Costs<sup>(a)</sup></b>	<b>Total</b>
2018 restructuring charges	\$ 137	\$ —	\$ 1	\$ 138
Non-cash charges and translation	(32)	—	—	(32)
Liability as of December 29, 2018	<b>\$ 105</b>	<b>\$ —</b>	<b>\$ 1</b>	<b>\$ 106</b>

(a) Includes other costs associated with the implementation of our initiatives, including consulting and other professional fees.

Substantially all of the restructuring accrual at December 29, 2018 is expected to be paid by the end of 2019.

### **2014 Multi-Year Productivity Plan**

The 2014 Productivity Plan, publicly announced on February 13, 2014, includes the next generation of productivity initiatives that we believe will strengthen our beverage, food and snack businesses by: accelerating our investment in manufacturing automation; further optimizing our global manufacturing footprint, including closing certain manufacturing facilities; re-engineering our go-to-market systems in developed markets; expanding shared services; and implementing simplified organization structures to drive efficiency. To build on the 2014 Productivity Plan, in the fourth quarter of 2017, we expanded and extended the program through the end of 2019 to take advantage of additional opportunities within the initiatives described above to further strengthen our beverage, food and snack businesses.

A summary of our 2014 Productivity Plan charges is as follows:

	2018	2017	2016
Selling, general and administrative expenses	\$ 169	\$ 229	\$ 155
Other pension and retiree medical benefits expense	1	66	5
Total restructuring and impairment charges	\$ 170	\$ 295	\$ 160
After-tax amount	\$ 143	\$ 224	\$ 134
Net income attributable to PepsiCo per common share	\$ 0.10	\$ 0.16	\$ 0.09

  

	2018	2017	2016	Plan to Date
FLNA	\$ 8	\$ 67	\$ 13	\$ 171
QFNA	2	11	1	34
NAB	51	54	35	352
Latin America	30	63	27	182
ESSA	55	53	60	282
AMENA <sup>(a)</sup>	25	(3)	14	69
Corporate <sup>(b)</sup>	(1)	50	10	114
	\$ 170	\$ 295	\$ 160	\$ 1,204

(a) In 2017, income amount primarily reflects a gain on the sale of property, plant and equipment.

(b) In 2018, income amount primarily relates to other pension and retiree medical benefits.

	Severance and Other Employee Costs	Asset Impairments	Other Costs <sup>(a)</sup>	Total
Plan to Date	\$ 713	\$ 182	\$ 309	\$ 1,204

(a) Includes other costs associated with the implementation of our initiatives, including certain consulting and contract termination costs.

A summary of our 2014 Productivity Plan activity is as follows:

	Severance and Other Employee Costs	Asset Impairments	Other Costs	Total
Liability as of December 26, 2015	\$ 61	\$ —	\$ 20	\$ 81
2016 restructuring charges	88	36	36	160
Cash payments	(46)	—	(49)	(95)
Non-cash charges and translation	(15)	(36)	1	(50)
Liability as of December 31, 2016	88	—	8	96
2017 restructuring charges	280	21	(6) <sup>(a)</sup>	295
Cash payments	(91)	—	(22)	(113)
Non-cash charges and translation	(65)	(21)	34	(52)
Liability as of December 30, 2017	212	—	14	226
2018 restructuring charges	86	28	56	170
Cash payments <sup>(b)</sup>	(203)	—	(52)	(255)
Non-cash charges and translation	(4)	(28)	5	(27)
Liability as of December 29, 2018	\$ 91	\$ —	\$ 23	\$ 114

(a) Income amount represents adjustments for changes in estimates and a gain on the sale of property, plant, and equipment.

(b) Excludes cash expenditures of \$11 million reported in the cash flow statement in pension and retiree medical plan contributions.

Substantially all of the restructuring accrual at December 29, 2018 is expected to be paid by the end of 2019.

### Other Productivity Initiatives

There were no material charges related to other productivity and efficiency initiatives outside the scope of the 2019 and 2014 Productivity Plans.

We regularly evaluate different productivity initiatives beyond the productivity plans and other initiatives described above.

See additional unaudited information in “Items Affecting Comparability” and “Results of Operations – Division Review” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

### Note 4 — Property, Plant and Equipment and Intangible Assets

A summary of our property, plant and equipment is as follows:

	Average Useful Life (Years)	2018	2017	2016
<b>Property, plant and equipment, net</b>				
Land		\$ 1,078	\$ 1,148	
Buildings and improvements	15 - 44	8,941	8,796	
Machinery and equipment, including fleet and software	5 - 15	27,715	27,018	
Construction in progress		2,430	2,144	
		40,164	39,106	
Accumulated depreciation		(22,575)	(21,866)	
		\$ 17,589	\$ 17,240	
Depreciation expense		\$ 2,241	\$ 2,227	\$ 2,217

Property, plant and equipment is recorded at historical cost. Depreciation and amortization are recognized on a straight-line basis over an asset’s estimated useful life. Land is not depreciated and construction in progress is not depreciated until ready for service.

A summary of our amortizable intangible assets is as follows:

	Average Useful Life (Years)	2018			2017			2016
		Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net	
<b>Amortizable intangible assets, net</b>								
Acquired franchise rights	56 – 60	\$ 838	\$ (140)	\$ 698	\$ 858	\$ (128)	\$ 730	
Reacquired franchise rights	5 – 14	106	(105)	1	106	(104)	2	
Brands	20 – 40	1,306	(1,032)	274	1,322	(1,026)	296	
Other identifiable intangibles <sup>(a)</sup>	10 – 24	959	(288)	671	521	(281)	240	
		\$ 3,209	\$ (1,565)	\$ 1,644	\$ 2,807	\$ (1,539)	\$ 1,268	
Amortization expense				\$ 69			\$ 68	\$ 70

(a) The change in 2018 is primarily related to our acquisition of SodaStream.

Amortization of intangible assets for each of the next five years, based on existing intangible assets as of December 29, 2018 and using average 2018 foreign exchange rates, is expected to be as follows:

	2019	2020	2021	2022	2023
Five-year projected amortization	\$ 89	\$ 89	\$ 87	\$ 85	\$ 83

Depreciable and amortizable assets are evaluated for impairment upon a significant change in the operating or macroeconomic environment. In these circumstances, if an evaluation of the undiscounted cash flows indicates impairment, the asset is written down to its estimated fair value, which is based on discounted future

cash flows. Useful lives are periodically evaluated to determine whether events or circumstances have occurred which indicate the need for revision. For additional unaudited information on our policies for amortizable brands, see “Our Critical Accounting Policies” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

### ***Indefinite-Lived Intangible Assets***

We did not recognize any impairment charges for goodwill in each of the fiscal years ended December 29, 2018, December 30, 2017 and December 31, 2016. We recognized no material impairment charges for indefinite-lived intangible assets in each of the fiscal years ended December 29, 2018, December 30, 2017 and December 31, 2016. As of December 29, 2018, the estimated fair values of our indefinite-lived reacquired and acquired franchise rights recorded at NAB exceeded their carrying values. However, there could be an impairment of the carrying value of NAB’s reacquired and acquired franchise rights if future revenues and their contribution to the operating results of NAB’s CSD business do not achieve our expected future cash flows or if macroeconomic conditions result in a future increase in the weighted-average cost of capital used to estimate fair value. We have also analyzed the impact of the macroeconomic conditions in Russia and Brazil on the estimated fair value of our indefinite-lived intangible assets in these countries and have concluded that there were no material impairments for the year ended December 29, 2018. However, there could be an impairment of the carrying value of certain brands in these countries if there is a deterioration in these conditions, if future revenues and their contributions to the operating results do not achieve our expected future cash flows, if there are significant changes in the decisions regarding assets that do not perform consistent with our expectations, or if macroeconomic conditions result in a future increase in the weighted-average cost of capital used to estimate fair value. For additional information on our policies for indefinite-lived intangible assets, see Note 2.

The change in the book value of indefinite-lived intangible assets is as follows:

	Balance, Beginning 2017	Translation and Other	Balance, End of 2017	Acquisitions/ (Divestitures)	Translation and Other	Balance, End of 2018
<b>FLNA</b>						
Goodwill	\$ 270	\$ 10	\$ 280	\$ 28	\$ (11)	\$ 297
Brands	23	2	25	138	(2)	161
	293	12	305	166	(13)	458
<b>QFNA</b>						
Goodwill	175	—	175	9	—	184
Brands	—	—	—	25	—	25
	175	—	175	34	—	209
<b>NAB <sup>(a)</sup></b>						
Goodwill	9,843	11	9,854	—	(41)	9,813
Reacquired franchise rights	7,064	62	7,126	—	(68)	7,058
Acquired franchise rights	1,512	13	1,525	—	(15)	1,510
Brands	314	39	353	—	—	353
	18,733	125	18,858	—	(124)	18,734
<b>Latin America</b>						
Goodwill	553	2	555	—	(46)	509
Brands	150	(9)	141	—	(14)	127
	703	(7)	696	—	(60)	636
<b>ESSA <sup>(b)</sup></b>						
Goodwill	3,177	275	3,452	526	(367)	3,611
Reacquired franchise rights	488	61	549	(1)	(51)	497
Acquired franchise rights	184	11	195	(25)	(9)	161
Brands	2,358	187	2,545	1,993	(350)	4,188
	6,207	534	6,741	2,493	(777)	8,457
<b>AMENA</b>						
Goodwill	412	16	428	—	(34)	394
Brands	103	8	111	—	(10)	101
	515	24	539	—	(44)	495
Total goodwill	14,430	314	14,744	563	(499)	14,808
Total reacquired franchise rights	7,552	123	7,675	(1)	(119)	7,555
Total acquired franchise rights	1,696	24	1,720	(25)	(24)	1,671
Total brands	2,948	227	3,175	2,156	(376)	4,955
	\$ 26,626	\$ 688	\$ 27,314	\$ 2,693	\$ (1,018)	\$ 28,989

(a) The change in translation and other in 2018 primarily reflects the depreciation of the Canadian dollar.

(b) The change in acquisitions/(divestitures) in 2018 is primarily related to the preliminary allocation of the purchase price for our acquisition of SodaStream. See Note 14 for further information. The change in translation and other in 2018 primarily reflects the depreciation of the Russian ruble, euro and Pound sterling. The change in translation and other in 2017 primarily reflects the appreciation of the Russian ruble and euro.

## Note 5 — Income Taxes

The components of income before income taxes are as follows:

	2018	2017	2016
United States	\$ 3,864	\$ 3,452	\$ 2,630
Foreign	5,325	6,150	5,923
	<u>\$ 9,189</u>	<u>\$ 9,602</u>	<u>\$ 8,553</u>

The (benefit from)/provision for income taxes consisted of the following:

	2018	2017	2016
Current:			
U.S. Federal	\$ 437	\$ 4,925	\$ 1,219
Foreign	378	724	824
State	63	136	77
	<u>878</u>	<u>5,785</u>	<u>2,120</u>
Deferred:			
U.S. Federal	140	(1,159)	109
Foreign	(4,379)	(9)	(33)
State	(9)	77	(22)
	<u>(4,248)</u>	<u>(1,091)</u>	<u>54</u>
	<u>\$ (3,370)</u>	<u>\$ 4,694</u>	<u>\$ 2,174</u>

A reconciliation of the U.S. Federal statutory tax rate to our annual tax rate is as follows:

	2018	2017	2016
U.S. Federal statutory tax rate	21.0 %	35.0 %	35.0 %
State income tax, net of U.S. Federal tax benefit	0.5	0.9	0.4
Lower taxes on foreign results	(2.2)	(9.4)	(8.0)
One-time mandatory transition tax - TCJ Act	0.1	41.4	—
Remeasurement of deferred taxes - TCJ Act	(0.4)	(15.9)	—
International reorganizations	(47.3)	—	—
Tax settlements	(7.8)	—	—
Other, net	(0.6)	(3.1)	(2.0)
Annual tax rate	<u>(36.7)%</u>	<u>48.9 %</u>	<u>25.4 %</u>

### *Tax Cuts and Jobs Act*

During the fourth quarter of 2017, the TCJ Act was enacted in the United States. Among its many provisions, the TCJ Act imposed a mandatory one-time transition tax on undistributed international earnings and reduced the U.S. corporate income tax rate from 35% to 21%, effective January 1, 2018. As a result of the enactment of the TCJ Act, we recognized a provisional net tax expense of \$2.5 billion (\$1.70 per share) in the fourth quarter of 2017. See further unaudited information in “Items Affecting Comparability” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Included in the provisional net tax expense of \$2.5 billion recognized in the fourth quarter of 2017, was a provisional mandatory one-time transition tax of approximately \$4 billion on undistributed international earnings, included in other liabilities. This provisional mandatory one-time transition tax was partially offset by a provisional \$1.5 billion benefit resulting from the required remeasurement of our deferred tax assets and liabilities to the new, lower U.S. corporate income tax rate, effective January 1, 2018. The effect of the remeasurement was recorded in the fourth quarter of 2017, consistent with the enactment date of the TCJ Act, and reflected in our provision for income taxes.

During 2018, we recognized a net tax benefit of \$28 million (\$0.02 per share) primarily reflecting the impact of the final analysis of certain foreign exchange gains or losses, substantiation of foreign tax credits, as well as cash and cash equivalents as of November 30, 2018, the tax year-end of our foreign subsidiaries, partially offset by additional transition tax guidance issued by the United States Department of Treasury, as well as the TCJ Act impact of both the conclusion of certain international tax audits and the resolution with the IRS of all open matters related to the audits of taxable years 2012 and 2013, each discussed below.

As of December 29, 2018, our mandatory transition tax liability is \$3.8 billion. Under the provisions of the TCJ Act, this transition tax liability must be paid over eight years; we currently expect to pay approximately \$0.4 billion of this liability in 2019 and the remainder over the period 2020 to 2026.

The TCJ Act also created a requirement that certain income earned by foreign subsidiaries, known as GILTI, must be included in the gross income of their U.S. shareholder. The FASB allows an accounting policy election of either recognizing deferred taxes for temporary differences expected to reverse as GILTI in future years or recognizing such taxes as a current-period expense when incurred. During the first quarter of 2018, we elected to treat the tax effect of GILTI as a current-period expense when incurred.

In 2017, the SEC issued guidance related to the TCJ Act which allowed recording of provisional tax expense using a measurement period, not to exceed one year, when information necessary to complete the accounting for the effects of the TCJ Act is not available. We elected to apply the measurement period provisions of this guidance to certain income tax effects of the TCJ Act when it became effective in the fourth quarter of 2017. The provisional measurement period ended in the fourth quarter of 2018. While our accounting for the recorded impact of the TCJ Act is deemed to be complete, these amounts are based on prevailing regulations and currently available information, and any additional guidance issued by the IRS could impact the aforementioned amounts in future periods.

For further unaudited information and discussion, refer to “Item 1A. Risk Factors,” “Our Business Risks,” “Our Liquidity and Capital Resources” and “Our Critical Accounting Policies” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

### ***International Reorganizations***

During the fourth quarter of 2018, we reorganized certain of our international operations, including the intercompany transfer of certain intangible assets. As a result, we recognized other net tax benefits of \$4.3 billion (\$3.05 per share). The related deferred tax asset of \$4.4 billion is expected to be amortized over a period of 15 years beginning in 2019. Additionally, the reorganization generated significant net operating loss carryforwards and related deferred tax assets that are not expected to be realized, resulting in the recording of a full valuation allowance.

Deferred tax liabilities and assets are comprised of the following:

### **Deferred Tax Liabilities**

	2018	2017
Debt guarantee of wholly-owned subsidiary	\$ 578	\$ 578
Property, plant and equipment	1,303	1,397
Intangible assets other than nondeductible goodwill	—	3,169
Recapture of net operating losses	414	—
Other	71	50
Gross deferred tax liabilities	<u>2,366</u>	<u>5,194</u>
<b>Deferred tax assets</b>		
Net carryforwards	4,353	1,400
Intangible assets other than nondeductible goodwill	985	—
Share-based compensation	106	107
Retiree medical benefits	167	198
Other employee-related benefits	303	338
Pension benefits	221	22
Deductible state tax and interest benefits	110	157
Other	739	893
Gross deferred tax assets	<u>6,984</u>	<u>3,115</u>
Valuation allowances	<u>(3,753)</u>	<u>(1,163)</u>
Deferred tax assets, net	<u>3,231</u>	<u>1,952</u>
Net deferred tax (assets)/liabilities	<u>\$ (865)</u>	<u>\$ 3,242</u>

A summary of our valuation allowance activity is as follows:

	2018	2017	2016
Balance, beginning of year	\$ 1,163	\$ 1,110	\$ 1,136
Provision	2,639	33	13
Other (deductions)/additions	(49)	20	(39)
Balance, end of year	<u>\$ 3,753</u>	<u>\$ 1,163</u>	<u>\$ 1,110</u>

For additional unaudited information on our income tax policies, including our reserves for income taxes, see “Our Critical Accounting Policies” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

### **Reserves**

A number of years may elapse before a particular matter, for which we have established a reserve, is audited and finally resolved. The number of years with open tax audits varies depending on the tax jurisdiction. Our major taxing jurisdictions and the related open tax audits are as follows:

<b>Jurisdiction</b>	<b>Years Open to Audit</b>	<b>Years Currently Under Audit</b>
United States	2014-2017	2014-2016
Mexico	2017	None
United Kingdom	2016-2017	None
Canada (Domestic)	2014-2017	2014-2015
Canada (International)	2010-2017	2010-2015
Russia	2014-2017	2014-2017

During 2018, we recognized a non-cash tax benefit of \$364 million (\$0.26 per share) resulting from the conclusion of certain international tax audits. Additionally, during 2018, we recognized non-cash tax benefits of \$353 million (\$0.24 per share) as a result of our agreement with the IRS resolving all open matters related to the audits of taxable years 2012 and 2013, including the associated state impact.

While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, we believe that our reserves reflect the probable outcome of known tax contingencies. We adjust these reserves, as well as the related interest, in light of changing facts and circumstances. Settlement of any particular issue would usually require the use of cash. Favorable resolution would be recognized as a reduction to our annual tax rate in the year of resolution. For further unaudited information on the impact of the resolution of open tax issues, see “Other Consolidated Results” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

As of December 29, 2018, the total gross amount of reserves for income taxes, reported in other liabilities, was \$1.4 billion. We accrue interest related to reserves for income taxes in our provision for income taxes and any associated penalties are recorded in selling, general and administrative expenses. The gross amount of interest accrued, reported in other liabilities, was \$179 million as of December 29, 2018, which reflects a reduction of the prior year liability of \$64 million of tax benefit that was recognized in 2018. The gross amount of interest accrued, reported in other liabilities, was \$283 million as of December 30, 2017, of which \$89 million of expense was recognized in 2017.

A reconciliation of unrecognized tax benefits is as follows:

	<b>2018</b>	2017
Balance, beginning of year	\$ 2,212	\$ 1,885
Additions for tax positions related to the current year	142	309
Additions for tax positions from prior years	197	86
Reductions for tax positions from prior years	(822)	(51)
Settlement payments	(233)	(4)
Statutes of limitations expiration	(42)	(33)
Translation and other	(14)	20
Balance, end of year	<u>\$ 1,440</u>	<u>\$ 2,212</u>

### *Carryforwards and Allowances*

Operating loss carryforwards totaling \$24.9 billion at year-end 2018 are being carried forward in a number of foreign and state jurisdictions where we are permitted to use tax operating losses from prior periods to reduce future taxable income. These operating losses will expire as follows: \$0.2 billion in 2019, \$20.5 billion between 2020 and 2038 and \$4.2 billion may be carried forward indefinitely. We establish valuation allowances for our deferred tax assets if, based on the available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

### *Undistributed International Earnings*

In connection with the enactment of the TCJ Act, during 2018, we repatriated \$20.4 billion of cash, cash equivalents and short-term investments held in our foreign subsidiaries without such funds being subject to further U.S. federal income tax liability. As of December 29, 2018, we had approximately \$24 billion of undistributed international earnings. We intend to continue to reinvest \$24 billion of earnings outside the United States for the foreseeable future and while U.S. federal tax expense has been recognized as a result of the TCJ Act, no deferred tax liabilities with respect to items such as certain foreign exchange gains or

losses, foreign withholding taxes or state taxes have been recognized. It is not practicable for us to determine the amount of unrecognized tax expense on these reinvested international earnings.

## Note 6 — Share-Based Compensation

Our share-based compensation program is designed to attract and retain employees while also aligning employees' interests with the interests of our shareholders. PepsiCo has granted stock options, restricted stock units (RSUs), performance stock units (PSUs), PepsiCo equity performance units (PEPunits) and long-term cash awards to employees under the shareholder-approved PepsiCo, Inc. Long-Term Incentive Plan (LTIP). Executives who are awarded long-term incentives based on their performance may generally elect to receive their grant in the form of stock options or RSUs, or a combination thereof. Executives who elect stock options receive four stock options for every one RSU that would have otherwise been granted. Certain executive officers and other senior executives do not have a choice and were granted 66% PSUs and 34% long-term cash, each of which are subject to pre-established performance targets.

The Company may use authorized and unissued shares to meet share requirements resulting from the exercise of stock options and the vesting of RSUs, PSUs and PEPunits.

As of December 29, 2018, 66 million shares were available for future share-based compensation grants under the LTIP.

The following table summarizes our total share-based compensation expense and excess tax benefits recognized:

	2018	2017	2016
Share-based compensation expense - equity awards	\$ 256	\$ 292	\$ 284
Share-based compensation expense - liability awards	20	13	5
Restructuring and impairment charges	(6)	(2)	5
Total	\$ 270	\$ 303	\$ 294
Income tax benefits recognized in earnings related to share-based compensation	\$ 45	\$ 89 <sup>(a)</sup>	\$ 91
Excess tax benefits related to share-based compensation <sup>(b)</sup>	\$ 48	\$ 115	\$ 110

(a) Reflects tax rates effective for the 2017 tax year.

(b) Included in provision for income taxes in the income statement in 2018 and 2017; included in capital in excess of par value in the equity statement in 2016.

As of December 29, 2018, there was \$282 million of total unrecognized compensation cost related to nonvested share-based compensation grants. This unrecognized compensation cost is expected to be recognized over a weighted-average period of two years.

### *Method of Accounting and Our Assumptions*

The fair value of share-based award grants is amortized to expense over the vesting period, primarily three years. Awards to employees eligible for retirement prior to the award becoming fully vested are amortized to expense over the period through the date that the employee first becomes eligible to retire and is no longer required to provide service to earn the award. In addition, we use historical data to estimate forfeiture rates and record share-based compensation expense only for those awards that are expected to vest.

We do not backdate, reprice or grant share-based compensation awards retroactively. Repricing of awards would require shareholder approval under the LTIP.

### Stock Options

A stock option permits the holder to purchase shares of PepsiCo common stock at a specified price. We account for our employee stock options under the fair value method of accounting using a Black-Scholes valuation model to measure stock option expense at the date of grant. All stock option grants have an exercise price equal to the fair market value of our common stock on the date of grant and generally have a 10-year term.

Our weighted-average Black-Scholes fair value assumptions are as follows:

	2018	2017	2016
Expected life	5 years	5 years	6 years
Risk-free interest rate	2.6%	2.0%	1.4%
Expected volatility	12%	11%	12%
Expected dividend yield	2.7%	2.7%	2.7%

The expected life is the period over which our employee groups are expected to hold their options. It is based on our historical experience with similar grants. The risk-free interest rate is based on the expected U.S. Treasury rate over the expected life. Volatility reflects movements in our stock price over the most recent historical period equivalent to the expected life. Dividend yield is estimated over the expected life based on our stated dividend policy and forecasts of net income, share repurchases and stock price.

A summary of our stock option activity for the year ended December 29, 2018 is as follows:

	Options <sup>(a)</sup>	Weighted-Average Exercise Price	Weighted-Average Contractual Life Remaining (years)	Aggregate Intrinsic Value <sup>(b)</sup>
Outstanding at December 30, 2017	19,013	\$ 74.23		
Granted	1,429	\$ 108.88		
Exercised	(4,377)	\$ 62.95		
Forfeited/expired	(476)	\$ 94.85		
<b>Outstanding at December 29, 2018</b>	<b>15,589</b>	<b>\$ 79.94</b>	<b>4.29</b>	<b>\$ 474,746</b>
<b>Exercisable at December 29, 2018</b>	<b>11,547</b>	<b>\$ 70.74</b>	<b>2.92</b>	<b>\$ 457,529</b>
<b>Expected to vest as of December 29, 2018</b>	<b>3,713</b>	<b>\$ 106.02</b>	<b>8.17</b>	<b>\$ 16,606</b>

(a) Options are in thousands and include options previously granted under the PBG plan. No additional options or shares were granted under the PBG plan after 2009.

(b) In thousands.

### Restricted Stock Units and Performance Stock Units

Each RSU represents our obligation to deliver to the holder one share of PepsiCo common stock when the award vests at the end of the service period. PSUs are awards pursuant to which a number of shares are delivered to the holder upon vesting at the end of the service period based on PepsiCo's performance against specified financial and/or operational performance metrics. The number of shares may be increased to the maximum or reduced to the minimum threshold based on the results of these performance metrics in accordance with the terms established at the time of the award. During the vesting period, RSUs and PSUs accrue dividend equivalents that pay out in cash (without interest) if and when the applicable RSU or PSU vests and becomes payable.

The fair value of RSUs is measured at the market price of the Company's stock on the date of grant. The fair

value of PSUs is measured at the market price of the Company's stock on the date of grant with the exception of awards with market conditions, for which we use the Monte-Carlo simulation model to determine the fair value. The Monte-Carlo simulation model uses the same input assumptions as the Black-Scholes model; however, it also further incorporates into the fair-value determination the possibility that the market condition may not be satisfied. Compensation costs related to these awards are recognized regardless of whether the market condition is satisfied, provided that the requisite service has been provided.

A summary of our RSU and PSU activity for the year ended December 29, 2018 is as follows:

	RSUs/PSUs <sup>(a)</sup>	Weighted-Average Grant-Date Fair Value	Weighted-Average Contractual Life Remaining (years)	Aggregate Intrinsic Value <sup>(a)</sup>
Outstanding at December 30, 2017	7,293	\$ 102.30		
Granted <sup>(b)</sup>	2,634	\$ 108.75		
Converted	(2,362)	\$ 99.73		
Forfeited	(647)	\$ 105.21		
Actual performance change <sup>(c)</sup>	257	\$ 98.92		
<b>Outstanding at December 29, 2018 <sup>(d)</sup></b>	<b>7,175</b>	<b>\$ 105.13</b>	<b>1.22</b>	<b>\$ 791,878</b>
<b>Expected to vest as of December 29, 2018</b>	<b>6,667</b>	<b>\$ 104.90</b>	<b>1.15</b>	<b>\$ 735,813</b>

(a) In thousands.

(b) Grant activity for all PSUs are disclosed at target.

(c) Reflects the net number of PSUs above and below target levels based on actual performance measured at the end of the performance period.

(d) The outstanding PSUs for which the performance period has not ended as of December 29, 2018, at the threshold, target and maximum award levels were zero, 0.9 million and 1.6 million, respectively.

### **PEPunits**

PEPunits provide an opportunity to earn shares of PepsiCo common stock with a value that adjusts based upon changes in PepsiCo's absolute stock price as well as PepsiCo's Total Shareholder Return relative to the S&P 500 over a three-year performance period.

The fair value of PEPunits is measured using the Monte-Carlo simulation model.

PEPunits were last granted in 2015 and all 248,000 units outstanding at December 30, 2017, with a weighted average grant date fair value of \$68.94, were converted to 278,000 shares during fiscal year 2018.

### **Long-Term Cash**

Certain executive officers and other senior executives were granted long-term cash awards for which final payout is based on PepsiCo's Total Shareholder Return relative to a specific set of peer companies and achievement of a specified performance target over a three-year performance period.

Long-term cash awards that qualify as liability awards under share-based compensation guidance are valued through the end of the performance period on a mark-to-market basis using the Monte Carlo simulation model until actual performance is determined.

A summary of our long-term cash activity for the year ended December 29, 2018 is as follows:

	Long-Term Cash Award <sup>(a)</sup>	Balance Sheet Date Fair Value <sup>(a)</sup>	Contractual Life Remaining (years)
Outstanding at December 30, 2017	\$ 33,200		
Granted <sup>(b)</sup>	20,926		
Forfeited	(2,292)		
Actual performance change <sup>(c)</sup>	2,876		
<b>Outstanding at December 29, 2018<sup>(d)</sup></b>	<b>\$ 54,710</b>	<b>\$ 55,809</b>	<b>1.22</b>
<b>Expected to vest as of December 29, 2018</b>	<b>\$ 51,159</b>	<b>\$ 52,148</b>	<b>1.17</b>

(a) In thousands.

(b) Grant activity for all long-term cash awards are disclosed at target.

(c) Reflects the net number of long-term cash awards above and below target levels based on actual performance measured at the end of the performance period.

(d) The outstanding long-term cash awards for which the performance period has not ended as of December 29, 2018, at the threshold, target and maximum award levels were zero, 37.3 million and 74.5 million, respectively.

### Other Share-Based Compensation Data

The following is a summary of other share-based compensation data:

	2018	2017	2016
<b>Stock Options</b>			
Total number of options granted <sup>(a)</sup>	1,429	1,481	1,743
Weighted-average grant-date fair value of options granted	\$ 9.80	\$ 8.25	\$ 6.94
Total intrinsic value of options exercised <sup>(a)</sup>	\$ 224,663	\$ 327,860	\$ 290,131
Total grant-date fair value of options vested <sup>(a)</sup>	\$ 15,506	\$ 23,122	\$ 18,840
<b>RSUs/PSUs</b>			
Total number of RSUs/PSUs granted <sup>(a)</sup>	2,634	2,824	3,054
Weighted-average grant-date fair value of RSUs/PSUs granted	\$ 108.75	\$ 109.92	\$ 99.06
Total intrinsic value of RSUs/PSUs converted <sup>(a)</sup>	\$ 260,287	\$ 380,269	\$ 359,401
Total grant-date fair value of RSUs/PSUs vested <sup>(a)</sup>	\$ 232,141	\$ 264,923	\$ 257,648
<b>PEPunits</b>			
Total intrinsic value of PEPunits converted <sup>(a)</sup>	\$ 30,147	\$ 39,782	\$ 38,558
Total grant-date fair value of PEPunits vested <sup>(a)</sup>	\$ 9,430	\$ 18,833	\$ 16,572

(a) In thousands.

As of December 29, 2018 and December 30, 2017, there were approximately 248,000 and 250,000 outstanding awards, respectively, consisting primarily of phantom stock units that were granted under the PepsiCo Director Deferral Program and will be settled in shares of PepsiCo common stock pursuant to the LTIP at the end of the applicable deferral period, not included in the tables above.

### Note 7 — Pension, Retiree Medical and Savings Plans

Effective January 1, 2017, the U.S. qualified defined benefit pension plans were reorganized into Plan A and Plan I. Actuarial gains and losses associated with Plan A are amortized over the average remaining service life of the active participants, while the actuarial gains and losses associated with Plan I are amortized over the remaining life expectancy of the inactive participants. As a result of this change, the pre-tax net periodic

benefit cost decreased by \$42 million (\$27 million after-tax, reflecting tax rates effective for the 2017 tax year, or \$0.02 per share) in 2017, primarily impacting corporate unallocated expenses. See “Our Critical Accounting Policies” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

In 2016, the U.S. qualified defined benefit pension plans purchased a group annuity contract whereby an unrelated insurance company assumed the obligation to pay and administer future annuity payments for certain retirees. In 2016, we made discretionary contributions of \$452 million primarily to fund the transfer of the obligation. This transaction triggered a pre-tax settlement charge of \$242 million (\$162 million after-tax or \$0.11 per share). See additional unaudited information in “Items Affecting Comparability” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Gains and losses resulting from actual experience differing from our assumptions, including the difference between the actual return on plan assets and the expected return on plan assets, as well as changes in our assumptions, are determined at each measurement date. These differences are recognized as a component of net gain or loss in accumulated other comprehensive loss. If this net accumulated gain or loss exceeds 10% of the greater of the market-related value of plan assets or plan liabilities, a portion of the net gain or loss is included in other pension and retiree medical benefits income/(expense) for the following year based upon the average remaining service life for participants in Plan A (approximately 10 years) and retiree medical (approximately 7 years), or the remaining life expectancy for participants in Plan I (approximately 25 years). The cost or benefit of plan changes that increase or decrease benefits for prior employee service (prior service cost/(credit)) is included in other pension and retiree medical benefits income/(expense) on a straight-line basis over the average remaining service life for participants in Plan A or the remaining life expectancy for participants in Plan I.

Selected financial information for our pension and retiree medical plans is as follows:

	Pension				Retiree Medical	
	U.S.		International		2018	2017
	2018	2017	2018	2017		
<b><i>Change in projected benefit liability</i></b>						
Liability at beginning of year	\$ 14,777	\$ 13,192	\$ 3,490	\$ 3,124	\$ 1,187	\$ 1,208
Service cost	431	401	92	91	32	28
Interest cost	482	468	93	89	34	36
Plan amendments	83	10	2	2	—	(5)
Participant contributions	—	—	2	2	—	—
Experience (gain)/loss	(972)	1,529	(230)	5	(147)	21
Benefit payments	(956)	(825)	(114)	(104)	(108)	(107)
Settlement/curtailment	(74)	(58)	(35)	(22)	—	—
Special termination benefits	36	60	2	—	1	2
Other, including foreign currency adjustment	—	—	(204)	303	(3)	4
Liability at end of year	\$ 13,807	\$ 14,777	\$ 3,098	\$ 3,490	\$ 996	\$ 1,187
<b><i>Change in fair value of plan assets</i></b>						
Fair value at beginning of year	\$ 12,582	\$ 11,458	\$ 3,460	\$ 2,894	\$ 321	\$ 320
Actual return on plan assets	(789)	1,935	(136)	288	(21)	52
Employer contributions/funding	1,495	60	120	104	93	56
Participant contributions	—	—	2	2	—	—
Benefit payments	(956)	(825)	(114)	(104)	(108)	(107)
Settlement	(74)	(46)	(32)	(18)	—	—
Other, including foreign currency adjustment	—	—	(210)	294	—	—
Fair value at end of year	\$ 12,258	\$ 12,582	\$ 3,090	\$ 3,460	\$ 285	\$ 321
Funded status	\$ (1,549)	\$ (2,195)	\$ (8)	\$ (30)	\$ (711)	\$ (866)
<b><i>Amounts recognized</i></b>						
Other assets	\$ 185	\$ 286	\$ 81	\$ 85	\$ —	\$ —
Other current liabilities	(107)	(74)	(1)	(1)	(41)	(75)
Other liabilities	(1,627)	(2,407)	(88)	(114)	(670)	(791)
Net amount recognized	\$ (1,549)	\$ (2,195)	\$ (8)	\$ (30)	\$ (711)	\$ (866)
<b><i>Amounts included in accumulated other comprehensive loss (pre-tax)</i></b>						
Net loss/(gain)	\$ 4,093	\$ 3,520	\$ 780	\$ 782	\$ (287)	\$ (189)
Prior service cost/(credit)	109	29	(1)	(3)	(51)	(71)
Total	\$ 4,202	\$ 3,549	\$ 779	\$ 779	\$ (338)	\$ (260)
<b><i>Changes recognized in net loss/(gain) included in other comprehensive loss</i></b>						
Net loss/(gain) arising in current year	\$ 760	\$ 431	\$ 103	\$ (115)	\$ (107)	\$ (9)
Amortization and settlement recognition	(187)	(131)	(56)	(60)	8	12
Foreign currency translation (gain)/loss	—	—	(49)	73	1	1
Total	\$ 573	\$ 300	\$ (2)	\$ (102)	\$ (98)	\$ 4
Accumulated benefit obligation at end of year	\$ 12,890	\$ 13,732	\$ 2,806	\$ 2,985		

The net loss/(gain) arising in the current year is attributed to actual asset returns different from expected returns, partially offset by the change in discount rate.

The amount we report in operating profit as pension and retiree medical cost is service cost, which is the value of benefits earned by employees for working during the year.

The amounts we report below operating profit as pension and retiree medical cost consist of the following components:

- Interest cost is the accrued interest on the projected benefit obligation due to the passage of time.
- Expected return on plan assets is the long-term return we expect to earn on plan investments for our funded plans that will be used to settle future benefit obligations.
- Amortization of prior service cost/(credit) represents the recognition in the income statement of benefit changes resulting from plan amendments.
- Amortization of net loss/(gain) represents the recognition in the income statement of changes in the amount of plan assets and the projected benefit obligation based on changes in assumptions and actual experience.
- Settlement/curtailment loss/(gain) represents the result of actions that effectively eliminate all or a portion of related projected benefit obligations. Settlements are triggered when payouts to settle the projected benefit obligation of a plan due to lump sums or other events exceed the annual service and interest cost. Settlements are recognized when actions are irrevocable and we are relieved of the primary responsibility and risk for projected benefit obligations. Curtailments are due to events such as plant closures or the sale of a business resulting in a reduction of future service or benefits. Curtailment losses are recognized when an event is probable and estimable, while curtailment gains are recognized when an event has occurred (when the related employees terminate or an amendment is adopted).
- Special termination benefits are the additional benefits offered to employees upon departure due to actions such as restructuring.

The components of total pension and retiree medical benefit costs are as follows:

	Pension						Retiree Medical		
	U.S.			International			2018	2017	2016
	2018	2017	2016	2018	2017	2016			
Service cost	\$ 431	\$ 401	\$ 393	\$ 92	\$ 91	\$ 80	\$ 32	\$ 28	\$ 31
Interest cost	482	468	484	93	89	94	34	36	41
Expected return on plan assets	(943)	(849)	(834)	(197)	(176)	(163)	(19)	(22)	(24)
Amortization of prior service cost/(credits)	3	1	(1)	—	—	—	(20)	(25)	(38)
Amortization of net losses/(gains)	179	123	168	45	53	40	(8)	(12)	(1)
	152	144	210	33	57	51	19	5	9
Settlement/curtailment losses/(gain) <sup>(a)</sup>	8	8	245	6	11	9	—	—	(14)
Special termination benefits	36	60	11	2	—	1	1	2	1
Total	\$ 196	\$ 212	\$ 466	\$ 41	\$ 68	\$ 61	\$ 20	\$ 7	\$ (4)

(a) U.S. includes a settlement charge of \$242 million related to the group annuity contract purchase in 2016. See additional unaudited information in “Items Affecting Comparability” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following table provides the weighted-average assumptions used to determine projected benefit liability and net periodic benefit cost for our pension and retiree medical plans:

	Pension						Retiree Medical		
	U.S.			International			2018	2017	2016
	2018	2017	2016	2018	2017	2016			
Liability discount rate	4.4%	3.7%	4.4%	3.4%	3.0%	3.1%	4.2%	3.5%	4.0%
Service cost discount rate	3.8%	4.5%	4.6%	3.5%	3.6%	4.1%	3.6%	4.0%	4.3%
Interest cost discount rate	3.4%	3.7%	3.8%	2.8%	2.8%	3.5%	3.0%	3.2%	3.3%
Expected return on plan assets	7.2%	7.5%	7.5%	6.0%	6.0%	6.2%	6.5%	7.5%	7.5%
Liability rate of salary increases	3.1%	3.1%	3.1%	3.7%	3.7%	3.6%			
Expense rate of salary increases	3.1%	3.1%	3.1%	3.7%	3.6%	3.6%			

The following table provides selected information about plans with accumulated benefit obligation and total projected benefit liability in excess of plan assets:

	Pension				Retiree Medical	
	U.S.		International		2018	2017
	2018	2017	2018	2017		
<i>Selected information for plans with accumulated benefit obligation in excess of plan assets</i>						
Liability for service to date	\$ (8,040)	\$ (8,355)	\$ (155)	\$ (161)		
Fair value of plan assets	\$ 7,223	\$ 6,919	\$ 121	\$ 119		
<i>Selected information for plans with projected benefit liability in excess of plan assets</i>						
Benefit liability	\$ (8,957)	\$ (9,400)	\$ (514)	\$ (1,273)	\$ (996)	\$ (1,187)
Fair value of plan assets	\$ 7,223	\$ 6,919	\$ 426	\$ 1,158	\$ 285	\$ 321

Of the total projected pension benefit liability as of December 29, 2018, approximately \$830 million relates to plans that we do not fund because the funding of such plans does not receive favorable tax treatment.

### Future Benefit Payments

Our estimated future benefit payments are as follows:

	2019	2020	2021	2022	2023	2024 - 2028
Pension	\$ 1,060	\$ 960	\$ 875	\$ 915	\$ 950	\$ 5,265
Retiree medical <sup>(a)</sup>	\$ 115	\$ 105	\$ 100	\$ 100	\$ 95	\$ 395

(a) Expected future benefit payments for our retiree medical plans do not reflect any estimated subsidies expected to be received under the 2003 Medicare Act. Subsidies are expected to be approximately \$2 million for each of the years from 2019 through 2023 and approximately \$6 million in total for 2024 through 2028.

These future benefit payments to beneficiaries include payments from both funded and unfunded plans.

### Funding

Contributions to our pension and retiree medical plans were as follows:

	Pension			Retiree Medical		
	2018	2017	2016	2018	2017	2016
Discretionary <sup>(a)</sup>	\$ 1,417	\$ 6	\$ 459	\$ 37	\$ —	\$ —
Non-discretionary	198	158	200	56	56	36
Total	\$ 1,615	\$ 164	\$ 659	\$ 93	\$ 56	\$ 36

(a) Includes \$1.4 billion contribution in 2018 to fund Plan A in the United States. Includes \$452 million in 2016 relating to the funding of the group annuity contract purchase from an unrelated insurance company.

In January 2019, we made discretionary contributions of \$150 million to Plan A in the United States. In addition, in 2019, we expect to make non-discretionary contributions of approximately \$205 million to our U.S. and international pension benefit plans and approximately \$40 million for retiree medical benefits. We regularly evaluate opportunities to reduce risk and volatility associated with our pension and retiree medical plans.

### ***Plan Assets***

Our pension plan investment strategy includes the use of actively managed accounts and is reviewed periodically in conjunction with plan liabilities, an evaluation of market conditions, tolerance for risk and cash requirements for benefit payments. This strategy is also applicable to funds held for the retiree medical plans. Our investment objective includes ensuring that funds are available to meet the plans' benefit obligations when they become due. Assets contributed to our pension plans are no longer controlled by us, but become the property of our individual pension plans. However, we are indirectly impacted by changes in these plan assets as compared to changes in our projected liabilities. Our overall investment policy is to prudently invest plan assets in a well-diversified portfolio of equity and high-quality debt securities and real estate to achieve our long-term return expectations. Our investment policy also permits the use of derivative instruments, such as futures and forward contracts, to reduce interest rate and foreign currency risks. Futures contracts represent commitments to purchase or sell securities at a future date and at a specified price. Forward contracts consist of currency forwards.

For 2019 and 2018, our expected long-term rate of return on U.S. plan assets is 7.1% and 7.2%, respectively. Our target investment allocations for U.S. plan assets are as follows:

	2019	2018
Fixed income	47%	47%
U.S. equity	29%	29%
International equity	20%	20%
Real estate	4%	4%

Actual investment allocations may vary from our target investment allocations due to prevailing market conditions. We regularly review our actual investment allocations and periodically rebalance our investments.

The expected return on plan assets is based on our investment strategy and our expectations for long-term rates of return by asset class, taking into account volatility and correlation among asset classes and our historical experience. We also review current levels of interest rates and inflation to assess the reasonableness of the long-term rates. We evaluate our expected return assumptions annually to ensure that they are reasonable. To calculate the expected return on plan assets, our market-related value of assets for fixed income is the actual fair value. For all other asset categories, such as equity securities, we use a method that recognizes investment gains or losses (the difference between the expected and actual return based on the market-related value of assets) over a five-year period. This has the effect of reducing year-to-year volatility.

Plan assets measured at fair value as of fiscal year-end 2018 and 2017 are categorized consistently by level, and are as follows:

	2018				2017
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>U.S. plan assets <sup>(a)</sup></b>					
Equity securities, including preferred stock <sup>(b)</sup>	\$ 5,605	\$ 5,595	\$ 10	\$ —	\$ 6,904
Government securities <sup>(c)</sup>	1,674	—	1,674	—	1,365
Corporate bonds <sup>(c)</sup>	4,145	—	4,145	—	3,429
Mortgage-backed securities <sup>(c)</sup>	212	—	212	—	217
Contracts with insurance companies <sup>(d)</sup>	9	—	—	9	8
Cash and cash equivalents	215	215	—	—	236
Sub-total U.S. plan assets	11,860	\$ 5,810	\$ 6,041	\$ 9	12,159
Real estate commingled funds measured at net asset value <sup>(e)</sup>	618				675
Dividends and interest receivable, net of payables	65				69
Total U.S. plan assets	\$ 12,543				\$ 12,903
<b>International plan assets</b>					
Equity securities <sup>(b)</sup>	\$ 1,651	\$ 1,621	\$ 30	\$ —	\$ 1,928
Government securities <sup>(c)</sup>	433	—	433	—	492
Corporate bonds <sup>(c)</sup>	478	—	478	—	493
Fixed income commingled funds <sup>(f)</sup>	356	356	—	—	383
Contracts with insurance companies <sup>(d)</sup>	36	—	—	36	36
Cash and cash equivalents	27	27	—	—	19
Sub-total international plan assets	2,981	\$ 2,004	\$ 941	\$ 36	3,351
Real estate commingled funds measured at net asset value <sup>(e)</sup>	102				102
Dividends and interest receivable	7				7
Total international plan assets	\$ 3,090				\$ 3,460

(a) 2018 and 2017 amounts include \$285 million and \$321 million, respectively, of retiree medical plan assets that are restricted for purposes of providing health benefits for U.S. retirees and their beneficiaries.

(b) The equity securities portfolio was invested in U.S. and international common stock and commingled funds, and the preferred stock portfolio in the U.S. was invested in domestic and international corporate preferred stock investments. The common stock is based on quoted prices in active markets. The U.S. commingled funds are based on fair values of the investments owned by these funds that are benchmarked against various U.S. large, mid-cap and small company indices, and includes one large-cap fund that represents 15% and 19% of total U.S. plan assets for 2018 and 2017, respectively. The international commingled funds are based on the fair values of the investments owned by these funds that track various non-U.S. equity indices. The preferred stock investments are based on quoted bid prices for comparable securities in the marketplace and broker/dealer quotes in active markets.

(c) These investments are based on quoted bid prices for comparable securities in the marketplace and broker/dealer quotes in active markets. Corporate bonds of U.S.-based companies represent 28% and 23% of total U.S. plan assets for 2018 and 2017, respectively.

(d) Based on the fair value of the contracts as determined by the insurance companies using inputs that are not observable. The changes in Level 3 amounts were not significant in the years ended December 29, 2018 and December 30, 2017.

(e) The real estate commingled funds include investments in limited partnerships. These funds are based on the net asset value of the appraised value of investments owned by these funds as determined by independent third parties using inputs that are not observable. The majority of the funds are redeemable quarterly subject to availability of cash and have notice periods ranging from 45 to 90 days.

(f) Based on the fair value of the investments owned by these funds that track various government and corporate bond indices.

### Retiree Medical Cost Trend Rates

	2019	2018
Average increase assumed	6%	6%
Ultimate projected increase	5%	5%
Year of ultimate projected increase	2039	2039

These assumed health care cost trend rates have an impact on the retiree medical plan expense and liability, however the cap on our share of retiree medical costs limits the impact.

### **Savings Plan**

Certain U.S. employees are eligible to participate in a 401(k) savings plan, which is a voluntary defined contribution plan. The plan is designed to help employees accumulate savings for retirement, and we make Company matching contributions for certain employees on a portion of eligible pay based on years of service.

Certain U.S. salaried employees, who are not eligible to participate in a defined benefit pension plan, are also eligible to receive an employer contribution to the 401(k) savings plan based on age and years of service regardless of employee contribution.

In 2018, 2017 and 2016, our total Company contributions were \$180 million, \$176 million and \$164 million, respectively.

For additional unaudited information on our pension and retiree medical plans and related accounting policies and assumptions, see “Our Critical Accounting Policies” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

### **Note 8 — Debt Obligations**

The following table summarizes the Company’s debt obligations:

	2018 <sup>(a)</sup>	2017 <sup>(a)</sup>
<b>Short-term debt obligations <sup>(b)</sup></b>		
Current maturities of long-term debt	\$ 3,953	\$ 4,020
Commercial paper (1.3%)	—	1,385
Other borrowings (6.0% and 4.7%)	73	80
	<u>\$ 4,026</u>	<u>\$ 5,485</u>
<b>Long-term debt obligations <sup>(b)</sup></b>		
Notes due 2018 (2.4%)	\$ —	\$ 4,016
Notes due 2019 (3.1% and 2.1%)	3,948	3,933
Notes due 2020 (3.9% and 3.1%)	3,784	3,792
Notes due 2021 (3.1% and 2.4%)	3,257	3,300
Notes due 2022 (2.8% and 2.6%)	3,802	3,853
Notes due 2023 (2.9% and 2.4%)	1,270	1,257
Notes due 2024-2047 (3.7% and 3.8%)	16,161	17,634
Other, due 2018-2026 (1.3% and 1.3%)	26	31
	<u>32,248</u>	<u>37,816</u>
Less: current maturities of long-term debt obligations	<u>(3,953)</u>	<u>(4,020)</u>
<b>Total</b>	<u><b>\$ 28,295</b></u>	<u><b>\$ 33,796</b></u>

(a) Amounts are shown net of unamortized net discounts of \$119 million and \$155 million for 2018 and 2017, respectively.

(b) The interest rates presented reflect weighted-average effective interest rates at year-end. Certain of our fixed rate indebtedness have been swapped to floating rates through the use of interest rate derivative instruments. See Note 9 for additional information regarding our interest rate derivative instruments.

As of December 29, 2018, our international debt of \$62 million was related to borrowings from external parties including various lines of credit. These lines of credit are subject to normal banking terms and conditions and are fully committed at least to the extent of our borrowings.

In 2018, we completed a cash tender offer for certain notes issued by PepsiCo and predecessors to a PepsiCo subsidiary for \$1.6 billion in cash to redeem the following amounts:

<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Amount Tendered</b>
7.290%	September 2026	\$ 11
7.440%	September 2026	\$ 4
7.000%	March 2029	\$ 357
5.500%	May 2035	\$ 138
4.875%	November 2040	\$ 410
5.500%	January 2040	\$ 408

We also completed an exchange offer for certain notes issued by predecessors to a PepsiCo subsidiary for the following newly issued PepsiCo notes. These notes were issued in an aggregate principal amount equal to the exchanged notes:

<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Amount</b>
7.290%	September 2026	\$ 88
7.440%	September 2026	\$ 21
7.000%	March 2029	\$ 516
5.500%	May 2035	\$ 107

As a result of the above transactions, we recorded a pre-tax charge of \$253 million (\$191 million after-tax or \$0.13 per share) to interest expense, primarily representing the tender price paid over the carrying value of the tendered notes. See further unaudited information in “Items Affecting Comparability” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

In 2018, we entered into a new five-year unsecured revolving credit agreement (Five-Year Credit Agreement) which expires on June 4, 2023. The Five-Year Credit Agreement enables us and our borrowing subsidiaries to borrow up to \$3.75 billion, subject to customary terms and conditions. We may request that commitments under this agreement be increased up to \$4.5 billion. Additionally, we may, once a year, request renewal of the agreement for an additional one-year period.

Also in 2018, we entered into a new 364-day unsecured revolving credit agreement (364-Day Credit Agreement) which expires on June 3, 2019. The 364-Day Credit Agreement enables us and our borrowing subsidiaries to borrow up to \$3.75 billion, subject to customary terms and conditions. We may request that commitments under this agreement be increased up to \$4.5 billion. We may request renewal of this facility for an additional 364-day period or convert any amounts outstanding into a term loan for a period of up to one year, which would mature no later than the anniversary of the then effective termination date. The Five-Year Credit Agreement and the 364-Day Credit Agreement together replaced our \$3.75 billion five-year credit agreement and our \$3.75 billion 364-day credit agreement, both dated as of June 5, 2017. Funds borrowed under the Five-Year Credit Agreement and the 364-Day Credit Agreement may be used for general corporate purposes. Subject to certain conditions, we may borrow, prepay and reborrow amounts under these agreements. As of December 29, 2018, there were no outstanding borrowings under the Five-Year Credit Agreement or the 364-Day Credit Agreement.

In 2016, we paid \$2.5 billion to redeem all of our outstanding 7.900% senior notes due 2018 and 5.125% senior notes due 2019 for the principal amounts of \$1.5 billion and \$750 million, respectively, and terminated certain interest rate swaps. As a result, we recorded a pre-tax charge of \$233 million (\$156 million after-tax or \$0.11 per share) to interest expense, primarily representing the premium paid in accordance with the

“make-whole” redemption provisions. See further unaudited information in “Items Affecting Comparability” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

See “Our Liquidity and Capital Resources” in Management’s Discussion and Analysis of Financial Condition and Results of Operations for further unaudited information on our borrowings and long-term contractual commitments.

## **Note 9 — Financial Instruments**

### ***Derivatives and Hedging***

We are exposed to market risks arising from adverse changes in:

- commodity prices, affecting the cost of our raw materials and energy;
- foreign exchange rates and currency restrictions; and
- interest rates.

In the normal course of business, we manage commodity price, foreign exchange and interest rate risks through a variety of strategies, including productivity initiatives, global purchasing programs and hedging. Ongoing productivity initiatives involve the identification and effective implementation of meaningful cost-saving opportunities or efficiencies, including the use of derivatives. Our global purchasing programs include fixed-price contracts and purchase orders and pricing agreements.

Our hedging strategies include the use of derivatives and, in the case of our net investment hedges, debt instruments. Certain derivatives are designated as either cash flow or fair value hedges and qualify for hedge accounting treatment, while others do not qualify and are marked to market through earnings. Cash flows from derivatives used to manage commodity price, foreign exchange or interest rate risks are classified as operating activities in the cash flow statement. We classify both the earnings and cash flow impact from these derivatives consistent with the underlying hedged item. See “Our Business Risks” in Management’s Discussion and Analysis of Financial Condition and Results of Operations for further unaudited information on our business risks.

We do not use derivative instruments for trading or speculative purposes. We perform assessments of our counterparty credit risk regularly, including reviewing netting agreements, if any, and a review of credit ratings, credit default swap rates and potential nonperformance of the counterparty. Based on our most recent assessment of our counterparty credit risk, we consider this risk to be low. In addition, we enter into derivative contracts with a variety of financial institutions that we believe are creditworthy in order to reduce our concentration of credit risk.

### ***Commodity Prices***

We are subject to commodity price risk because our ability to recover increased costs through higher pricing may be limited in the competitive environment in which we operate. This risk is managed through the use of fixed-price contracts and purchase orders, pricing agreements and derivative instruments, which primarily include swaps and futures. In addition, risk to our supply of certain raw materials is mitigated through purchases from multiple geographies and suppliers. We use derivatives, with terms of no more than three years, to economically hedge price fluctuations related to a portion of our anticipated commodity purchases, primarily for energy, agricultural products and metals. Ineffectiveness for those derivatives that qualify for hedge accounting treatment was not material for all periods presented. Derivatives used to hedge commodity price risk that do not qualify for hedge accounting treatment are marked to market each period with the resulting gains and losses recorded in corporate unallocated expenses as either cost of sales or selling, general and administrative expenses, depending on the underlying commodity. These gains and losses are

subsequently reflected in division results when the divisions recognize the cost of the underlying commodity in operating profit.

Our commodity derivatives had a total notional value of \$1.1 billion as of December 29, 2018 and \$0.9 billion as of December 30, 2017.

### *Foreign Exchange*

Our operations outside of the United States generated 43% of our net revenue in 2018, with Mexico, Russia, Canada, the United Kingdom and Brazil comprising approximately 20% of our net revenue in 2018. As a result, we are exposed to foreign exchange risks in the international markets in which our products are made, manufactured, distributed or sold.

Additionally, we are exposed to foreign exchange risk from net investments in foreign subsidiaries, foreign currency purchases and foreign currency assets and liabilities created in the normal course of business. We manage this risk through sourcing purchases from local suppliers, negotiating contracts in local currencies with foreign suppliers and through the use of derivatives, primarily forward contracts with terms of no more than two years. Exchange rate gains or losses related to foreign currency transactions are recognized as transaction gains or losses on our income statement as incurred. We also use net investment hedges to partially offset the effects of foreign currency on our investments in certain of our foreign subsidiaries.

Our foreign currency derivatives had a total notional value of \$2.0 billion as of December 29, 2018 and \$1.6 billion as of December 30, 2017. The total notional amount of our debt instruments designated as net investment hedges was \$0.9 billion as of December 29, 2018 and \$1.5 billion as of December 30, 2017. Ineffectiveness for derivatives and non-derivatives that qualify for hedge accounting treatment was not material for all periods presented. For foreign currency derivatives that do not qualify for hedge accounting treatment, all gains and losses were offset by changes in the underlying hedged items, resulting in no material net impact on earnings.

### *Interest Rates*

We centrally manage our debt and investment portfolios considering investment opportunities and risks, tax consequences and overall financing strategies. We use various interest rate derivative instruments including, but not limited to, interest rate swaps, cross-currency interest rate swaps, Treasury locks and swap locks to manage our overall interest expense and foreign exchange risk. These instruments effectively change the interest rate and currency of specific debt issuances. Certain of our fixed rate indebtedness have been swapped to floating rates. The notional amount, interest payment and maturity date of the interest rate and cross-currency interest rate swaps match the principal, interest payment and maturity date of the related debt. Our Treasury locks and swap locks are entered into to protect against unfavorable interest rate changes relating to forecasted debt transactions.

Our interest rate derivatives had a total notional value of \$10.5 billion as of December 29, 2018 and \$14.2 billion as of December 30, 2017. Ineffectiveness for derivatives that qualify for cash flow hedge accounting treatment was not material for all periods presented.

As of December 29, 2018, approximately 29% of total debt, after the impact of the related interest rate derivative instruments, was subject to variable rates, compared to approximately 43% as of December 30, 2017.

### *Available-for-Sale Securities*

Investments in debt securities are classified as available-for-sale. All highly liquid investments with original maturities of three months or less are classified as cash equivalents. Our investments in available-for-sale

debt securities are reported at fair value. Unrealized gains and losses related to changes in the fair value of available-for-sale debt securities are recognized in accumulated other comprehensive loss within common shareholders' equity. Unrealized gains and losses on our investments in debt securities as of December 29, 2018 and December 30, 2017 were not material. Changes in the fair value of available-for-sale debt securities impact net income only when such securities are sold or an other-than-temporary impairment is recognized. We regularly review our investment portfolio to determine if any debt security is other-than-temporarily impaired. In making this judgment, we evaluate, among other things, the duration and extent to which the fair value of a debt security is less than its cost; the financial condition of the issuer and any changes thereto; and our intent to sell, or whether we will more likely than not be required to sell, the debt security before recovery of its amortized cost basis. Our assessment of whether a debt security is other-than-temporarily impaired could change in the future due to new developments or changes in assumptions related to any particular debt security. We recorded no other-than-temporary impairment charges on our available-for-sale debt securities for the years ended December 29, 2018, December 30, 2017 and December 31, 2016.

In 2017, we recorded a pre-tax gain of \$95 million (\$85 million after-tax or \$0.06 per share), net of discount and fees, associated with the sale of our minority stake in Britvic. The gain on the sale of this equity investment was recorded in our ESSA segment in selling, general and administrative expenses. See Note 2 for additional information on investments in certain equity securities.

***KSF Beverage Holding Co., Ltd.***

During 2016, we concluded that the decline in estimated fair value of our 5% indirect equity interest in KSFB was other than temporary based on significant negative economic trends in China and changes in assumptions associated with KSFB's future financial performance arising from the disclosure by KSFB's parent company, Tingyi, regarding the operating results of its beverage business. As a result, we recorded a pre- and after-tax impairment charge of \$373 million (\$0.26 per share) in 2016 in the AMENA segment. This charge was recorded in selling, general and administrative expenses on our income statement and reduced the value of our 5% indirect equity interest in KSFB to its estimated fair value. The estimated fair value was derived using both an income and market approach, and is considered a non-recurring Level 3 measurement within the fair value hierarchy. The carrying value of the investment in KSFB was \$166 million as of December 29, 2018 and December 30, 2017. We continue to monitor the impact of economic and other developments on the remaining value of our investment in KSFB.

See further unaudited information in "Items Affecting Comparability" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

## Fair Value Measurements

The fair values of our financial assets and liabilities as of December 29, 2018 and December 30, 2017 are categorized as follows:

	Fair Value Hierarchy Levels <sup>(a)</sup>	2018		2017	
		Assets <sup>(a)</sup>	Liabilities <sup>(a)</sup>	Assets <sup>(a)</sup>	Liabilities <sup>(a)</sup>
Available-for-sale debt securities <sup>(b)</sup>	2	\$ 3,658	\$ —	\$ 14,510	\$ —
Short-term investments <sup>(c)</sup>	1	\$ 196	\$ —	\$ 228	\$ —
Prepaid forward contracts <sup>(d)</sup>	2	\$ 22	\$ —	\$ 27	\$ —
Deferred compensation <sup>(e)</sup>	2	\$ —	\$ 450	\$ —	\$ 503
<b>Derivatives designated as fair value hedging instruments:</b>					
Interest rate <sup>(f)</sup>	2	\$ 1	\$ 108	\$ 24	\$ 130
<b>Derivatives designated as cash flow hedging instruments:</b>					
Foreign exchange <sup>(g)</sup>	2	\$ 44	\$ 14	\$ 15	\$ 31
Interest rate <sup>(g)</sup>	2	—	323	—	213
Commodity <sup>(h)</sup>	1	—	1	—	2
Commodity <sup>(i)</sup>	2	—	3	2	—
		\$ 44	\$ 341	\$ 17	\$ 246
<b>Derivatives not designated as hedging instruments:</b>					
Foreign exchange <sup>(g)</sup>	2	\$ 3	\$ 10	\$ 10	\$ 3
Commodity <sup>(h)</sup>	1	2	17	—	19
Commodity <sup>(i)</sup>	2	5	92	85	12
		\$ 10	\$ 119	\$ 95	\$ 34
Total derivatives at fair value <sup>(i)</sup>		\$ 55	\$ 568	\$ 136	\$ 410
<b>Total</b>		\$ 3,931	\$ 1,018	\$ 14,901	\$ 913

(a) Fair value hierarchy levels are defined in Note 7. Unless otherwise noted, financial assets are classified on our balance sheet within prepaid expenses and other current assets and other assets. Financial liabilities are classified on our balance sheet within accounts payable and other current liabilities and other liabilities.

(b) Based on quoted broker prices or other significant inputs derived from or corroborated by observable market data. As of December 29, 2018, these debt securities were primarily classified as cash equivalents. As of December 30, 2017, \$5.8 billion and \$8.7 billion of debt securities were classified as cash equivalents and short-term investments, respectively. The decrease primarily reflects net maturities and sales of debt securities with maturities greater than three months. Refer to the cash flow statement and “Our Liquidity and Capital Resources” in Management’s Discussion and Analysis of Financial Condition and Results of Operations for further discussion on use of these proceeds.

(c) Based on the price of index funds. These investments are classified as short-term investments and are used to manage a portion of market risk arising from our deferred compensation liability.

(d) Based primarily on the price of our common stock.

(e) Based on the fair value of investments corresponding to employees’ investment elections.

(f) Based on LIBOR forward rates.

(g) Based on recently reported market transactions of spot and forward rates.

(h) Based on quoted contract prices on futures exchange markets.

(i) Based on recently reported market transactions of swap arrangements.

(j) Derivative assets and liabilities are presented on a gross basis on our balance sheet. Amounts subject to enforceable master netting arrangements or similar agreements which are not offset on the balance sheet as of December 29, 2018 and December 30, 2017 were not material. Collateral received or posted against any of our asset or liability positions were not material. Collateral posted is classified as restricted cash. See Note 13 for further information.

The carrying amounts of our cash and cash equivalents and short-term investments approximate fair value due to their short-term maturity. The fair value of our debt obligations as of December 29, 2018 and

December 30, 2017 was \$32 billion and \$41 billion, respectively, based upon prices of similar instruments in the marketplace, which are considered Level 2 inputs.

Losses/(gains) on our hedging instruments are categorized as follows:

	Fair Value/Non-designated Hedges		Cash Flow and Net Investment Hedges			
	Losses/(Gains) Recognized in Income Statement <sup>(a)</sup>		Losses/(Gains) Recognized in Accumulated Other Comprehensive Loss		Losses/(Gains) Reclassified from Accumulated Other Comprehensive Loss into Income Statement <sup>(b)</sup>	
	2018	2017	2018	2017	2018	2017
Foreign exchange	\$ 9	\$ (15)	\$ (52)	\$ 62	\$ (8)	\$ 10
Interest rate	53	101	110	(195)	119	(184)
Commodity	117	(48)	3	3	—	3
Net investment	—	—	(77)	157	—	—
<b>Total</b>	<b>\$ 179</b>	<b>\$ 38</b>	<b>\$ (16)</b>	<b>\$ 27</b>	<b>\$ 111</b>	<b>\$ (171)</b>

(a) Foreign exchange derivative losses/gains are primarily included in selling, general and administrative expenses. Interest rate derivative losses/gains are primarily from fair value hedges and are included in interest expense. These losses/gains are substantially offset by decreases/increases in the value of the underlying debt, which are also included in interest expense. Commodity derivative losses/gains are included in either cost of sales or selling, general and administrative expenses, depending on the underlying commodity.

(b) Foreign exchange derivative losses/gains are primarily included in cost of sales. Interest rate derivative losses/gains are included in interest expense. Commodity derivative losses/gains are included in either cost of sales or selling, general and administrative expenses, depending on the underlying commodity.

Based on current market conditions, we expect to reclassify net gains of \$5 million related to our cash flow hedges from accumulated other comprehensive loss into net income during the next 12 months.

## Note 10 — Net Income Attributable to PepsiCo per Common Share

The computations of basic and diluted net income attributable to PepsiCo per common share are as follows:

	2018		2017		2016	
	Income	Shares <sup>(a)</sup>	Income	Shares <sup>(a)</sup>	Income	Shares <sup>(a)</sup>
Net income attributable to PepsiCo	\$ 12,515		\$ 4,857		\$ 6,329	
Preferred shares:						
Dividends	—		—		(1)	
Redemption premium	(2)		(4)		(5)	
Net income available for PepsiCo common shareholders	\$ 12,513	1,415	\$ 4,853	1,425	\$ 6,323	1,439
Basic net income attributable to PepsiCo per common share	\$ 8.84		\$ 3.40		\$ 4.39	
Net income available for PepsiCo common shareholders	\$ 12,513	1,415	\$ 4,853	1,425	\$ 6,323	1,439
Dilutive securities:						
Stock options, RSUs, PSUs, PEPunits and Other	—	10	—	12	1	12
Employee stock ownership plan (ESOP) convertible preferred stock	2	—	4	1	5	1
Diluted	\$ 12,515	1,425	\$ 4,857	1,438	\$ 6,329	1,452
Diluted net income attributable to PepsiCo per common share	\$ 8.78		\$ 3.38		\$ 4.36	

(a) Weighted-average common shares outstanding (in millions).

Out-of-the-money options excluded from the calculation of diluted earnings per common share are as follows:

	2018	2017	2016
Out-of-the-money options <sup>(a)</sup>	0.7	0.4	0.7
Average exercise price per option	\$ 109.83	\$ 110.12	\$ 99.98

(a) In millions.

## Note 11 — Preferred Stock

In connection with our merger with The Quaker Oats Company (Quaker) in 2001, shares of our convertible preferred stock were authorized and issued to an ESOP fund established by Quaker. Quaker made the final award to its ESOP in June 2001.

In 2018, all of the outstanding shares of our convertible preferred stock were converted into an aggregate of 550,102 shares of our common stock at the conversion ratio set forth in Exhibit A to our amended and restated articles of incorporation. As a result, there are no shares of our convertible preferred stock outstanding as of December 29, 2018 and our convertible preferred stock is retired for accounting purposes.

As of December 30, 2017, there were 3 million shares of convertible preferred stock authorized, 803,953 preferred shares issued and 114,753 shares outstanding. The outstanding preferred shares had a fair value of \$68 million as of December 30, 2017.

Activities of our preferred stock are included in the equity statement.

**Note 12 — Accumulated Other Comprehensive Loss Attributable to PepsiCo**

The changes in the balances of each component of accumulated other comprehensive loss attributable to PepsiCo are as follows:

	Currency Translation Adjustment	Cash Flow Hedges	Pension and Retiree Medical	Available-For- Sale Securities	Other	Accumulated Other Comprehensive Loss Attributable to PepsiCo
Balance as of December 26, 2015 <sup>(a)</sup>	\$ (11,080)	\$ 37	\$ (2,329)	\$ 88	\$ (35)	\$ (13,319)
Other comprehensive (loss)/income before reclassifications	(313)	(74)	(750)	(43)	—	(1,180)
Amounts reclassified from accumulated other comprehensive loss	—	150	407	—	—	557
Net other comprehensive (loss)/income	(313)	76	(343)	(43)	—	(623)
Tax amounts	7	(30)	27	19	—	23
Balance as of December 31, 2016 <sup>(a)</sup>	(11,386)	83	(2,645)	64	(35)	(13,919)
Other comprehensive (loss)/income before reclassifications <sup>(b)</sup>	1,049	130	(375)	25	—	829
Amounts reclassified from accumulated other comprehensive loss	—	(171)	158	(99)	—	(112)
Net other comprehensive (loss)/income	1,049	(41)	(217)	(74)	—	717
Tax amounts	60	5	58	6	16	145
Balance as of December 30, 2017 <sup>(a)</sup>	(10,277)	47	(2,804)	(4)	(19)	(13,057)
Other comprehensive (loss)/income before reclassifications <sup>(c)</sup>	(1,664)	(61)	(813)	6	—	(2,532)
Amounts reclassified from accumulated other comprehensive loss	44	111	218	—	—	373
Net other comprehensive (loss)/income	(1,620)	50	(595)	6	—	(2,159)
Tax amounts	(21)	(10)	128	—	—	97
Balance as of December 29, 2018 <sup>(a)</sup>	<b>\$ (11,918)</b>	<b>\$ 87</b>	<b>\$ (3,271)</b>	<b>\$ 2</b>	<b>\$ (19)</b>	<b>\$ (15,119)</b>

(a) Pension and retiree medical amounts are net of taxes of \$1,253 million as of December 26, 2015, \$1,280 million as of December 31, 2016, \$1,338 million as of December 30, 2017 and \$1,466 million as of December 29, 2018.

(b) Currency translation adjustment primarily reflects the appreciation of the euro, Russian ruble, Pound sterling and Canadian dollar.

(c) Currency translation adjustment primarily reflects the depreciation of the Russian ruble, Canadian dollar, Pound sterling and Brazilian real.

The following table summarizes the reclassifications from accumulated other comprehensive loss to the income statement:

	Amount Reclassified from Accumulated Other Comprehensive Loss			Affected Line Item in the Income Statement
	2018	2017	2016	
<b>Currency translation:</b>				
Divestitures	\$ 44	\$ —	\$ —	Selling, general and administrative expenses
<b>Cash flow hedges:</b>				
Foreign exchange contracts	\$ (1)	\$ —	\$ 2	Net revenue
Foreign exchange contracts	(7)	10	(46)	Cost of sales
Interest rate derivatives	119	(184)	187	Interest expense
Commodity contracts	3	4	3	Cost of sales
Commodity contracts	(3)	(1)	4	Selling, general and administrative expenses
Net losses/(gains) before tax	111	(171)	150	
Tax amounts	(27)	64	(63)	
Net losses/(gains) after tax	\$ 84	\$ (107)	\$ 87	
<b>Pension and retiree medical items:</b>				
Amortization of net prior service credit	\$ (17)	\$ (24)	\$ (39)	Other pension and retiree medical benefits income/(expense)
Amortization of net losses	216	167	209	Other pension and retiree medical benefits income/(expense)
Settlement/curtailment	19	15	237	Other pension and retiree medical benefits income/(expense)
Net losses before tax	218	158	407	
Tax amounts	(45)	(44)	(144)	
Net losses after tax	\$ 173	\$ 114	\$ 263	
<b>Available-for-sale securities:</b>				
Sale of Britvic securities	\$ —	\$ (99)	\$ —	Selling, general and administrative expenses
Tax amount	—	10	—	
Net gain after tax	\$ —	\$ (89)	\$ —	
<b>Total net losses/(gains) reclassified for the year, net of tax</b>	<b>\$ 301</b>	<b>\$ (82)</b>	<b>\$ 350</b>	

**Note 13 — Restricted Cash**

The following table provides a reconciliation of cash and cash equivalents and restricted cash as reported within the balance sheet to the same items as reported in the cash flow statement.

	<b>2018</b>	2017
Cash and cash equivalents	\$ 8,721	\$ 10,610
Restricted cash <sup>(a)</sup>	1,997	—
Restricted cash included in other assets <sup>(b)</sup>	51	47
Total cash and cash equivalents and restricted cash	<u>\$ 10,769</u>	<u>\$ 10,657</u>

(a) Represents consideration held by our paying agent in connection with our acquisition of SodaStream.

(b) Restricted cash included in other assets primarily relates to collateral posted against our derivative asset or liability positions.

**Note 14 — Acquisitions and Divestitures*****Acquisition of SodaStream International Ltd.***

On December 5, 2018, we acquired all of the outstanding shares of SodaStream, a manufacturer and distributor of sparkling water makers, for \$144.00 per share in cash, in a transaction valued at approximately \$3.3 billion. The total consideration transferred was approximately \$3.3 billion (or \$3.2 billion, net of cash and cash equivalents acquired), including \$2.0 billion of consideration held by our paying agent in connection with this acquisition and reported as restricted cash as of December 29, 2018.

We accounted for the transaction as a business combination. We recognized and measured the identifiable assets acquired and liabilities assumed at their estimated fair values on the date of acquisition. The preliminary estimates of the fair value of the identifiable assets acquired and liabilities assumed in SodaStream as of the acquisition date include goodwill and other intangible assets of \$3.0 billion and property, plant and equipment of \$0.2 billion, all of which are recorded in our ESSA segment. The preliminary estimates of the fair value of identifiable assets acquired and liabilities assumed are subject to revisions, which may result in adjustments to the preliminary values discussed above as valuations are finalized. We expect to finalize these amounts as soon as possible, but no later than the end of 2019.

Under the guidance on accounting for business combinations, merger and integration costs are not included as components of consideration transferred but are accounted for as expenses in the period in which the costs are incurred. In 2018, we incurred merger and integration charges of \$75 million (\$0.05 per share), including \$57 million in our ESSA segment and \$18 million in corporate unallocated expenses. These charges include closing costs, advisory fees and employee-related costs and were recorded in selling, general and administrative expenses. See “Item 6. Selected Financial Data” and “Items Affecting Comparability” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

***Refranchising in Thailand***

In 2018, we refranchised our beverage business in Thailand by selling a controlling interest in our Thailand bottling operations to form a joint venture, where we now have an equity method investment. We recorded a pre-tax gain of \$144 million (\$126 million after-tax or \$0.09 per share) in selling, general and administrative expenses in our AMENA segment as a result of this transaction.

***Refranchising in Czech Republic, Hungary, and Slovakia***

In 2018, we refranchised our entire beverage bottling operations and snack distribution operations in CHS (included within our ESSA segment). We recorded a pre-tax gain of \$58 million (\$46 million after-tax or \$0.03 per share) in selling, general and administrative expenses in our ESSA segment as a result of this transaction.

***Refranchising in Jordan***

In 2017, we refranchised our beverage business in Jordan by selling a controlling interest in our Jordan bottling operations to form a joint venture, where we now have an equity method investment. We recorded a pre-tax gain of \$140 million (\$107 million after-tax or \$0.07 per share) in selling, general and administrative expenses in our AMENA segment as a result of this transaction.

**Note 15 — Supplemental Financial Information**
**Balance Sheet**

	2018	2017	2016
<b>Accounts and notes receivable</b>			
Trade receivables	\$ 6,079	\$ 5,956	
Other receivables	1,164	1,197	
	<u>7,243</u>	<u>7,153</u>	
Allowance, beginning of year	129	134	\$ 130
Net amounts charged to expense	16	26	37
Deductions <sup>(a)</sup>	(33)	(35)	(30)
Other <sup>(b)</sup>	(11)	4	(3)
Allowance, end of year	<u>101</u>	<u>129</u>	<u>\$ 134</u>
Net receivables	<u>\$ 7,142</u>	<u>\$ 7,024</u>	
<b>Inventories <sup>(c)</sup></b>			
Raw materials and packaging	\$ 1,312	\$ 1,344	
Work-in-process	178	167	
Finished goods	1,638	1,436	
	<u>\$ 3,128</u>	<u>\$ 2,947</u>	
<b>Other assets</b>			
Noncurrent notes and accounts receivable	\$ 86	\$ 59	
Deferred marketplace spending	112	134	
Pension plans <sup>(d)</sup>	269	374	
Other	293	346	
	<u>\$ 760</u>	<u>\$ 913</u>	
<b>Accounts payable and other current liabilities</b>			
Accounts payable	\$ 7,213	\$ 6,727	
Accrued marketplace spending	2,541	2,390	
Accrued compensation and benefits	1,755	1,785	
Dividends payable	1,329	1,161	
SodaStream consideration payable	1,997	—	
Other current liabilities	3,277	2,954	
	<u>\$ 18,112</u>	<u>\$ 15,017</u>	

(a) Includes accounts written off.

(b) Includes adjustments related primarily to currency translation and other adjustments.

(c) Approximately 5% of the inventory cost in 2018 and 2017 were computed using the LIFO method. The differences between LIFO and FIFO methods of valuing these inventories were not material.

(d) See Note 7 for additional information regarding our pension plans.

**Statement of Cash Flows**

	<b>2018</b>	2017	2016
Interest paid <sup>(a)</sup>	<b>\$ 1,388</b>	\$ 1,123	\$ 1,102
Income taxes paid, net of refunds <sup>(b)</sup>	<b>\$ 1,203</b>	\$ 1,962	\$ 1,393

(a) In 2018 and 2016, excludes the premiums paid in accordance with the debt transactions discussed in Note 8.

(b) In 2018, includes tax payments of \$115 million related to the TCJ Act.

**Lease Information**

	<b>2018</b>	2017	2016
Rent expense	<b>\$ 771</b>	\$ 742	\$ 701

Minimum lease payments under non-cancelable operating leases by period

	Operating Lease Payments
2019	\$ 459
2020	406
2021	294
2022	210
2023	161
2024 and beyond	310
Total minimum operating lease payments	<b>\$ 1,840</b>

## Management's Responsibility for Financial Reporting

To Our Shareholders:

At PepsiCo, our actions – the actions of all our associates – are governed by our Global Code of Conduct. This Code is clearly aligned with our stated values – a commitment to deliver sustained growth through empowered people acting with responsibility and building trust. Both the Code and our core values enable us to operate with integrity – both within the letter and the spirit of the law. Our Code of Conduct is reinforced consistently at all levels and in all countries. We have maintained strong governance policies and practices for many years.

The management of PepsiCo is responsible for the objectivity and integrity of our consolidated financial statements. The Audit Committee of the Board of Directors has engaged independent registered public accounting firm, KPMG LLP, to audit our consolidated financial statements, and they have expressed an unqualified opinion.

We are committed to providing timely, accurate and understandable information to investors. Our commitment encompasses the following:

**Maintaining strong controls over financial reporting.** Our system of internal control is based on the control criteria framework of the Committee of Sponsoring Organizations of the Treadway Commission published in their report titled *Internal Control – Integrated Framework* (2013). The system is designed to provide reasonable assurance that transactions are executed as authorized and accurately recorded; that assets are safeguarded; and that accounting records are sufficiently reliable to permit the preparation of financial statements that conform in all material respects with accounting principles generally accepted in the United States. We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the specified time periods. We monitor these internal controls through self-assessments and an ongoing program of internal audits. Our internal controls are reinforced through our Global Code of Conduct, which sets forth our commitment to conduct business with integrity, and within both the letter and the spirit of the law.

**Exerting rigorous oversight of the business.** We continuously review our business results and strategies. This encompasses financial discipline in our strategic and daily business decisions. Our Executive Committee is actively involved – from understanding strategies and alternatives to reviewing key initiatives and financial performance. The intent is to ensure we remain objective in our assessments, constructively challenge our approach to potential business opportunities and issues, and monitor results and controls.

**Engaging strong and effective Corporate Governance from our Board of Directors.** We have an active, capable and diligent Board that meets the required standards for independence, and we welcome the Board's oversight as a representative of our shareholders. Our Audit Committee is comprised of independent directors with the financial literacy, knowledge and experience to provide appropriate oversight. We review our critical accounting policies, financial reporting and internal control matters with them and encourage their direct communication with KPMG LLP, with our Internal Auditor and with our General Counsel. We also have a Compliance & Ethics Department, led by our Chief Compliance & Ethics Officer, who coordinates our compliance policies and practices.

**Providing investors with financial results that are complete, transparent and understandable.** The consolidated financial statements and financial information included in this report are the responsibility of management. This includes preparing the financial statements in accordance with accounting principles generally accepted in the United States, which require estimates based on management's best judgment.

**PepsiCo has a strong history of doing what's right.** We realize that great companies are built on trust, strong ethical standards and principles. Our financial results are delivered from that culture of accountability, and we take responsibility for the quality and accuracy of our financial reporting.

February 15, 2019

/s/ MARIE T. GALLAGHER

Marie T. Gallagher  
Senior Vice President and Controller  
(Principal Accounting Officer)

/s/ HUGH F. JOHNSTON

Hugh F. Johnston  
Vice Chairman, Executive Vice President and  
Chief Financial Officer

/s/ RAMON L. LAGUARTA

Ramon L. Laguarda  
Chairman of the Board of Directors and  
Chief Executive Officer

## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors  
PepsiCo, Inc.:

### Opinions on the Consolidated Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying Consolidated Balance Sheets of PepsiCo, Inc. and Subsidiaries (the “Company”) as of December 29, 2018 and December 30, 2017, and the related Consolidated Statements of Income, Comprehensive Income, Cash Flows, and Equity for each of the fiscal years in the three-year period ended December 29, 2018 and the related notes (collectively, the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 29, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 29, 2018 and December 30, 2017, and the results of its operations and its cash flows for each of the fiscal years in the three-year period ended December 29, 2018, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 29, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

As permitted by SEC guidance, the scope of management’s assessment of the effectiveness of internal control over financial reporting as of December 29, 2018 excluded SodaStream International Ltd. and its subsidiaries (“SodaStream”), which the Company acquired in December 2018. SodaStream’s total assets and net revenue represented approximately 5% and 1%, respectively, of the consolidated total assets and net revenue of PepsiCo, Inc. as of and for the year ended December 29, 2018. Our audit of internal control over financial reporting of PepsiCo, Inc. also excluded an evaluation of the internal control over financial reporting of SodaStream.

### Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s consolidated financial statements and an opinion on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over

financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### **Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

We have served as the Company's auditor since 1990.

New York, New York  
February 15, 2019

## GLOSSARY

**Acquisitions and divestitures:** all mergers and acquisitions activity, including the impact of acquisitions, divestitures and changes in ownership or control in consolidated subsidiaries and nonconsolidated equity investees.

**Bottler Case Sales (BCS):** measure of physical beverage volume shipped to retailers and independent distributors from both PepsiCo and our independent bottlers.

**Bottler funding:** financial incentives we give to our independent bottlers to assist in the distribution and promotion of our beverage products.

**Concentrate Shipments and Equivalents (CSE):** measure of our physical beverage volume shipments to independent bottlers, retailers and independent distributors.

**Constant currency:** financial results assuming constant foreign currency exchange rates used for translation based on the rates in effect for the comparable prior-year period. In order to compute our constant currency results, we multiply or divide, as appropriate, our current year U.S. dollar results by the current year average foreign exchange rates and then multiply or divide, as appropriate, those amounts by the prior year average foreign exchange rates.

**Consumers:** people who eat and drink our products.

**CSD:** carbonated soft drinks.

**Customers:** authorized independent bottlers, distributors and retailers.

**Derivatives:** financial instruments, such as futures, swaps, Treasury locks, cross currency swaps and forward contracts that we use to manage our risk arising from changes in commodity prices, interest rates and foreign exchange rates.

**Direct-Store-Delivery (DSD):** delivery system used by us and our independent bottlers to deliver snacks and beverages directly to retail stores where our products are merchandised.

**Effective net pricing:** reflects the year-over-year impact of discrete pricing actions, sales incentive activities and mix resulting from selling varying products in different package sizes and in different countries.

**Free cash flow:** net cash provided by operating activities less capital spending plus sales of property, plant and equipment.

**Hedge accounting:** treatment for qualifying hedges that allows fluctuations in a hedging instrument's fair value to offset corresponding fluctuations in the hedged item in the same reporting period. Hedge accounting is allowed only in cases where the hedging relationship between the hedging instruments and hedged items is highly effective, and only prospectively from the date a hedging relationship is formally documented.

**Independent bottlers:** customers to whom we have granted exclusive contracts to sell and manufacture certain beverage products bearing our trademarks within a specific geographical area.

**Mark-to-market net gain or loss:** change in market value for commodity derivative contracts that we purchase to mitigate the volatility in costs of energy and raw materials that we consume. The market value is determined based on prices on national exchanges and recently reported transactions in the marketplace.

**Organic:** a measure that adjusts for impacts of acquisitions, divestitures and other structural changes, and foreign exchange translation. In excluding the impact of foreign exchange translation, we assume constant foreign exchange rates used for translation based on the rates in effect for the comparable prior-year period. See the definition of “Constant currency” for additional information. Our 2018 reported results reflect the accounting policy election taken in conjunction with the adoption of the revenue recognition guidance to exclude from net revenue and cost of sales all sales, use, value-added and certain excise taxes assessed by governmental authorities on revenue-producing transactions not already excluded. Our 2018 organic revenue growth excludes the impact of these taxes previously recognized in net revenue. In addition, our fiscal 2016 reported results included an extra week of results. Our 2017 organic revenue growth excludes the impact of the 53rd reporting week from our 2016 results.

**Servings:** common metric reflecting our consolidated physical unit volume. Our divisions’ physical unit measures are converted into servings based on U.S. Food and Drug Administration guidelines for single-serving sizes of our products.

**Total marketplace spending:** includes sales incentives and discounts offered through various programs to our customers, consumers or independent bottlers, as well as advertising and other marketing activities.

**Transaction gains and losses:** the impact on our consolidated financial statements of exchange rate changes arising from specific transactions.

**Translation adjustment:** the impact of converting our foreign affiliates’ financial statements into U.S. dollars for the purpose of consolidating our financial statements.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

Included in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks.”

**Item 8. Financial Statements and Supplementary Data.**

See “Item 15. Exhibits and Financial Statement Schedules.”

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

Not applicable.

**Item 9A. Controls and Procedures.**

**(a) Disclosure Controls and Procedures.** As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this report our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

**(b) Management’s Annual Report on Internal Control over Financial Reporting.** Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based upon criteria established in *Internal Control – Integrated Framework* (2013) by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of December 29, 2018.

As permitted by SEC guidance, the scope of management’s assessment of the effectiveness of our internal control over financial reporting as of December 29, 2018 excluded SodaStream International Ltd. and its subsidiaries (SodaStream), which we acquired in December 2018. SodaStream’s total assets and net revenue represented approximately 5% and 1%, respectively, of the consolidated total assets and net revenue of PepsiCo, Inc. as of and for the year ended December 29, 2018.

**Attestation Report of the Registered Public Accounting Firm.** KPMG LLP, an independent registered public accounting firm, has audited the consolidated financial statements included in this Annual Report on Form 10-K and, as part of their audit, has issued their report, included herein, on the effectiveness of our internal control over financial reporting.

**(c) Changes in Internal Control over Financial Reporting.** Except as discussed, there have been no changes in our internal control over financial reporting during our fourth fiscal quarter of 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

During our fourth fiscal quarter of 2018, we continued migrating certain of our financial processing systems to an enterprise-wide systems solution. These systems implementations are part of our ongoing global business

transformation initiative, and we plan to continue implementing such systems throughout other parts of our businesses. In addition, in connection with our 2019 multi-year productivity program, we continue to migrate to shared business models across our operations to further simplify, harmonize and automate processes. In connection with these implementations and resulting business process changes, we continue to enhance the design and documentation of our internal control over financial reporting processes to maintain effective controls over our financial reporting. These transitions have not materially affected, and we do not expect them to materially affect, our internal control over financial reporting.

**Item 9B. Other Information.**

Not applicable.

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance.**

Information about our directors and persons nominated to become directors is contained under the caption “Election of Directors” in our Proxy Statement for our 2019 Annual Meeting of Shareholders to be filed with the SEC within 120 days of the fiscal year ended December 29, 2018 (the 2019 Proxy Statement) and is incorporated herein by reference. Information about our executive officers is reported under the caption “Executive Officers of the Registrant” in Part I of this report.

Information on beneficial ownership reporting compliance is contained under the caption “Ownership of PepsiCo Common Stock – Section 16(a) Beneficial Ownership Reporting Compliance” in our 2019 Proxy Statement and is incorporated herein by reference.

We have a written code of conduct that applies to all of our employees, including our Chairman of the Board of Directors and Chief Executive Officer, Chief Financial Officer and Controller, and to our Board of Directors. Our Global Code of Conduct is distributed to all employees and is available on our website at <http://www.pepsico.com>. A copy of our Global Code of Conduct may be obtained free of charge by writing to Investor Relations, PepsiCo, Inc., 700 Anderson Hill Road, Purchase, New York 10577. Any amendment to our Global Code of Conduct and any waiver applicable to our executive officers or senior financial officers will be posted on our website within the time period required by the SEC and applicable rules of The Nasdaq Stock Market LLC.

Information about the procedures by which security holders may recommend nominees to our Board of Directors can be found in our 2019 Proxy Statement under the caption “Board Composition and Refreshment – Shareholder Recommendations and Nominations of Director Candidates” and is incorporated herein by reference.

Information concerning the composition of the Audit Committee and our Audit Committee financial experts is contained in our 2019 Proxy Statement under the caption “Corporate Governance at PepsiCo – Committees of the Board of Directors – Audit Committee” and is incorporated herein by reference.

**Item 11. Executive Compensation.**

Information about director and executive officer compensation, Compensation Committee interlocks and the Compensation Committee Report is contained in our 2019 Proxy Statement under the captions “2018 Director Compensation,” “Executive Compensation,” “Corporate Governance at PepsiCo – Committees of the Board of Directors – Compensation Committee – Compensation Committee Interlocks and Insider Participation” and “Executive Compensation – Compensation Committee Report” and is incorporated herein by reference.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

Information with respect to securities authorized for issuance under equity compensation plans can be found under the caption “Executive Compensation – Securities Authorized for Issuance Under Equity Compensation Plans” in our 2019 Proxy Statement and is incorporated herein by reference.

Information on the number of shares of PepsiCo Common Stock beneficially owned by each director and named executive officer, by all directors and executive officers as a group and on each beneficial owner of more than 5% of PepsiCo Common Stock is contained under the caption “Ownership of PepsiCo Common Stock” in our 2019 Proxy Statement and is incorporated herein by reference.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

Information with respect to certain relationships and related transactions and director independence is contained under the captions “Corporate Governance at PepsiCo – Related Person Transactions” and “Corporate Governance at PepsiCo – Director Independence” in our 2019 Proxy Statement and is incorporated herein by reference.

**Item 14. Principal Accounting Fees and Services.**

Information on our Audit Committee’s pre-approval policy and procedures for audit and other services and information on our principal accountant fees and services is contained in our 2019 Proxy Statement under the caption “Ratification of Appointment of Independent Registered Public Accounting Firm – Audit and Other Fees” and is incorporated herein by reference.

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules.**

(a)1. Financial Statements

The following consolidated financial statements of PepsiCo, Inc. and its affiliates are included herein by reference to the pages indicated on the index appearing in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations”:

Consolidated Statement of Income – Fiscal years ended December 29, 2018, December 30, 2017 and December 31, 2016

Consolidated Statement of Comprehensive Income – Fiscal years ended December 29, 2018, December 30, 2017 and December 31, 2016

Consolidated Statement of Cash Flows – Fiscal years ended December 29, 2018, December 30, 2017 and December 31, 2016

Consolidated Balance Sheet – December 29, 2018 and December 30, 2017

Consolidated Statement of Equity – Fiscal years ended December 29, 2018, December 30, 2017 and December 31, 2016

Notes to Consolidated Financial Statements, and

Report of Independent Registered Public Accounting Firm.

(a)2. Financial Statement Schedules

These schedules are omitted because they are not required or because the information is set forth in the financial statements or the notes thereto.

(a)3. Exhibits

See Index to Exhibits.

**Item 16. Form 10-K Summary.**

None.

**INDEX TO EXHIBITS  
ITEM 15(a)(3)**

The following is a list of the exhibits filed as part of this Form 10-K. The documents incorporated by reference can be viewed on the SEC's website at <http://www.sec.gov>.

**EXHIBIT**

- 3.1 [Articles of Incorporation of PepsiCo, Inc., as amended and restated, effective as of May 9, 2011, which are incorporated herein by reference to Exhibit 3.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 9, 2011.](#)
- 3.2 [By-laws of PepsiCo, Inc., as amended and restated, effective as of January 11, 2016, which are incorporated herein by reference to Exhibit 3.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 11, 2016.](#)
- 4.1 PepsiCo, Inc. agrees to furnish to the Securities and Exchange Commission, upon request, a copy of any instrument, not otherwise filed herewith, defining the rights of holders of long-term debt of PepsiCo, Inc. and its consolidated subsidiaries and for any of its unconsolidated subsidiaries for which financial statements are required to be filed with the Securities and Exchange Commission.
- 4.2 [Indenture dated May 21, 2007 between PepsiCo, Inc. and The Bank of New York Mellon \(formerly known as The Bank of New York\), as trustee, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Registration Statement on Form S-3ASR \(Registration No. 333-154314\) filed with the Securities and Exchange Commission on October 15, 2008.](#)
- 4.3 [Form of 4.50% Senior Note due 2020, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 13, 2010.](#)
- 4.4 [Form of 5.50% Senior Note due 2040, which is incorporated herein by reference to Exhibit 4.4 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 13, 2010.](#)
- 4.5 [Form of 3.125% Senior Note due 2020, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 25, 2010.](#)
- 4.6 [Form of 4.875% Senior Note due 2040, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 25, 2010.](#)
- 4.7 [Form of 3.600% Senior Note due 2024, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 28, 2014.](#)
- 4.8 [Form of 1.750% Senior Note due 2021, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 28, 2014.](#)
- 4.9 [Form of 2.625% Senior Note due 2026, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 28, 2014.](#)
- 4.10 [Form of 4.250% Senior Note due 2044, which is incorporated herein by reference to Exhibit 4.1 of PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 22, 2014.](#)
- 4.11 [Form of 1.850% Senior Note due 2020, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 30, 2015.](#)

- 4.12 [Form of 2.750% Senior Note due 2025, which is incorporated herein by reference to Exhibit 4.4 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 30, 2015.](#)
- 4.13 [Form of 3.100% Senior Note due 2022, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 17, 2015.](#)
- 4.14 [Form of 3.500% Senior Note due 2025, which is incorporated herein by reference to Exhibit 4.4 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 17, 2015.](#)
- 4.15 [Form of 4.600% Senior Note due 2045, which is incorporated herein by reference to Exhibit 4.5 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 17, 2015.](#)
- 4.16 [Form of 2.150% Senior Note due 2020, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 14, 2015.](#)
- 4.17 [Form of 4.450% Senior Note due 2046, which is incorporated herein by reference to Exhibit 4.4 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 14, 2015.](#)
- 4.18 [Form of Floating Rate Note due 2019, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 24, 2016.](#)
- 4.19 [Form of 1.500% Senior Note due 2019, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 24, 2016.](#)
- 4.20 [Form of 2.850% Senior Note due 2026, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 24, 2016.](#)
- 4.21 [Form of 4.450% Senior Note due 2046, which is incorporated herein by reference to Exhibit 4.4 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 24, 2016.](#)
- 4.22 [Form of 0.875% Senior Note due 2028, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 18, 2016.](#)
- 4.23 [Form of Floating Rate Note due 2019, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 6, 2016.](#)
- 4.24 [Form of Floating Rate Note due 2021, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 6, 2016.](#)
- 4.25 [Form of 1.350% Senior Note due 2019, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 6, 2016.](#)
- 4.26 [Form of 1.700% Senior Note due 2021, which is incorporated herein by reference to Exhibit 4.4 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 6, 2016.](#)
- 4.27 [Form of 2.375% Senior Note due 2026, which is incorporated herein by reference to Exhibit 4.5 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 6, 2016.](#)
- 4.28 [Form of 3.450% Senior Note due 2046, which is incorporated herein by reference to Exhibit 4.6 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 6, 2016.](#)

- 4.29 [Form of Floating Rate Note due 2019, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 2, 2017.](#)
- 4.30 [Form of Floating Rate Note due 2022, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 2, 2017.](#)
- 4.31 [Form of 1.550% Senior Note due 2019, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 2, 2017.](#)
- 4.32 [Form of 2.250% Senior Note due 2022, which is incorporated herein by reference to Exhibit 4.4 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 2, 2017.](#)
- 4.33 [Form of 4.000% Senior Note due 2047, which is incorporated herein by reference to Exhibit 4.5 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 2, 2017.](#)
- 4.34 [Form of 2.150% Senior Note due 2024, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 4, 2017.](#)
- 4.35 [Form of 2.000% Senior Note due 2021, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 10, 2017.](#)
- 4.36 [Form of 3.000% Senior Note due 2027, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 10, 2017.](#)
- 4.37 [Board of Directors Resolutions Authorizing PepsiCo, Inc.'s Officers to Establish the Terms of the 4.50% Senior Notes due 2020, 5.50% Senior Notes due 2040, 3.125% Senior Notes due 2020 and 4.875% Senior Notes due 2040, which are incorporated herein by reference to Exhibit 4.1 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the 24 weeks ended June 12, 2010.](#)
- 4.38 [Board of Directors Resolutions Authorizing PepsiCo, Inc.'s Officers to Establish the Terms of the 3.000% Senior Notes due 2021, the 2.750% Senior Notes due 2022, the 4.000% Senior Notes due 2042, the 3.600% Senior Notes due 2042 and the 2.500% Senior Notes due 2022, which are incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2011.](#)
- 4.39 [Form of 3.000% Senior Note due 2021, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 25, 2011.](#)
- 4.40 [Form of 2.750% Senior Note due 2022, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 2, 2012.](#)
- 4.41 [Form of 4.000% Senior Note due 2042, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 2, 2012.](#)
- 4.42 [Form of 3.600% Senior Note due 2042, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 13, 2012.](#)
- 4.43 [Form of 2.500% Senior Note due 2022, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 30, 2012.](#)

- 4.44 [Form of 2.750% Senior Note due 2023, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 28, 2013.](#)
- 4.45 [Form of 7.00% Senior Note due 2029, Series A, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on November 8, 2018.](#)
- 4.46 [Form of 5.50% Senior Note due 2035, Series A, which is incorporated herein by reference to Exhibit 4.4 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on November 8, 2018.](#)
- 4.47 [Form of 7.29% Senior Note due 2026, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Registration Statement on Form S-4 \(Registration No. 333-228466\) filed with the Securities and Exchange Commission on November 19, 2018.](#)
- 4.48 [Form of 7.44% Senior Note due 2026, which is incorporated herein by reference to Exhibit 4.4 to PepsiCo, Inc.'s Registration Statement on Form S-4 \(Registration No. 333-228466\) filed with the Securities and Exchange Commission on November 19, 2018.](#)
- 4.49 [Form of 7.00% Senior Note due 2029, which is incorporated herein by reference to Exhibit 4.5 to PepsiCo, Inc.'s Registration Statement on Form S-4 \(Registration No. 333-228466\) filed with the Securities and Exchange Commission on November 19, 2018.](#)
- 4.50 [Form of 5.50% Senior Note due 2035, which is incorporated herein by reference to Exhibit 4.6 to PepsiCo, Inc.'s Registration Statement on Form S-4 \(Registration No. 333-228466\) filed with the Securities and Exchange Commission on November 19, 2018.](#)
- 4.51 [Board of Directors Resolutions Authorizing PepsiCo, Inc.'s Officers to Establish the Terms of the 2.750% Senior Note due 2023, the 3.600% Senior Notes due 2024, the 1.750% Senior Notes due 2021, the 2.625% Senior Notes due 2026, the 4.250% Senior Notes due 2044, the 1.850% Senior Notes due 2020, the 2.750% Senior Notes due 2025, the 3.100% Senior Notes due 2022, the 3.500% Senior Notes due 2025, the 4.600% Senior Notes due 2045, the 2.150% Senior Notes due 2020, the 4.450% Senior Notes due 2046, the Floating Rate Note due 2019, the 1.500% Senior Notes due 2019, the 2.850% Senior Notes due 2026, the 0.875% Senior Note due 2028, the Floating Rate Note due 2019, the Floating Rate Note due 2021, the 1.350% Senior Notes due 2019, the 1.700% Senior Notes due 2021, the 2.375% Senior Notes due 2026, the 3.450% Senior Notes due 2046, the Floating Rate Notes due 2019, the Floating Rate Notes due 2022, the 1.550% Senior Notes due 2019, the 2.250% Senior Notes due 2022, the 4.000% Senior Notes due 2047, the 2.150% Senior Notes due 2024, the 2.000% Senior Notes due 2021, the 3.000% Senior Notes due 2027, the 7.00% Senior Notes due 2029, Series A, the 5.50% Senior Notes due 2035, Series A, the 7.29% Senior Notes due 2026, the 7.44% Senior Notes due 2026, the 7.00% Senior Notes due 2029 and the 5.50% Senior Notes due 2035 which are incorporated herein by reference to Exhibit 4.4 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 28, 2013.](#)
- 4.52 [Second Supplemental Indenture, dated as of October 24, 2018, among Pepsi-Cola Metropolitan Bottling Company, Inc., Bottling Group, LLC, and The Bank of New York Mellon, as trustee, to the Indenture dated March 8, 1999 among The Pepsi Bottling Group, Inc., Bottling Group, LLC and The Chase Manhattan Bank, as trustee, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 25, 2018.](#)
- 4.53 [First Supplemental Indenture, dated as of February 26, 2010, among Pepsi-Cola Metropolitan Bottling Company, Inc., The Pepsi Bottling Group, Inc., Bottling Group, LLC and The Bank of New York Mellon, as trustee, to the Indenture dated March 8, 1999 between The Pepsi Bottling Group, Inc., Bottling Group, LLC and The Chase Manhattan Bank, as trustee, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 1, 2010.](#)

- 4.54 [Indenture, dated as of March 8, 1999, by and among The Pepsi Bottling Group, Inc., as obligor, Bottling Group, LLC, as guarantor, and The Chase Manhattan Bank, as trustee, relating to \\$1,000,000,000 7% Series B Senior Note due 2029, which is incorporated herein by reference to Exhibit 10.14 to The Pepsi Bottling Group, Inc.'s Registration Statement on Form S-1 \(Registration No. 333-70291\) filed with the Securities and Exchange Commission on March 24, 1999.](#)
- 4.55 [Third Supplemental Indenture, dated as of October 24, 2018, between Pepsi-Cola Metropolitan Bottling Company, Inc. and The Bank New York Mellon Trust Company, N.A., as trustee, to the Indenture dated as of January 15, 1993 between Whitman Corporation and The First National Bank of Chicago, as trustee, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 25, 2018.](#)
- 4.56 [Second Supplemental Indenture, dated as of February 26, 2010, among Pepsi-Cola Metropolitan Bottling Company, Inc., PepsiAmericas, Inc. and The Bank New York Mellon Trust Company, N.A., as trustee, to the Indenture dated as of January 15, 1993 between Whitman Corporation and The First National Bank of Chicago, as trustee, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 1, 2010.](#)
- 4.57 [First Supplemental Indenture, dated as of May 20, 1999, between Whitman Corporation and The First National Bank of Chicago, as trustee, to the Indenture dated as of January 15, 1993, between Whitman Corporation and The First National Bank of Chicago, as trustee, each of which is incorporated herein by reference to Exhibit 4.3 to Post-Effective Amendment No. 1 to PepsiAmericas, Inc.'s Registration Statement on Form S-8 \(Registration No. 333-64292\) filed with the Securities and Exchange Commission on December 29, 2005.](#)
- 4.58 [Form of PepsiAmericas, Inc. 7.29% Note due 2026, which is incorporated herein by reference to Exhibit 4.7 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.](#)
- 4.59 [Second Supplemental Indenture, dated as of October 24, 2018, between Pepsi-Cola Metropolitan Bottling Company, Inc. and Wells Fargo Bank, National Association, as trustee, to the Indenture dated as of August 15, 2003 between PepsiAmericas, Inc. and Wells Fargo Bank Minnesota, National Association, as trustee, which is incorporated herein by reference to Exhibit 4.4 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 25, 2018.](#)
- 4.60 [First Supplemental Indenture, dated as of February 26, 2010, among Pepsi-Cola Metropolitan Bottling Company, Inc., PepsiAmericas, Inc. and Wells Fargo Bank, National Association, as trustee, to the Indenture dated as of August 15, 2003 between PepsiAmericas, Inc. and Wells Fargo Bank Minnesota, National Association, as trustee, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 1, 2010.](#)
- 4.61 [Indenture dated as of August 15, 2003 between PepsiAmericas, Inc. and Wells Fargo Bank Minnesota, National Association, as trustee, which is incorporated herein by reference to Exhibit 4 to PepsiAmericas, Inc.'s Registration Statement on Form S-3 \(Registration No. 333-108164\) filed with the Securities and Exchange Commission on August 22, 2003.](#)
- 4.62 [Form of PepsiAmericas, Inc. 5.50% Note due 2035, which is incorporated herein by reference to Exhibit 4.17 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.](#)
- 10.1 [Form of PepsiCo, Inc. Director Indemnification Agreement, which is incorporated herein by reference to Exhibit 10.20 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 25, 2004.\\*](#)
- 10.2 [Severance Plan for Executive Employees of PepsiCo, Inc. and Affiliates, which is incorporated herein by reference to Exhibit 10.5 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended September 6, 2008.\\*](#)

- 10.3 [PepsiCo, Inc. 2007 Long-Term Incentive Plan, as amended and restated March 12, 2010, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 11, 2010.\\*](#)
- 10.4 [Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 7, 2008.\\*](#)
- 10.5 [Form of Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 7, 2008.\\*](#)
- 10.6 [Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2009.\\*](#)
- 10.7 [Form of Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2009.\\*](#)
- 10.8 [Form of Pro Rata Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2009.\\*](#)
- 10.9 [Form of Aircraft Time Sharing Agreement, which is incorporated herein by reference to Exhibit 10 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended March 21, 2009.\\*](#)
- 10.10 [PBG 2004 Long Term Incentive Plan, which is incorporated herein by reference to Exhibit 99.1 to PepsiCo, Inc.'s Registration Statement on Form S-8 \(Registration No. 333-165107\) filed with the Securities and Exchange Commission on February 26, 2010.\\*](#)
- 10.11 [PBG Stock Incentive Plan, which is incorporated herein by reference to Exhibit 99.6 to PepsiCo, Inc.'s Registration Statement on Form S-8 \(Registration No. 333-165107\) filed with the Securities and Exchange Commission on February 26, 2010.\\*](#)
- 10.12 [Amendments to PBG 2002 Long Term Incentive Plan, PBG Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan and PBG Stock Incentive Plan \(effective February 8, 2007\), which are incorporated herein by reference to Exhibit 99.7 to PepsiCo, Inc.'s Registration Statement on Form S-8 \(Registration No. 333-165107\) filed with the Securities and Exchange Commission on February 26, 2010.\\*](#)
- 10.13 [Amendments to PBG 2004 Long Term Incentive Plan, PBG 2002 Long Term Incentive Plan, The Pepsi Bottling Group, Inc. Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan, PBG Directors' Stock Plan and PBG Stock Incentive Plan \(effective February 19, 2010\), which are incorporated herein by reference to Exhibit 99.8 to PepsiCo, Inc.'s Registration Statement on Form S-8 \(Registration No. 333-165107\) filed with the Securities and Exchange Commission on February 26, 2010.\\*](#)
- 10.14 [Specified Employee Amendments to Arrangements Subject to Section 409A of the Internal Revenue Code, adopted February 18, 2010 and March 29, 2010, which is incorporated herein by reference to Exhibit 10.13 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.\\*](#)
- 10.15 [Form of Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 16, 2010.\\*](#)
- 10.16 [Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 24, 2012.\\*](#)
- 10.17 [Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 18, 2013.\\*](#)

- 10.18 [PepsiCo, Inc. 2007 Long-Term Incentive Plan, as amended and restated March 13, 2014, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 14, 2014.\\*](#)
- 10.19 [PepsiCo, Inc. Executive Incentive Compensation Plan, as amended and restated effective February 7, 2014, which is incorporated herein by reference to Exhibit B to PepsiCo, Inc.'s Proxy Statement for its 2014 Annual Meeting of Shareholders filed with the Securities and Exchange Commission on March 21, 2014.\\*](#)
- 10.20 [The PepsiCo International Retirement Plan Defined Benefit Program, as amended and restated effective as of January 1, 2019.\\*](#)
- 10.21 [The PepsiCo International Retirement Plan Defined Contribution Program, as amended and restated effective as of January 1, 2019.\\*](#)
- 10.22 [PepsiCo, Inc. Long-Term Incentive Plan \(as amended and restated May 4, 2016\), which is incorporated herein by reference to Exhibit B to PepsiCo's Proxy Statement for its 2016 Annual Meeting of Shareholders, filed with the Securities and Exchange Commission on March 18, 2016.\\*](#)
- 10.23 [Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 19, 2016.\\*](#)
- 10.24 [PepsiCo Pension Equalization Plan \(the Plan Document for the Pre-409A Program\), as amended and restated effective as of April 1, 2016, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 19, 2016.\\*](#)
- 10.25 [PepsiCo Pension Equalization Plan \(Plan Document for the Section 409A Program\), amended and restated effective as of January 1, 2019.\\*](#)
- 10.26 [PepsiCo Automatic Retirement Contribution Equalization Plan, as amended and restated effective as of January 1, 2019.\\*](#)
- 10.27 [PepsiCo Director Deferral Program \(Plan Document for the 409A Program\), amended and restated effective as of December 20, 2017, which is incorporated herein by reference to Exhibit 10.41 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 30, 2017.\\*](#)
- 10.28 [Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.49 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2016.\\*](#)
- 10.29 [PepsiCo Executive Income Deferral Program \(Plan Document for the 409A Program\), amended and restated effective as of January 1, 2005 \(with amendments through March 9, 2017\), which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 25, 2017.\\*](#)
- 10.30 [Five-Year Credit Agreement, dated as of June 4, 2018, among PepsiCo, Inc., as borrower, the lenders named therein, and Citibank, N.A., as administrative agent, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on June 5, 2018.](#)
- 10.31 [Amendment to Certain PepsiCo Award Agreements, which is incorporated herein by reference to Exhibit 10.45 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 30, 2017.\\*](#)
- 10.32 [Amendment to the PBG 2004 Long Term Incentive Plan and the PBG Stock Incentive Plan, effective December 20, 2017, which is incorporated herein by reference to Exhibit 10.46 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 30, 2017.\\*](#)
- 10.33 [PepsiCo, Inc. Long Term Incentive Plan \(as amended and restated December 20, 2017\), which is incorporated herein by reference to Exhibit 10.47 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 30, 2017.\\*](#)

- 10.34 [Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 24, 2018.\\*](#)
- 10.35 [Form of Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 24, 2018.\\*](#)
- 10.36 [PepsiCo, Inc. Executive Incentive Compensation Plan, as amended and restated effective February 13, 2019.\\*](#)
- 21 [Subsidiaries of PepsiCo, Inc.](#)
- 23 [Consent of KPMG LLP.](#)
- 24 [Power of Attorney.](#)
- 31 [Certification of our Chief Executive Officer and our Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32 [Certification of our Chief Executive Officer and our Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101 The following materials from PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 29, 2018 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statement of Income, (ii) the Consolidated Statement of Comprehensive Income, (iii) the Consolidated Statement of Cash Flows, (iv) the Consolidated Balance Sheet, (v) the Consolidated Statement of Equity and (vi) Notes to Consolidated Financial Statements.

\* Management contracts and compensatory plans or arrangements required to be filed as exhibits pursuant to Item 15(a)(3) of this report.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, PepsiCo has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 15, 2019

PepsiCo, Inc.

By: /s/ Ramon L. Laguarta

Ramon L. Laguarta

Chairman of the Board of Directors and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of PepsiCo and in the capacities and on the date indicated.

<b><u>SIGNATURE</u></b>	<b><u>TITLE</u></b>	<b><u>DATE</u></b>
<u>/s/ Ramon L. Laguarta</u> Ramon L. Laguarta	Chairman of the Board of Directors and Chief Executive Officer	February 15, 2019
<u>/s/ Hugh F. Johnston</u> Hugh F. Johnston	Vice Chairman, Executive Vice President and Chief Financial Officer	February 15, 2019
<u>/s/ Marie T. Gallagher</u> Marie T. Gallagher	Senior Vice President and Controller (Principal Accounting Officer)	February 15, 2019
<u>/s/ Shona L. Brown</u> Shona L. Brown	Director	February 15, 2019
<u>/s/ George W. Buckley</u> George W. Buckley	Director	February 15, 2019
<u>/s/ Cesar Conde</u> Cesar Conde	Director	February 15, 2019
<u>/s/ Ian M. Cook</u> Ian M. Cook	Director	February 15, 2019
<u>/s/ Dina Dublon</u> Dina Dublon	Director	February 15, 2019
<u>/s/ Richard W. Fisher</u> Richard W. Fisher	Director	February 15, 2019
<u>/s/ William R. Johnson</u> William R. Johnson	Director	February 15, 2019
<u>/s/ David C. Page</u> David C. Page	Director	February 15, 2019
<u>/s/ Robert C. Pohlad</u> Robert C. Pohlad	Director	February 15, 2019
<u>/s/ Daniel Vasella</u> Daniel Vasella	Director	February 15, 2019
<u>/s/ Darren Walker</u> Darren Walker	Director	February 15, 2019
<u>/s/ Alberto Weisser</u> Alberto Weisser	Director	February 15, 2019

**THE PEPSICO INTERNATIONAL RETIREMENT PLAN**  
**DEFINED BENEFIT PROGRAM**  
**(PIRP-DB)**

**As Amended and Restated**  
**Effective as of January 1, 2019**

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## **ARTICLE I - HISTORY AND GENERAL INFORMATION**

The Plan came into operation on and took effect from September 1, 1980, and was comprised of the “PepsiCo International Retirement Plan Trust Indenture” and the “Plan Rules”, and was later amended and restated in its entirety, effective September 2, 1982.

The Plan was further amended and restated in its entirety, effective October 1, 2003, whereupon the Plan Rules became the “Plan A Rules” (applicable to benefits funded by the Corporation’s contributions to the trust established by the PepsiCo International Retirement Plan Trust Indenture) and the “Plan B Rules” (applicable to benefits funded by the Corporation as they arise) took effect.

The Plan was further amended effective January 1, 2005, so that no person subject to taxation in the United States of America may in any way have their right to a benefit from the Plan come into existence, increase or in any way be enhanced, but instead will be determined as if they had left the Corporation and any Associated Company permanently before becoming subject to U.S. taxation.

Effective January 1, 2010, the Plan A Rules and Plan B Rules were amended and restated in their entirety to form a single governing legal document, as set forth herein. The terms of the Plan set forth in this amended and restated governing legal document are known as the “DB Program” (also known as “PIRP-DB”). This amended and restated governing legal document shall apply to Members who are in Membership from and after January 1, 2010, as well as any others who claim rights from and after January 1, 2010 that are derived from current or former Membership, including former Members and the Dependents and Eligible Spouses of Members and former Members. Notwithstanding any other provision of this Plan, the amendment and restatement of this Plan, the supersession of the prior documents by this Plan, and the prior existence of separate Plan A and Plan B Rules shall not at any time result in any duplication of benefits (nor shall duplication of benefits result from any other factor or circumstance related to this Plan or any prior version of this Plan).

Effective January 1, 2011, the Corporation established a new defined contribution structure (the “DC Program”) to benefit selected international employees for whom it has been determined to be appropriate (i.e., employees on assignments outside of their home countries for whom it is judged to be impracticable to have them participate in their home country retirement plans and employees who are among a selected group of senior globalists on United States tax equalized packages). The terms of the DC Program are set forth in a separate governing legal document. Together, the DC Program and the DB Program set forth the terms of a single Plan.

The DB Program was previously amended and restated, effective January 1, 2016. The DB Program is hereby amended and restated effective January 1, 2019 (the “Restatement Date”).

At all times, the Plan is unfunded and unsecured for purposes of the United States Internal Revenue Code and Employee Retirement Income Security Act of 1974, as amended

("ERISA"). The benefits of an executive are an obligation of that executive's individual employer. With respect to his employer, the executive has the rights of an unsecured general creditor. The Plan is also intended to be exempt from ERISA as a plan maintained outside of the United States primarily for the benefit of persons substantially all of whom are nonresident aliens of the United States.

## ARTICLE II - DEFINITIONS AND CONSTRUCTION

### **2.01 Definitions.**

Where the following words and phrases appear in this governing legal document for the DB Program, they shall have the meaning set forth below, unless a different meaning is plainly required by the context:

(a) "Active Member" means a who is currently eligible to accrue Pensionable Service under the DB Program; accordingly, it refers to a Member who has been admitted or re-admitted to Membership pursuant to Article III, but who has not retired on Pension, withdrawn from or otherwise ceased to be (or to be deemed to be) in Service as an Eligible Employee, or for any other reason ceased to be eligible to accrue Pensionable Service for the purpose of the DB Program.

(b) "Actuarial Equivalent" means Actuarial Equivalent as defined in paragraph (2) (Standard Actuarial Factors) of Section 2.1 of Part B of the PepsiCo Employees Retirement Plan A, subject to paragraphs (3) (Applicability of the Standard Actuarial Factors) and (5) (Additional Defined Terms and Special Rules) thereof.

(c) "Actuary." means the individual actuary or firm of actuaries selected by the Vice President to provide actuarial services in connection with the administration of the DB Program.

(d) "Annuity Starting Date" means the first day of the first month for which a Pension is payable as an annuity or in any other form.

(e) "Approved Transfer" means any of the following that are initiated or approved by the Corporation or (with the approval of the Corporation) by a Member's Employer –

- (1) The Member's transfer to employment based in the United States or its territories;
- (2) The Member's secondment to a work location in the United States or its territories;
- (3) Any other change in the Member's employment circumstances that will cause the Member to become a U.S. Person.

(f) "Associated Company." means any company or undertaking which – (i) is directly or indirectly controlled by or associated in business with the Corporation, and (ii) which has agreed, subject to the ongoing consent of the Vice President, to perform and observe the conditions, stipulations and provisions of the DB Program and to be included

among the Employers under the DB Program. "Associated Companies" means all such companies or undertakings.

(g) "Corporation" means PepsiCo, Inc., a corporation organized and existing under the laws of the State of North Carolina, or its successor or successors.

(h) "Dependant" means the person who shall receive any amounts with respect to a Member's Pension payable upon the Member's death, in such cases where the Member's Pension is payable in one of the forms of payment under Sections 5.02 and 5.03 that include a survivor option.

(i) "DB Program" means the portion of the Plan that provides a program of defined benefits and that is described in the governing legal document entitled "The PepsiCo International Retirement Plan Defined Benefit Program (PIRP-DB)," as it may be amended from time to time. The DB Program is also sometimes referred to as "PIRP-DB."

(j) "DC Program" means the portion of the Plan that provides a program of defined contributions and that is described in the governing legal document entitled "The PepsiCo International Retirement Plan Defined Contribution Program (PIRP-DC)," as it may be amended from time to time. The DC Program is also sometimes referred to as "PIRP-DC."

(k) "Eligible Domestic Partner" means, solely with respect to a Member who is actively employed by, or on an Authorized Leave of Absence from, a member of the PepsiCo Organization on or after January 1, 2019, an individual who is of the same sex or opposite sex as the Member and who satisfies paragraph (1), (2) or (3), subject to the additional rules set forth in paragraph (4), as determined by the Vice President.

- (1) Civil Union. If the Member has entered into a civil union or similar government-recognized status that is valid on the applicable date under the law of the location that is determined by the Vice President to be the Member's principal residence, the Participant's Domestic Partner (if any) is the individual with whom the Participant has entered into such status, provided that such individual submits a claim for benefits within 60 days of Member's date of death (and if no such claim is submitted, the individual shall not be a Domestic Partner under this paragraph (1)).
- (2) Benefits Enrollment. If the Member does not have a Domestic Partner pursuant to paragraph (1) above, the Member's Eligible Domestic Partner (if any) is the individual who, on the applicable date, was enrolled, as the Member's domestic partner, in the Cigna International Health Program (or its successor) sponsored by the Corporation.

- (3) Other Acceptable Evidence of Partnership. If the Member does not have a Domestic Partner under paragraph (1) or (2) above, such Member's Domestic Partner, if any, is the individual who, as of the applicable date, satisfies such criteria of domestic partnership as the Vice President has specified in writing, provided that such individual submits a claim for benefits within 60 days of the Member's date of death (and if no such claim is submitted, the individual shall not be a Domestic Partner under this paragraph (3)).
- (4) Additional Rules. For purposes of this definition, "applicable date" means the earlier of the Member's Annuity Starting Date or the date of the Member's death. The term "Eligible Domestic Partner" does not apply to a Member's Eligible Spouse. A Member is not permitted to have more than one Eligible Domestic Partner at any point in time, and a Member who has an Eligible Spouse is not permitted to have an Eligible Domestic Partner.

(l) "Eligible Employee" means an individual who the Vice President has determined – (i) is a full-time salaried Third Country National employed exclusively outside of the United States of America on the regular staff of an Approved Employer, and (ii) is not currently designated by the Vice President as in a position that can make him eligible to earn "pay credits" under the DC Program. The Vice President shall have the discretion to designate as an Eligible Employee a part-time employee who, but for his part-time status, otherwise satisfies the requirements of the preceding sentence.

(m) "Eligible Spouse" means the individual to whom the Member is married on the earlier of the Member's Annuity Starting Date or the date of the Member's death. The determination of whether a Member is married shall be made by the Vice President based on the law of the Member's principal residence; provided, however, that for purposes of the DB Program, a Member shall have only one Eligible Spouse.

(n) "Employers" means the Corporation and any and every Associated Company or such one or more of any of them as the context shall determine or the circumstances require. "Employer" in relation to any person means whichever it is of the Employers in whose employment that person is or was at the relevant time or those Employers (if more than one) in whose employment he had been during the relevant period. An "Approved Employer" means an Employer that, as of the time in question, has been approved by the Vice President (and remains approved) to have its Eligible Employees become and continue as Active Members under the DB Program.

(o) "Entry Date" means September 1, 1980 and the first day of each subsequent month.

(p) "Members" means all Eligible Employees who have been admitted to Membership pursuant to Article III and who remain entitled to a benefit under the DB

Program. In relation to each of the Employers, any reference to Members means those Members in or formerly in its employment. References to "Membership" are references to the status of being a Member.

(q) "Normal Retirement Age" means age 65 or, if later, the age at which a Member first has five (5) years of Service.

(r) "Normal Retirement Date" means in relation to a Member the first day of the month coincident with or immediately following the Member's Normal Retirement Age.

(s) "Pension" means a series of level monthly payments or single lump sum payment payable to a person who is entitled to receive benefits under the DB Program.

(t) "Pensionable Service" means in relation to a Member the period, or where appropriate the aggregate of periods, of a Member's Service as an Eligible Employee of an Approved Employer, which is counted for purposes of determining the amount of benefits under the DB Program payable to, or on behalf of, a Member. Pensionable Service shall also include any other period of employment with a member of the PepsiCo Organization or any Employer for which the Vice President determines to give credit under the DB Program to the Member. Absent special circumstances, as determined by the Vice President, such other period of such prior period of employment will only be counted as Pensionable Service if such Employer maintained a retirement plan to which it made contributions on behalf of eligible employees.

(u) "Plan" means the PepsiCo International Retirement Plan, which consists of the DB Program and DC Program.

(v) "PepsiCo Organization" means the controlled group of organizations of which the Corporation is a part, as defined by U.S. Internal Revenue Code section 414 and regulations issued thereunder. An entity shall only be considered a member of the PepsiCo Organization during the period it is one of the group of organizations described in the preceding sentence.

(w) "PepsiCo Salaried Plan" means the program of pension benefits set forth in Part B of the PSERP Component of both the PepsiCo Employees Retirement Plan A ("PERP-A") and the PepsiCo Employees Retirement Plan I ("PERP-I"), as it may be amended from time to time, and as it was set forth prior to January 1, 2017 in predecessor plans to PERP-A and PERP-I.

(x) "Salary:" means in relation to a Member his calendar year base pay, plus overtime pay, commission payments and amounts paid pursuant to the incentive compensation plans (annual bonus plans) of an Employer, but shall exclude –

(1) Any pay that would ordinarily qualify as Salary as described above to the extent it is earned by the Member – (i) while working for the PepsiCo

Organization or any Employer in the United States, (ii) while participating in the PepsiCo Salaried Plan, and/or (iii) while a U.S. Person, and

(2) All other amounts taxable as remuneration for personal services, including amounts received or deemed received under any other pension or welfare plan maintained by a member of the PepsiCo Organization or any Employer, premium bonuses, sign-on bonus or other one-time payments, income from stock option exercises and any special allowances (whether given in respect of residence, cost of living, education, transfer or otherwise).

If a Member has Salary in accordance with the prior sentence and then ceases to be employed by an Employer (but the Member remains employed by a member of the PepsiCo Organization), compensation while employed by the member of the PepsiCo Organization that otherwise would qualify as Salary hereunder shall be considered Salary for purposes of the DB Program. In the event a Member's Salary is either (i) paid in currency other than United States dollars or (ii) paid in United States dollars but not tied to the United States salary ranges established by the Corporation, as updated from time to time, such currency shall be converted to United States dollars according to procedures established by the Global Mobility Team, or if no such procedures exist as of the time in question, as reasonably determined by the Vice President. Notwithstanding the foregoing provisions of this definition, the Vice President may exercise his discretion to determine a Member's Salary based on an alternative definition that is different than that set forth above.

(y) "Service" means in relation to a Third Country National (or other employee deemed an Eligible Employee by the Vice President) only the period during which such Third Country National (or such other employee) was continuously in employment (including all permissible periods of authorized leave of absence) with any Approved Employer. A permissible period of authorized leave of absence is a period of absence of not more than 12 months, unless a longer period is individually authorized in writing by the Vice President. A break in service of less than 12 months shall not be considered to have broken the continuity of a Member's Service. Other breaks in service (including a break in service of at least 12 months and a break in service before an individual has become a Member) shall break the continuity of an individual's Service, and employment before the break in service will only be counted as Service if it would otherwise qualify under this subsection and the Vice President approves its being counted (which approval may provide for such pre-break employment being counted as vesting Service, entitlement Service, or both). Vesting Service means Service that is taken into account solely in determining vesting, and entitlement Service means Service that is taken into account solely in determining entitlement for Early Retirement, Normal Retirement and Late Retirement.

For an individual who transfers from employment with an Employer as an ineligible Employee to the status of an Eligible Employee of an Employer, his pre-transfer period of employment with an Employer may be counted as Service only with

the approval of the Vice President (which approval may provide for such pre-transfer employment being counted as vesting Service, entitlement Service, or both).

Except as otherwise provided by the Vice President, Service shall not include an individual's periods of employment with any company or undertaking prior to it becoming an Employer or a member of the PepsiCo Organization.

No determination of an individual's Service shall result in any duplication, and all of the DB Program's provisions shall at all times be interpreted consistently with the terms of this subsection.

(z) "Status Change" means any change in a Member's circumstances (other than a change in circumstances that constitutes an Approved Transfer) that will cause the Member to become a U.S. Person.

(aa) "Third Country National" means any individual who is not: (1) a U.S. Person, (2) employed in his home country, (3) employed in his hire country, except as permitted by the Vice President, nor (4) accruing benefits under a retirement plan sponsored by his Employer in his home country while abroad. An individual's home or hire country as of any time shall be the country that is designated at that time as the individual's home or hire country, respectively, on the records of the applicable entity (which shall be the Global Mobility Team, its successor (if any) or such other group within the PepsiCo Organization that is designated for this purpose by the Vice President), or is so designated in accordance with such rules as the applicable entity shall choose to apply from time to time. The records described in the preceding sentence are intended to be maintained outside the United States of America.

(bb) "U.S. Person" means: (1) a citizen of the United States of America; (2) a person lawfully admitted for permanent residence in the United States of America at any time during the calendar year, or who has applied for such permanent residence (within the meaning of United States Internal Revenue Code section 7701(b)(1)(A)); or (3) any other person who is a resident alien of the United States of America under United States Internal Revenue Code section 7701(b)(1)(A) because, for example, the person satisfies the substantial presence test under United States Internal Revenue Code section 7701(b)(3) or makes an election to be treated as a United States resident under United States Internal Revenue Code section 7701(b)(4). In addition, a person shall be considered a U.S. Person for purposes of Section 9.14 in any year for which the person is required by the United States Internal Revenue Code to file an individual income tax return, unless the Vice President determines that it is clear that the person has no U.S. source earned income from a member of the PepsiCo Organization for such year.

(cc) "Vice President" means the Vice President, Global Benefits & Wellness of PepsiCo, Inc. but if such position is vacant or eliminated it shall be the person who is acting to fulfill the majority of the duties of the position (or plurality of the duties, if no

one is fulfilling a majority), as such duties existed immediately prior to the vacancy or the position elimination.

## 2.02 Construction.

(a) Gender and Number: In this document for the DB Program where the context does not otherwise determine, words importing the masculine gender shall include the feminine gender and words importing the singular number shall include the plural number and vice versa.

(b) Determining Periods of Years: For the purposes of the DB Program, any period of 365 consecutive days (or of 366 consecutive days, if the period includes 29<sup>th</sup> February) shall be deemed to constitute a year, but not so that in the calculation of a number of years any day is counted more than once. Where the amount of a benefit depends upon the calculation of a number of years or months without expressly requiring that these should be complete years or months, a proportionate amount (*i.e.*, a number of days) may be given for any part of a year or month which would not otherwise be included in the calculation. Where the this document makes reference to months or parts of a year, or to any other period of time except a day, week or year the Vice President may authorize the period to be counted in days or complete calendar months with each calendar month counted as 1/12th of a year.

(c) Compounds of the Word “Here”: The words “hereof” and “hereunder” and other similar compounds of the word “here” shall mean and refer to the entire DB Program, not to any particular provision or section.

(d) Examples: Whenever an example is provided or the text uses the term “including” followed by a specific item or items, or there is a passage having a similar effect, such passages of the document shall be construed as if the phrase “without limitation” followed such example or term (or otherwise applied to such passage in a manner that avoids limitation on its breadth of application).

(e) Subdivisions of This Document: This document is divided and subdivided using the following progression: articles, sections, subsections, paragraphs, subparagraphs and clauses. Articles are designated by capital roman numerals. Sections are designated by Arabic numerals containing a decimal point. Subsections are designated by lower-case letters in parentheses. Paragraphs are designated by Arabic numerals in parentheses. Subparagraphs are designated by lower-case roman numerals in parentheses. Clauses are designated by upper-case letters in parentheses. Any reference in a section to a subsection (with no accompanying section reference) shall be read as a reference to the subsection with the specified designation contained in that same section. A similar rule shall apply with respect to paragraph references within a subsection and subparagraph references within a paragraph.

## ARTICLE III - MEMBERSHIP

### **3.01 Eligibility for Membership.**

Every person who the Vice President determines is an Eligible Employee shall be eligible for Membership.

### **3.02 Admission to Membership.**

(a) Every person who was an Active Member of the DB Program immediately prior to the Restatement Date shall continue as an Active Member of the DB Program from and after the Restatement Date, to the extent such Active Membership is consistent with the provisions of the DB Program, as amended and in effect on and after the Restatement Date. In addition, every person who was a Member but not an Active Members immediately prior to the Restatement Date shall continue as a Member of the DB Program from and after the Restatement Date, to the extent such Membership is consistent with the provisions of the DB Program, as amended and in effect on and after the Restatement Date.

(b) Every person who is not a Member and who the Vice President determines is an Eligible Employee shall, following the approval of his Membership by the Vice President, be admitted to Membership, effective as of the Entry Date coinciding with or immediately following the date on which his Service commences or he becomes an Eligible Employee (as determined by the Vice President), whichever is later. No Eligible Employee or any other person shall be admitted to Membership without the approval of the Vice President.

## ARTICLE IV - REQUIREMENTS FOR BENEFITS

### **4.01 Normal Retirement Pension.**

A Member shall be entitled to a Normal Retirement Pension if his employment with both his Employer and the PepsiCo Organization terminates on his Normal Retirement Age. The Member's Annuity Starting Date shall be the first day of the month coincident with or immediately following the day the Member terminates employment with both his Employer and the PepsiCo Organization. The Member's Pension shall be paid in the normal form of payment applicable to the Member under Section 5.02 unless the Member elects an optional form of payment under Section 5.03. The Member's Pension shall be calculated in accordance with Table A.

### **4.02 Early Retirement Pension.**

A Member shall be entitled to an Early Retirement Pension if his employment with both his Employer and the PepsiCo Organization terminates on or after age 55 but before his Normal Retirement Age, and after he has completed 10 or more years of Service. The Member's Annuity Starting Date ordinarily shall be his Normal Retirement Date. The Member may, however, by filing a written election with the Vice President, direct that his Annuity Starting Date shall be the first day of any month after the Member terminates employment with both his Employer and the PepsiCo Organization but before the Member's Normal Retirement Date. The amount of such Pension shall be computed in accordance with Table A as if the Member retired at his Normal Retirement Date, but on the basis of the Member's Highest Average Monthly Salary (as defined in Table A) and Pensionable Service as of his employment termination date; provided, however, that, in the case of a Member electing to receive his Pension prior to attaining his Normal Retirement Date, the amount of his Pension shall be reduced by 4/12 of 1 percent for each month by which the day on which the Pension commences precedes the date on which the Member would have attained age 62.

### **4.03 Special Early Retirement Pension.**

A Member may be entitled to receive a Special Early Retirement Pension if his employment with both his Employer and the PepsiCo Organization terminates on or after age 50 but before age 55 and after completion of not less than 10 years of Service and only if such Special Early Retirement Pension payments have been authorized by the Vice President. The Annuity Starting Date of such Special Early Retirement Pension shall be the first day of the month after the Vice President authorizes such Special Early Retirement Pension. The amount of such Pension shall be computed in accordance with Table A, as if the Member retired at his Normal Retirement Date, but on the basis of the Member's Highest Average Monthly Salary (as defined in Table A) and Pensionable Service as of his employment termination date; provided, however, that the amount of such Member's Pension so determined shall be reduced by 4/12 of 1 percent for each month by which the day on which the Pension commences precedes the date on which the Member would have attained age 62.

#### **4.04 Deferred Vested Pension.**

(a) This Section 4.04 applies to a Member who terminates employment with both his Employer and the PepsiCo Organization before becoming eligible for a Normal Retirement Pension, Early Retirement Pension or Special Early Retirement Pension.

(b) A Member described in (a) above who has met one of the requirement to be vested in Sections 4.06 and 4.07 shall be entitled to receive a Pension (hereinafter referred to as a "Deferred Vested Pension"). The amount of such Deferred Vested Pension shall be determined in accordance with Table A; provided, however, that in the case of a Member who remains in the employment of the PepsiCo Organization or any Employer after ceasing to be an Active Member, the amount of such Member's Deferred Vested Pension shall be determined in accordance with Table A by reference to (i) the Member's Highest Average Monthly Salary at the date the Member terminates employment with both his Employer and the PepsiCo Organization (but only to the extent permitted under Sections 9.13 and 9.14), and (ii) the Member's Pensionable Service as of his termination of employment date.

(c) A Member's Deferred Vested Pension shall commence at the later of (i) the Member's termination of employment with both his Employer and the PepsiCo Organization, or (ii) the Member's Normal Retirement Date. However, a Member may elect, by filing a written election with the Vice President to have his Deferred Vested Pension commence as of the first day of any month after the date he attains age 55 (or the date of his termination of employment with both his Employer and the PepsiCo Organization, if later). In the case of a Member electing to receive his Deferred Vested Pension prior to attaining his Normal Retirement Date, the amount of his Pension shall be reduced in accordance with the reduction factors applicable to early commencement of a "Vested Pension" under the PepsiCo Salaried Plan, not the percentage factors which apply to an Early and Special Early Retirement Pension as described in Sections 4.02 and 4.03.

(d) If Member becomes entitled to a Deferred Vested Pension under subsection (a) above and once again becomes an Eligible Employee, he shall be re-admitted to Active Membership in accordance with the provisions of Article III. His Service and Pensionable Service from his earlier period as an Active Member shall be aggregated with his subsequent period of Service and Pensionable Service for purposes of calculating his Pension upon his later retirement or other termination of employment with both his Employer and the PepsiCo Organization, but only if his Pension with respect to his earlier period of Pensionable Service was not previously cashed out under Section 5.05.

#### **4.05 Late Retirement Pension.**

A Member who continues employment with the PepsiCo Organization or any Employer after his Normal Retirement Age shall be entitled to a Late Retirement Pension. The Member's

Annuity Starting Date shall be the first day of the month coincident with or immediately following the day the Member terminates employment with both his Employer and the PepsiCo Organization. The Member shall be credited with his Salary and Pensionable Service after his Normal Retirement Date, unless otherwise prospectively determined by the Vice President.

#### **4.06 Vesting.**

Subject to Section 9.14 and to Table A (I)(c), a Member shall be fully vested in, and have a nonforfeitable right to, his Pension upon completing 5 years of Service, or if earlier, upon the death or disability of the Member while employed by the Employer or PepsiCo Organization. The determination of whether a Member has become disabled for this purpose shall be made by the Vice President in accordance with such standards that the Vice President deems to be appropriate as of the time in question.

#### **4.07 Special Vesting for Approved Transfers and Status Changes.**

(a) Automatic Special Vesting for Approved Transfers. Notwithstanding Section 4.06 above, in the case of an Active Member who will have an Approved Transfer during a Plan Year, the Active Member shall automatically have special vesting apply as of the last business day before the earlier of – (a) the Active Member’s Approved Transfer, or (b) the day the Active Member would become a U.S. Person in connection with the Approved Transfer.

(b) Special Vesting for Status Changes. Also notwithstanding Section 4.06 above, in the case of an Active Member who will have a Status Change, the Active Member may request that the Vice President apply special vesting to him as of the last business day before the Active Member’s Status Change. In order for special vesting related to a Status Change to be valid and effective under the DB Program, the Active Member’s request and the Vice President’s approval of the request must both be completely final and in place prior to the date that the special vesting applies.

Subject to the next sentence, the effect of special vesting applying to a Member in accordance with either subsection (a) or (b) above is that the Member will become vested, to the same extent as could apply under Section 4.06 if the Member vested under that Section, as of the date that the special vesting applies. Notwithstanding the preceding provisions of this Section 4.07, rights under this Section 4.07 are subject to the overriding requirement that benefits and other rights under the Plan must remain entirely exempt from Section 409A of the United States Internal Revenue Code, and this Section 4.07 shall not apply to the extent inconsistent with this requirement.

#### **4.08 Accruals After Benefit Commencement.**

This section applies to a Member who earns Service and Pensionable Service for a period that is after his Annuity Starting Date under the preceding Sections of this Article IV (other than an Annuity Starting Date related to a cashout distribution under Section 5.05). Any prior benefits

that have been suspended, and any additional benefits accrued by Member after his prior benefit commencement, shall be paid at his subsequent Annuity Starting Date. The suspension or continuation of a Member's prior benefits, any adjustments to the Member's benefits that are payable upon his subsequent Annuity Starting Date, and the election of a time and form of payment for benefits payable at the subsequent Annuity Starting Date, shall be subject to rules established by the Vice President for this purpose. Such rules shall be based upon the PepsiCo Salaried Plan's rules for benefits accrued after the benefit commencement date of a participant in that plan, unless the Vice President determines that a modification of those rules is appropriate.

## ARTICLE V - DISTRIBUTION OPTIONS

### **5.01 Distribution Options.**

(a) Section 5.02 sets forth the normal forms of payment for married and unmarried Members. For purposes of Section 5.02, a Member is considered married if he is married on his Annuity Starting Date.

(b) Section 5.03 sets forth the optional forms of payment that may be available to married and unmarried Members who elect not to receive benefits in the normal form. For purposes of Section 5.03, a Member will also be considered married if he is married on the date he elects an optional form of payment.

(c) A distribution is only available under this Article V to the extent a Member has met the requirements for benefits under Article IV.

### **5.02 Normal Forms of Payment.**

(a) Single Life Annuity for Unmarried Members: An unmarried Member shall be paid his Pension in the form of a Single Life Annuity unless he elects otherwise in accordance with Section 5.03. The Single Life Annuity provides monthly payments beginning at the Member's Annuity Starting Date and ending with the last monthly payment due prior to the Member's death.

(b) 50 Percent Survivor Annuity for Married Members: A married Member shall be paid his Pension in the form of a 50 Percent Survivor Annuity, as described herein, unless he elects otherwise in accordance with Section 5.03. The 50 Percent Survivor Annuity provides reduced monthly payments beginning at the Member's Annuity Starting Date and ending with the last monthly payment due prior to the Member's death, with a 50 percent contingent survivor annuity for the benefit of his Eligible Spouse beginning on the first day of the month following the Member's death and ending with the last monthly payment due prior to the death of the Eligible Spouse. For Annuity Starting Dates on or After January 1, 2019, the amount of the Member's Pension, determined in accordance with Table A, shall be reduced to its Actuarial Equivalent to reflect the survivor benefit payable. For earlier Annuity Starting Dates, subject to Section 5.03(f), the amount of the Member's Pension, determined in accordance with Table A, shall be reduced by 10 percent. In the case of a Member who became entitled to a Pension under Section IV of the Plan, as in effect prior to January 1, 1990, the Member's Pension accrued as of such date shall not be subject to this reduction to the extent provided under the Plan's terms as of such date.

### 5.03 Optional Forms of Payment.

(a) Optional Forms Available to Married Members: A married Member who elects not to receive benefits in the normal form may receive his Pension in the form of the Single Life Annuity described in Section 5.02(a) above or the 75 Percent Survivor Annuity described in (b)(2) below, regardless of whether he is eligible for the optional forms of payment described in (b), (c) and (d) below.

(b) Survivor Options: A married or unmarried Member who elects not to receive benefits in the normal form may elect to receive payment of his Pension in accordance with one of the survivor options listed below. Such election shall be made on such form and during such period prior to commencement of the Member's Pension as may be required by the Vice President. The Member also may designate, prior to commencement, a Dependant to receive the survivor portion of his elected survivor option on such form as may be required by the Vice President; provided, however, that (1) the approval of the Vice President shall be necessary if the Member designates a Dependant other than the Member's Eligible Spouse; and (2) if a married Member elects an option described in this subsection (b) and names a Dependant other than his Eligible Spouse, he must submit written evidence of the Eligible Spouse's consent to such option and designation of a Dependant. A Member may not change his form of benefit or Dependant after his Pension has commenced.

(1) 100 Percent Survivor Option: The Member shall receive a reduced Pension payable for his life and payments in the same reduced amount shall continue after the Member's death to his Dependant for life. The amount of the Member's reduced Pension shall be the Actuarial Equivalent (defined in Section 2.01) of the Member's Single Life Annuity benefit determined in accordance with Table A (or for Annuity Starting Dates before January 1, 2019, the Table A amount reduced by 20 percent, subject to subsection (f) below). In the case of a Member who became entitled to a Pension under the Plan as in effect prior to January 1, 1990, the above Pension reduction may be subject to a subsidy, as determined by the Vice President.

(2) 75 Percent Survivor Option: The Member shall receive a reduced Pension payable for his life and payments in the amount of 75 percent of such reduced Pension shall continue after the Member's death to his Dependant for life. The amount of the Member's reduced Pension shall be the Actuarial Equivalent (as defined in Section 2.01) of the Member's Single Life Annuity benefit determined in accordance with Table A (or for Annuity Starting Dates before January 1, 2019, the Table A amount reduced by 15 percent, subject to subsection (f) below). In the case of a Member who became entitled to a Pension under the Plan as in effect prior to January 1, 1990, the above Pension reduction may be subject to a subsidy, as determined by the Vice President.

(3) 50 Percent Survivor Option: The Member shall receive a reduced Pension payable for his life and payments in the amount of 50 percent of such reduced Pension shall continue after the Member's death to his Dependant for life. The amount of the Member's reduced Pension shall be the Actuarial Equivalent (as defined in Section 2.01) of the Member's Single Life Annuity benefit, determined in accordance with Table A (or for Annuity Starting Dates before January 1, 2019, the Table A amount reduced by 10 percent, subject to subsection (f) below). In the case of a Member who became entitled to a Pension under the Plan as in effect prior to January 1, 1990, his Pension shall not be subject to this reduction.

(4) Ten-Year Certain and Life Option: Subject to Section 5.04, a Member may elect to receive a reduced Pension payable monthly for his lifetime but for not less than 120 months. If the Member dies before 120 payments have been made, the monthly Pension amount shall be paid for the remainder of the 120-month period to the Member's primary Dependant (if the primary Dependant has predeceased the Member, to the Member's contingent Dependant; and if there is no contingent Dependant, to the Member's estate). If post-death payments commence to a Member's primary or contingent Dependant and such Dependant dies before all remaining payments due have been made, then the remaining payments shall be paid to such Dependant's estate. Effective as of January 1, 2010, the Member's Dependant or estate (as applicable) may elect by following the procedures set forth by the Vice President for this purpose, instead to receive a single lump sum payment that is the actuarial equivalent of the remaining payments due to such Dependant or estate (but computed without reduction for mortality), determined as of the date on which the lump sum payment is processed by the Vice President. The amount of the Member's reduced Pension shall be the Actuarial Equivalent (as defined in Section 2.01) of the Member's Single Life Annuity benefit, determined in accordance with Table A (or for Annuity Starting Dates before January 1, 2019, the Table A amount reduced by 5 percent, subject to subsection (f) below).

(c) Lump Sum Payment: Subject to Section 5.04, a Member who elects not to receive benefits in the normal form may elect to receive payment of his Pension in the form of a single lump sum payment. The amount of the single lump sum payment shall be the actuarial equivalent of the Single Life Annuity, determined in accordance with Table A, utilizing the lump sum equivalent factors applicable to lump sum distributions under the PepsiCo Salaried Plan (disregarding transition factors), calculated as of the date payments would have commenced under the normal form of benefit or other optional benefit. The lump sum payment shall be made in one taxable year of the Member and shall be paid as soon as practicable after the date specified by the Member in his written election. Effective for lump sum payments due to be paid on or after January 1, 2010, interest will be added to late lump sum payments in accordance with the administrative practices of the PepsiCo Salaried Plan. No interest shall be payable on such sum during any such deferred period specified by the Member.

(d) Combination Lump Sum/Monthly Benefit: Subject to Section 5.04, a married or unmarried Member who elects not to receive his Pension in the normal form may elect to receive payment of his Pension in the form of a combination lump sum/monthly benefit option. If elected, the Member shall receive a portion of his benefit in the form of a lump sum payment, and the remaining portion in the form of one of the monthly benefits described in Sections 5.02 and 5.03. The benefit shall be divided between the two forms of payment based on the whole number percentages designated by the Member on a form provided for this purpose. To be effective, the two percentages designated by the Member must add to 100 percent.

(1) The amount of the benefit paid in the form of a lump sum is determined by multiplying: (A) the amount determined under Section 5.03(c) by (B) the percentage that the Member has designated for receipt in the form of a lump sum.

(2) The amount of the benefit paid in the form of a monthly benefit is determined by multiplying: (A) the amount of the monthly benefit elected by the Member, determined in accordance with Sections 5.03(a) or (b), by (B) the percentage that the Member has designated for receipt in the form of a monthly benefit.

(e) Death Prior to Pension Becoming Payable: If a Member who is entitled to an immediate Pension under Article IV elects an optional form of payment under this Section 5.03, if such election meets all requirements to be effective (other than the Member's survival, but including the time for making the election and any necessary Eligible Spouse's consent), and thereafter the Member dies after leaving employment but before such Pension becomes payable, then on the first day of the month next following his death such optional form of payment shall be deemed to be in effect. Such deemed effectiveness may only apply once and only to the initial election made by a Member (except as permitted by a decision of the Vice President that is made prior to the Member's submission of a subsequent purported election). Notwithstanding the foregoing, in the case of the option under Section 5.03(b), if the Member's specified Dependant has died or shall die before the date on which the first installment of the Member's Pension was prospectively payable in accordance with the optional form of payment elected by the Member, the Member's election of such optional form shall not be given effect.

(f) Reduction for Certain Younger Dependents: Notwithstanding the reduction factors specified in Sections 5.02(b) and 5.03, in the case of Annuity Starting Dates before January 1, 2019, a Member electing a form of payment that includes a survivor option shall have his Pension reduced in accordance with this subsection (f) in the event the Dependant under such survivor option is more than 10 years younger than the Member.

(1) Not More than 20 Years Younger: In the event the Dependant is more than 10 years younger than the Member, but not more than 20 years younger, the percentage reduction that otherwise would apply shall be increased by 5 percentage points.

(2) More than 20 Years Younger: In the event the Dependant is more than 20 years younger than the Member, the 5 percentage point increase in the reduction provided in (1) above shall be further increased by an additional 0.2 percent for each full year over 20.

#### **5.04 Applicability of Certain Options.**

Notwithstanding the preceding provisions of this Article V, the availability of certain distribution options shall be restricted in accordance with the terms of this Section 5.04.

(a) Pre-1990 Distributions: The form of payment described in Section 5.03(d) above shall not be available unless the Member's Annuity Starting Date is after 1989.

(b) Deferred Vested Pensions: Deferred Vested Pensions under Section 4.04 shall be eligible for payment only under the Single Life Annuity, the 50 Percent Survivor Option or the 75 Percent Survivor Option, except as provided in the next sentence. Effective as of January 1, 2015, Deferred Vested Pensions under Section 4.04 shall also be eligible for the Lump Sum Payment option, but only to the limited extent that such option is available on an on-going basis with respect to deferred vested pensions under the PepsiCo Salaried Plan (except that unlike participants in the PepsiCo Salaried Plan, participants in this Plan with a benefit under the PepsiCo Pension Equalization Plan shall not be excluded from the Lump Sum Payment option).

(c) Simplified Actuarial Factors: In the case of a Member who became entitled to a Pension prior to January 1, 1990, the actuarial equivalencies described in the preceding provisions of this Article V shall be adjusted as provided by the Vice President from time to time to reflect the value of any subsidized survivor benefit to which the Member is entitled under the last sentence of Section 5.02(b) (regarding the availability on favorable terms of the survivor benefit described in Section 5.02(b)).

#### **5.05 Cashout of Certain Benefits.**

(a) Cashout of Small Benefits. Where the total Pension payable to any person under the DB Program is, in the opinion of the Vice President, of an amount that is relatively trivial (when considered by itself or in relation to the potential administrative burden of continuing to keep track of such Pension under the DB Program), he may commute the whole of such Pension to a lump sum payable following (i) the relevant Member's termination of employment from both his Employer and the PepsiCo Organization, or (ii) a Member's transfer within the PepsiCo Organization that results in

the Member ceasing to actively accrue all benefits under the DB Program, on a date determined in the discretion of the Vice President, without the consent of the Member.

(b) Discretionary Cashout After Benefit Commencement. Effective January 1, 2019, the Vice President shall have the discretion to make a lump-sum payment to any Member whose benefit payments have commenced (in a form other than a lump-sum), if the present value of the Member's remaining stream of payments is less than or equal to \$75,000 on the payment date. The amount of the lump sum payment shall be the actuarial equivalent of the Member's remaining stream of payments, determined utilizing the lump sum equivalent factors specified in Section 5.03(c) calculated as of the a payment date determined in the discretion of the Vice President.

#### **5.06 Designation of Dependant.**

A Member who has elected to receive all or part of his pension in a form of payment that includes a survivor option shall designate a Dependant who will be entitled to any amounts payable on his death. A Member shall have the right to change or revoke his Dependant designation at any time prior to the effective date of his election. If the Member is married at the time he designates a Dependant, any designation under this section of a Dependant who is not the Member's Eligible Spouse shall require the written consent of the Member's Eligible Spouse. A revocation of a Dependant does not require consent by the Member's Eligible Spouse. The designation of any Dependant, and any change or revocation thereof, and any written consent of a Member's Eligible Spouse required by this Section shall be made in accordance with rules adopted by the Vice President, shall be made in writing on forms provided by the Vice President, and shall not be effective unless and until filed with the Vice President. In the case of the survivor option described in Section 5.03(b)(4), the following shall apply: (i) the Member shall be entitled to name both a primary Dependant and a contingent Dependant, and (ii) if no Dependant is properly designated, then a Member's election of such option will not be given effect.

## ARTICLE VI - DEATH BENEFITS

The surviving Eligible Spouse or Eligible Domestic Partner, as applicable, of a Member who dies shall be entitled to certain survivor benefits if the requirements of this Article VI are satisfied. Except as provided in Sections 6.02 and 6.03, the amount of any such benefit shall be determined in accordance with Section II of Table A.

### **6.01 Active and Retirement-Eligible Members.**

In the event of the death of an Active Member, a Member in Service after his Normal Retirement Date who had at his death completed at least 5 years of Service, or a Member entitled to an Early Retirement Pension under Section 4.02 or Special Early Retirement Pension under Section 4.03, if such Member is survived by an Eligible Spouse or an Eligible Domestic Partner and is not entitled at the time of death to the protection provided by Section 5.03(e), there shall be a Pre-Retirement Spouse's Pension or Pre-Retirement Domestic Partner's Pension payable to the Member's surviving Eligible Spouse or Eligible Domestic Partner (as applicable), calculated in accordance with the provisions of Section II of Table A.

### **6.02 Vested Members.**

In the event of the death of a Member who is not described in Section 6.01 above, who is vested under Section 4.06 or Section 4.07 and who has not yet commenced or received the Member's Pension, if such Member is survived by an Eligible Spouse or an Eligible Domestic Partner and is not entitled at the time of death to the protections provided by Section 5.03(e), there shall be payable a Pre-Retirement Spouse's Pension or Pre-Retirement Domestic Partner's Pension (as applicable), which shall be calculated based on the Member's Salary and Pensionable Service as of the earlier of the Member's death or termination of employment. The benefit shall be calculated as if the Member lived until the earliest date the Member's vested benefit could have started, after having elected to start his benefit at that time in the form of a 50 Percent Survivor Annuity, and died that same day.

Coverage for this Pre-Retirement Spouse's Pension or Pre-Retirement Domestic Partner's Pension shall be paid for with a reduction to the monthly benefit otherwise payable to the Member. The reduction charged to the Member's benefit shall be calculated in accordance with the methodology, and based on the same factors, provided for under the PepsiCo Salaried Plan, as in effect from time to time. The Member may only waive this Pre-Retirement Spouse's Pension coverage or Pre-Retirement Domestic Partner's Coverage (as applicable) with the approval of the Vice President.

### **6.03 Form and Time of Payment of Death Benefits.**

(a) Form of Payment: Any Pension payable pursuant to this Article VI shall be payable for the surviving Eligible Spouse's or surviving Domestic Partner's life only; however, in the case of a Pension payable to a surviving Eligible Spouse or surviving

Domestic Partner where the Member was eligible for a Normal, Early or Special Early Retirement Pension at death, the Eligible Spouse or Eligible Domestic Partner may elect to receive the Pension in the form of a single lump sum payment in lieu of the annuity payment.

(b) Time of Payment: Subject to Section 6.04, any Pension payable to the Eligible Spouse or Eligible Domestic Partner under this Article VI shall commence on the first day of the month coinciding with or next following the Member's death, or if later, the date on which the Member would have attained age 55. In the event a Pension payable to a Member's Eligible Spouse commences before the Member would have reached Normal Retirement Age, the benefit will be reduced as set forth in Section 4.02, 4.03 or 4.04, as applicable based on the Pension to which the Member was entitled, to reflect early commencement.

#### **6.04 Disposition of Death Benefits.**

Any benefit expressed to be subject to disposition in accordance with the provision of this Article VI shall be held by the Vice President with power to pay or apply the same to or for the benefit of such one or more of the Member's Dependents, as the Vice President shall think fit and if more than one in such shares as they shall likewise think fit. Notwithstanding any other provision of the DC Program, the Vice President may direct that such benefit shall commence or be paid in a lump sum as soon as practicable after the Member's date of death.

## ARTICLE VII - ADMINISTRATION

### **7.01 Authority to Administer Plan.**

(a) Administration by the Vice President: The Plan shall be administered by the Vice President, who shall have the authority to interpret the Plan and issue such regulations as he deems appropriate. All actions by the Vice President hereunder may be taken in his sole discretion, and all interpretations, determinations and regulations made or issued by the Vice President shall be final and binding on all persons and parties concerned.

(b) Authority to Delegate: The Vice President may delegate any of his responsibilities under the Plan to other persons or entities, or designate or employ other persons to carry out any of his duties, responsibilities or other functions under the Plan. Any reference in the Plan to an action by the Vice President shall, to the extent applicable, refer to such action by the Vice President's delegate or other designated person.

### **7.02 Facility of Payment.**

Whenever, in the opinion of the Vice President, a person entitled to receive any payment of a benefit or installment thereof hereunder is under a legal disability or is incapacitated in any way so as to be unable to manage his financial affairs, the Vice President may direct that payments from the Plan be made to such person's legal representative for his benefit, or that the payment be applied for the benefit of such person in such manner as the Vice President considers advisable. Any payment of a benefit or installment thereof in accordance with the provisions of this section shall be a complete discharge of any liability for the making of such payment under the provisions of the Plan.

### **7.03 Claims Procedure.**

The Vice President shall have the exclusive discretionary authority to construe and to interpret the Plan, to decide all questions of eligibility for benefits and to determine the amount of such benefits, and his decisions on such matters are final and conclusive. As a result, benefits under this Plan will be paid only if the Vice President decides in his discretion that the person claiming such benefits is entitled to them. This discretionary authority is intended to be absolute, and in any case where the extent of this discretion is in question, the Vice President is to be accorded the maximum discretion possible. Any exercise of this discretionary authority shall be reviewed by a court, arbitrator or other tribunal under the arbitrary and capricious standard (*i.e.*, the abuse of discretion standard). If, pursuant to this discretionary authority, an assertion of any right to a benefit by or on behalf of a Member or Dependant (a "claimant") is wholly or partially denied, the Vice President, or a party designated by the Vice President, will provide such claimant within the 90-day period following the receipt of the claim by the Vice President, a comprehensible written notice setting forth:

- (1) The specific reason or reasons for such denial;
- (2) Specific reference to pertinent Plan provisions on which the denial is based;
- (3) A description of any additional material or information necessary for the claimant to submit to perfect the claim and an explanation of why such material or information is necessary; and
- (4) A description of the Plan's claim review procedure (including the time limits applicable to such process).

If the Vice President determines that special circumstances require an extension of time for processing the claim he may extend the response period from 90 to 180 days. If this occurs, the Vice President will notify the claimant before the end of the initial 90-day period, indicating the special circumstances requiring the extension and the date by which the Vice President expects to make the final decision. Upon review, the Vice President shall provide the claimant a full and fair review of the claim, including the opportunity to submit to the Vice President comments, document, records and other information relevant to the claim and the Vice President's review shall take into account such comments, documents, records and information regardless of whether it was submitted or considered at the initial determination. The decision on review will be made within 60 days after receipt of the request for review, unless circumstances warrant an extension of time not to exceed an additional 60 days. If this occurs, notice of the extension will be furnished to the claimant before the end of the initial 60-day period, indicating the special circumstances requiring the extension and the date by which the Vice President expects to make the final decision. The final decision shall be in writing and drafted in a manner calculated to be understood by the claimant; include specific reasons for the decision with references to the specific Plan provisions on which the decision is based; and provide that the claimant is entitled to receive, upon request and free of charge, copies of, all documents, records, and other information relevant to his or her claim for benefits.

Any claim under the Plan that is reviewed by a court, arbitrator or any other tribunal shall be reviewed solely on the basis of the record before the Vice President at the time it made its determination. In addition, any such review shall be conditioned on the claimant's having fully exhausted all rights under this section.

#### **7.04 Limitations on Actions.**

Any claim filed under Article VII and any action filed in any court or other tribunal by or on behalf of a former or current Employee, Member, Dependant or any other individual, person or entity (collectively, a "Petitioner") for the alleged wrongful denial of Plan benefits must be brought within two years of the date the Petitioner's cause of action first accrues. For purposes of this subsection, a cause of action with respect to a Petitioner's benefits under the Plan shall be deemed to accrue not later than earlier of (i) when the Petitioner has received the calculation of the benefits that are the subject of the claim or legal action; (ii) the date identified to the Petitioner by the Vice President on which payments shall commence; or (iii) when he has actual

or constructive knowledge of the facts that are the basis of his claim. Failure to bring any such claim or cause of action within this two-year time frame shall preclude a Petitioner, or any representative of the Petitioner, from filing the claim or cause of action. Correspondence or other communications following the mandatory appeals process described above shall have no effect on this two-year time frame.

**7.05 Restriction of Venue.**

Any claim or action filed in court or any other tribunal in connection with the Plan by or on behalf of a Petitioner shall only be brought or filed in the state or federal courts of New York, specifically the state or federal court, whichever applies, located nearest the Corporation's headquarters.

**7.06 Effect of Specific References.**

Specific references in the Plan to the Vice President's discretion shall create no inference that the Vice President's discretion in any other respect, or in connection with any other provision, is less complete or broad.

## ARTICLE VIII - AMENDMENT AND TERMINATION

### **8.01 Continuation of the Plan.**

While the Corporation intends to continue the Plan indefinitely, it assumes no contractual obligation as to its continuance. The Corporation hereby reserves the right, in its sole discretion, to amend, terminate, or partially terminate the Plan at any time provided, however, that no such amendment or termination shall adversely affect the amount of benefit to which a Member or his Dependant is entitled under the Plan on the date of such amendment or termination, unless the Member becomes entitled to an amount equal to such benefit under another plan or practice adopted by the Corporation. Specific forms of payment are not protected under the preceding sentence.

### **8.02 Amendment.**

The Corporation may, in its sole discretion, make any amendment or amendments to the Plan from time to time, with or without retroactive effect, subject to Section 8.01. An Employer (other than the Corporation) shall not have the right to amend the Plan.

### **8.03 Termination.**

The Corporation may terminate the Plan, either as to its participation or as to the participation of one or more Employers. If the Plan is terminated with respect to fewer than all of the Employers, the Plan shall continue in effect for the benefit of the employees of the remaining Employers.

## ARTICLE IX - MISCELLANEOUS

### **9.01 Unfunded Plan.**

The Employers' obligations under the Plan shall not be funded, but shall constitute liabilities by the Employer payable when due out of the Employer's general funds. To the extent a Member or any other person acquires a right to receive benefits under this Plan, such right shall be no greater than the rights of any unsecured general creditor of the Employer.

### **9.02 Costs of the Plan.**

Unless otherwise agreed by the Corporation, all costs, charges and expenses of or incidental to the administration and management of the Plan shall be the costs, charges and expenses of the Employers and shall be paid by each Employer based on the proportion of Members who are employed by such Employer as compared to the total number of Members at the time the cost or expense is incurred.

### **9.03 Temporary Absence of Member.**

If a Member is absent from duty by reason other than death, discharge, retirement or quitting (*e.g.*, sickness, accident, layoff, vacation), he shall be deemed to have terminated employment on the date that is 12 months after the date on which he is absent, unless the Vice President determines otherwise. If the Member's absence from duty is by reason of his service as a full-time member of the armed forces of any country or of any organization engaged in national service of any such country, he shall not be deemed to have terminated employment so long as he is regarded by the Employer as remaining in employment or until he shall resign permanently from employment, whichever shall first occur.

### **9.04 Taxes, Etc.**

In the event any tax or assessment or other duty is determined by the Vice President to be owing in respect of any benefit payable from the Plan, the Plan shall be entitled to withhold an amount not exceeding the amount of any such tax or assessment or other duty from the benefit payable and shall apply the same in satisfaction of said tax or assessment or other duty.

### **9.05 Nonguarantee of Employment.**

Nothing in the Plan shall be construed as a contract of employment between an Employer and any of its employees, or as a right of any such employee to continue in the employment of the Employer, or as a limitation of the right of an Employer to discharge any of its employees, with or without cause.

## **9.06 No Right to Benefits.**

No person, whether or not being a Member, shall have any claim, right or interest under the Plan except as provided by the terms of the Plan. In the event of a Member's termination of employment by an Employer, the resulting cessation of his Active Membership shall not be grounds for any damages or any increase in damages in any action brought against the Employer or any member of the PepsiCo Organization with respect to such termination.

## **9.07 Charges on Benefits and Recovery of Excess Payments.**

All benefits in respect of a Member under the Plan shall stand charged with and be subject to deductions therefrom of all sums in respect of losses to a member of the PepsiCo Organization or Employer or otherwise caused by misdemeanor of the Member and on production by the member of the PepsiCo Organization or Employer of proof satisfactory to the Vice President that any such loss ought to be made good by a Member. The relevant amount shall be deductible from the Member's benefits and be payable to the Employer or member of the PepsiCo Organization whose receipt shall be a valid discharge for the same.

Payments to, for or in connection with a Member that are made (as of a point in time and to any person or entity) may not exceed the exact amount of payments that are due as of such time and to such person, as provided by the terms of the Plan that specify the amounts that are payable, the time as of which they are payable, and the person to whom they are payable. Accordingly, any such excess payment or any other overpayment, premature payment or misdirected payment (one or more of which are hereafter referred to as an "Excess Payment") may not be retained by the party receiving it, but must be restored promptly to the Plan. In exchange for Member or Dependant status hereunder (or for having any other direct or indirect right or claim of right from the Plan, or solely as a result of having received an Excess Payment), any party receiving an Excess Payment grants to the Plan the following nonexclusive rights –

(1) A constructive trust and first priority equitable lien on any payment that is received directly or indirectly from the Plan and that is, in whole or part, an Excess Payment (such trust and lien shall be equal to the amount of the Excess Payment increased by appropriate interest) or upon the proceeds or substitutes for such payment, and any transfer shall be subject to such constructive trust and equitable lien (including a transfer to a person, trust fund or entity).

(2) The right to offset (as necessary to recover the Excess Payment with appropriate interest) other payments that are properly payable by the Plan to the recipient of the Excess Payment; however, reliance on this right is in the discretion of the Vice President, and the existence of an opportunity to apply it shall not diminish the Plan's rights under paragraph (1) above.

(3) The right to bring any equitable or legal action or proceeding with respect to the enforcement of any rights in this Section in any court of competent jurisdiction as the Plan may elect, and following receipt of an

Excess Payment the Member hereby submits to each such jurisdiction, waiving any and all rights that may correspond to such party's present or future residence.

Any party receiving an Excess Payment shall promptly take all actions requested by the Vice President that are in furtherance of the Plan's recovery of the Excess Payment with appropriate interest. In all cases, this subsection shall maximize the rights of the Plan to recover improper payments and shall not restrict the rights of the Plan in any way, including with respect to any improper payment that is not addressed above.

#### **9.08 Termination for Cause; Prohibited Misconduct.**

(a) Notwithstanding any other provision of this Plan to the contrary, if the Vice President determines that a Member has been terminated for cause or engaged in Prohibited Misconduct at any time prior to the second anniversary of the date his or her employment with the PepsiCo Organization terminates, the Member shall forfeit his Pension (whether paid previously, being paid currently or payable in the future), and his or her Pension shall be adjusted to reflect such forfeiture and any previously paid Pension payments shall be recovered. As a condition to Membership in this Plan, each Member agrees to this, and each Member agrees to repay PepsiCo the amounts it seeks to recover under this Section 9.08.

(b) Any of the following activities engaged in, directly or indirectly, by a Member shall constitute Prohibited Misconduct:

(1) The Member accepting any employment, assignment, position or responsibility, or acquiring any ownership interest, which involves the Member's "Participation" (as defined below) in a business entity that markets, sells, distributes or produces "Covered Products" (as defined below), unless such business entity makes retail sales or consumes Covered Products without in any way competing with the PepsiCo Organization.

(2) The Member, directly or indirectly (including through someone else acting on the Member's recommendation, suggestion, identification or advice), soliciting any PepsiCo Organization employee to leave the PepsiCo Organization's employment or to accept any position with any other entity.

(3) The Member using or disclosing to anyone any confidential information regarding the PepsiCo Organization other than as necessary in his or her position with the PepsiCo Organization. Such confidential information shall include all non-public information the Member acquired as a result of his or her positions with the PepsiCo Organization. Examples of such confidential information include non-public information about the PepsiCo Organization's customers, suppliers, distributors and potential acquisition targets; its business operations and structure; its product lines, formulas and pricing; its processes,

machines and inventions; its research and know-how; its financial data; and its plans and strategies.

(4) The Member engaging in any acts that are considered to be contrary to the PepsiCo Organization's best interests, including violating the Corporation's Code of Conduct, engaging in unlawful trading in the securities of the Corporation or of any other company based on information gained as a result of his or her employment with the PepsiCo Organization, or engaging in any other activity which constitutes gross misconduct.

(5) The Member engaging in any activity that constitutes fraud.

Notwithstanding the foregoing and for the avoidance of doubt, nothing in this Plan shall prohibit the Member from communicating with government authorities concerning any possible legal violations without notice to the Corporation, participating in government investigations, and/or receiving any applicable award for providing information to government authorities. The Corporation nonetheless asserts and does not waive its attorney-client privilege over any information appropriately protected by the privilege. Further, pursuant to the Defend Trade Secrets Act, an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.

For purposes of this subsection, "Participation" shall be construed broadly to include: (i) serving as a director, officer, employee, consultant or contractor with respect to such a business entity; (ii) providing input, advice, guidance or suggestions to such a business entity; or (iii) providing a recommendation or testimonial on behalf of such a business entity or one or more products it produces. For purposes of this subsection, "Covered Products" shall mean any product that falls into one or more of the following categories, so long as the PepsiCo Organization is producing, marketing, selling or licensing such product anywhere in the world – beverages, including without limitation carbonated soft drinks, tea, water, juice drinks, sports drinks, coffee drinks, energy drinks, and value-added dairy drinks; juices and juice products; dairy products; snacks, including salty snacks, sweet snacks meat snacks, granola and cereal bars, and cookies; hot cereals; pancake mixes; value-added rice products; pancake syrups; value-added pasta products; ready-to-eat cereals; dry pasta products; or any product or service that the Member had reason to know was under development by the PepsiCo Organization during the Member's employment with the PepsiCo Organization.

## **9.09 Notices.**

Any notice which under the Plan is required to be given to or served upon the Plan shall be deemed to be sufficiently given to or served upon the Plan if it is in writing and delivered to the Vice President. In any case where under the Plan any notice shall be required to be given to Members, it shall be sufficient if such notice is delivered to the Member's last known address on file in the records of the Employer or delivered to the Member pursuant to any other method (*e.g.*, electronically) that the Vice President determines is reasonably available to the Member.

## **9.10 Plan Documentation.**

Every Member shall on demand be entitled to a copy of the governing legal document for the DB Program.

## **9.11 Currency of Payment.**

Payment of benefits under the Plan shall be made in United States dollars, or other "eligible currency," as approved by the Vice President. For both annuity and lump sum payments, the amount otherwise payable in United States dollars would be converted to the selected currency using the exchange rate, based on the methodology approved by the Vice President from time to time.

## **9.12 Governing Law.**

The Plan shall in all respects be governed by and interpreted according to the laws of the State of New York.

## **9.13 Exemption from ERISA.**

The Plan is intended to be exempt from the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), as a plan maintained outside of the United States primarily for the benefit of persons substantially all of whom are nonresident aliens of the United States. In order to preserve this exemption from ERISA, both Active Membership in the Plan and the opportunity to increase Highest Average Monthly Earnings after ceasing to be an Active Member, in accordance with Section 4.04(b), shall be limited to individuals who are nonresident aliens of the United States and whose assigned work locations are outside the United States, and it is intended that all permanent records and documentation relating to the administration of the Plan shall be kept at a location that is outside of the United States.

## **9.14 Exemption from Section 409A.**

In order to permit this Plan to be completely exempt from United States Internal Revenue Code section 409A ("Section 409A"), this Plan shall be subject to the special operating rules and limitations in this Section 9.14, effective for any period to which Section 409A applies. It is the

intent of the Plan that no Member who is a U.S. Person may in any way have their benefit from the Plan vest, increase or in any way be enhanced (collectively, a “Benefit Enhancement”) as a result of their compensation or service while a U.S. Person. Accordingly, no Member shall become entitled to a Benefit Enhancement with respect to a calendar year until it is determined, following the close of such year, that the Member was not a U.S. Person with respect to such year. Notwithstanding the preceding sentence, in the calendar year a Member’s benefit under this Plan is scheduled to commence, the Vice President may authorize a Benefit Enhancement for the calendar year of benefit commencement to the extent the Vice President determines satisfactorily that the Member will not be a U.S. Person for such year. In other cases, the Member’s benefit will commence under this Plan without any Benefit Enhancement related to the calendar year of commencement, and appropriate adjustments will be made to the Member’s benefit in the following year if it is determined that the Member was not a U.S. Person in such calendar year of commencement. This Section 9.14 shall at all times be interpreted and applied in accordance with the overriding requirement that benefits and any other rights under the Plan must remain entirely exempt from Section 409A, and the Vice President shall have such unrestricted authority as is necessary to ensure that it is applied in accordance with this requirement.

**ARTICLE X - SIGNATURE**

The PepsiCo International Retirement Plan, DB Program document, as amended and restated, is hereby adopted as of this 5th day of December, 2018, to be effective as of January 1, 2019 or as otherwise stated herein.

PEPSICO, INC.

By: /s/ Ruth Fattori  
Ruth Fattori  
Executive Vice President and  
Chief Human Resources Officer

Date: December 5, 2018

Law Department Approval

By: /s/ Aline G. Haffner  
Aline G. Haffner  
Legal Director, Employee Benefits Counsel

Date: December 3, 2018

## TABLE A - CALCULATION OF PENSIONS

This section sets forth the formulas for calculating the Pension payable to a Member under Article IV or the Death Benefit payable to a Member's Eligible Spouse or Eligible Domestic Partner, as applicable, under Article VI. Any benefits accrued under the DB Program by a Member while a part-time employee, following such Member's designation by the Vice President as an Eligible Employee pursuant to the last sentence of the definition of Eligible Employee in Section 2.01, shall be prorated as determined by the Vice President to reflect the approximate ratio of the Member's level of services during such part-time status to the level required for full-time status at the Member's work location.

### (I) Member's Pension

(a) The Pension payable (as a Single Life Annuity benefit) on retirement at Normal Retirement Date for Members who became members of the Plan before January 1, 1976 shall be the larger of the Pension calculated under this paragraph (a) or under paragraph (b) below. The Pension under this paragraph (a) shall be the greater of (1) or (2) below:

(1) 1.5 percent of the Member's Highest Average Monthly Salary (as hereinafter defined) multiplied by the number of years of Pensionable Service; or

(2) 3 percent of the Member's Highest Average Monthly Salary, multiplied by the number of years of his Pensionable Service but not exceeding 15 years.

(b) The Pension payable (as a Single Life Annuity benefit) on retirement at Normal Retirement Date (i) for Members who became members of the Plan on or after January 1, 1976, and (ii) for persons (other than those in (i)) who became Members on or after September 1, 1980, and (iii) for persons (other than in (i) or (ii)) who became Members after November 12, 1998, shall be the Pension calculated under this paragraph (b). The pension calculated under this paragraph (b) shall be the aggregate of:

(1) For up to the first 10 years of Pensionable Service, the product of (i) 3 percent of the Member's Highest Average Monthly Salary, multiplied by (ii) the number of years of Pensionable Service, but not exceeding 10 such years; plus

(2) For any years of Pensionable Service in excess of 10, the product of (i) 1 percent of the Member's Highest Average Monthly Salary, multiplied by (ii) the number of years of Pensionable Service in excess of 10.

(c) At the discretion of the Vice President, the Pension calculated as provided in paragraphs (a) and (b) above shall be reduced by some or all of the following:

(1) All state pension and social security benefits receivable by the Member attributable to Service other than those derived from unmatched and unreimbursed voluntary contributions made by the Member;

(2) The annuity equivalent of a like portion of all capital sum benefits receivable by the Member on or by reason of his retirement either from a state source or from the Employer in consequence of a requirement of local legislation, including, but not limited to, termination indemnities;

(3) Any benefits payable to the Member (or in respect of him) from other retirement benefit plans (or cash allowance received in lieu of Employer contributions to a retirement benefit plan) of the Employers in respect of any period of employment which qualifies as Pensionable Service both under the DB Program and under such other retirement benefit plans of the Employers;

(4) Any other payment made by the Employer at the time of termination of the Member that arises from any severance agreement made between the Employer and Member, for whatsoever reason;

(5) The value (as determined in accordance with methodology approved by the Vice President) of any benefits paid to the Member prior to his retirement from any plan in respect of any period of employment which qualifies as Pensionable Service both under the DB Program and under such other retirement benefit plans of the Employers;

(6) Any deductions, reductions or forfeiture of a Member's benefits resulting from a Member's misdemeanor, misconduct or discharge for cause pursuant to Section 9.08 hereof.

No such deduction shall be made in respect of any such benefits as are derived from unmatched and unreimbursed voluntary contributions made by the Member. The value of all such deductions shall be subject to adjustment to reflect the form and timing of payment. All deductions set out in this paragraph (c) shall be calculated as of the Member's termination date and in accordance with methodology approved by the Vice President from time to time.

(d) If the Pension payable to or on behalf of a Member is reduced under paragraph (c) above, an alternative calculation of the Pension for such Member shall apply unless the Vice President determines that the alternative calculation would be unnecessary or impractical or would not serve the purposes of the DB Program. Under this alternative calculation, only the Member's Pensionable Service under this DB Program, which does not include any employment that is taken into account in determining benefits under paragraph (c)(1) - (5), shall be considered, and the reductions under paragraph (c)(1) - (5) shall be disregarded (however, the reduction under paragraph (c)(6) shall be taken into account). If this alternative calculation applies, the Pension payable under this alternative calculation shall be compared to the Pension payable under paragraphs (a), (b) and (c) above, and whichever provides the greater Pension amount will be payable to or on behalf of the Member, subject to the remaining provisions of this

paragraph (d). The alternative calculation set forth in this paragraph (d) is intended to provide a calculation methodology that replicates the effect of the "extended wearaway" calculation methodology, as it is in effect from time to time under the PepsiCo Salaried Plan. Notwithstanding the foregoing terms of this paragraph (d), any benefit increase provided as a result of this paragraph (d) will be limited so that in the judgment of the Vice President it is not in excess of what should be available given the intent described in the preceding sentence.

(e) For purposes of this Table A, "Highest Average Monthly Salary" means one twelfth of the yearly average of the Member's Salary over any 5 consecutive calendar years of Service in which such Salary was highest (or over such lesser period as the Member has been in Service). For purposes of determining a Member's Highest Average Monthly Salary, the following shall apply:

(1) A calendar year with no Salary shall be disregarded, and the calendar years preceding and following such calendar year (or years) shall be considered consecutive.

(2) If in a calendar year there is an unpaid authorized leave of absence, or other absence from paid service, that results in less than a complete year of Salary, such calendar year shall be disregarded and the next preceding or succeeding year or years shall be taken into account if it results in a higher average.

(f) In determining the amount of a Deferred Vested Pension for the purposes of Section 4.04, the Pension shall be equal to the greatest of the amounts determined under subsection (1), (2) or (3) below:

(1) The Pension calculated as provided in (b) above, but based on the Pensionable Service the Member would have earned had he remained an Active Member until his Normal Retirement Age (subject to a maximum of 35 years) and Highest Average Monthly Salary as of September 30, 2003, reduced by a fraction, the numerator of which is the Member's actual years of Pensionable Service prior to October 1, 2003 (subject to a maximum of 35 years) and the denominator of which is the years of Pensionable Service he would have earned had he remained an Active Member until his Normal Retirement Age.

(2) The aggregate of:

(i) The Pension calculated as provided in (b) above, but based on the Pensionable Service the Member would have earned had he remained an Active Member until his Normal Retirement Date and Highest Average Monthly Salary as of September 30, 2003, reduced by a fraction, the numerator of which is the Member's actual years of Pensionable Service prior to October 1, 2003 and the denominator of which is the years of Pensionable Service he would have earned had he remained an Active Member until his Normal Retirement Date; and

(ii) The Pension calculated as provided in (b) above, but based on the Pensionable Service the Member would have earned had he remained an Active Member until his Normal Retirement Date and the Highest Average Monthly Salary at the date the Member ceases to be in Service, reduced by a fraction, the numerator of which is the Member's actual years of Pensionable Service after September 30, 2003 and the denominator of which is the years of Pensionable Service he would have earned had he remained an Active Member until his Normal Retirement Date.

(3) The Pension calculated as provided in (b) above, but based on the Pensionable Service the Member would have earned had he remained an Active Member until his Normal Retirement Date and the Highest Average Monthly Salary at the date the Member ceases to be in Service, reduced by a fraction, the numerator of which is the Member's actual years of Pensionable Service and the denominator of which is the years of Pensionable Service he would have earned had he remained an Active Member until his Normal Retirement Date.

For Members who became Members of the Plan before January 1, 1976, the Deferred Vested Pension shall be the larger of 1½ percent of the Member's Highest Average Monthly Salary multiplied by the Member's number of years of Pensionable Service at termination or the amount determined by the Vice President based on actuarial information provided to the Vice President.

All deductions set out in (c) above that are applicable to a Member entitled to a Deferred Vested Pension shall be calculated as of the time such Member ceases to be in Service and in accordance with methodology approved by the Vice President.

(II) Pre-Retirement Spouse's Pension or Pre-Retirement Domestic Partner's Pension

If a Member covered by Section 6.01 dies *after* the date he would have been entitled to retire early under Section 4.02, the Pre-Retirement Spouse's Pension or Pre-Retirement Domestic Partner's Pension, as applicable, shall be 50 percent of the Pension to which the Member would have been entitled if he had retired on the day preceding his death (having elected a 50 Percent Survivor Annuity calculated in accordance with Section 5.02(b)) and reduced in accordance with Section 4.02 if the Eligible Spouse or Eligible Domestic Partner commences the Pre-Retirement Spouse's Pension or Pre-Retirement Domestic Partner's Pension, as applicable, prior to the date the Member would have attained age 62.

If a Member covered by Section 6.01 dies *before* the date he would have been entitled to retire early under Section 4.02, the Pre-Retirement Spouse's Pension or Pre-Retirement Domestic Partner's Pension, as applicable, shall be 50 percent of the Pension to which the Member would have been entitled if he had attained the right to receive a 50 Percent Survivor Annuity calculated in accordance with Section 5.02(b)), payable as of the first of the month following the later of death or the date the Member would have attained age 55, and reduced in accordance with Section 4.04(c) if the Eligible Spouse or Eligible Domestic Partner commences the Pre-

Retirement Souse's Pension or Pre-Retirement Domestic Partner's Pension, as applicable, prior to the date the Member would have attained age 65.

## APPENDIX ERW - EARLY RETIREMENT WINDOWS

### **ERW.1 Scope.**

This Appendix ERW supplements the main portion of the DB Program with respect to the rights and benefits of Covered Employees.

### **ERW.2 Definitions and Program Specific Rules.**

This section provides definitions for the following words or phrases in boldface and underlined. Where they appear in this Appendix ERW with initial capitals they shall have the meaning set forth below. Except as otherwise provided in this Appendix ERW, all defined terms shall have the meaning given to them in Section 2.01 of the DB Program.

(a) **Appendix ERW**: This Appendix ERW to the DB Program.

(b) **Covered Employee**: An Active Member who:

(1) Is an Eligible Employee of an Employer at the time his employment is terminated involuntarily pursuant to the Reorganization;

(2)

(i) For purposes of the 2007/2008 Restructuring, has his last day of active employment between the Effective Date and December 31, 2008 (inclusive) and has a Severance Date pursuant to paragraph (1) above that occurs on or after the Effective Date but no later than December 31, 2009; and

(ii) For purposes of the 2008/2009 Restructuring, has his last day of active employment between the Effective Date and August 31, 2009 (inclusive) and has a Severance Date pursuant to paragraph (1) above that occurs on or after the Effective Date but no later than December 26, 2009;

(3) Is entitled to receive enhanced severance pay under the Severance Program as part of the Reorganization, or is entitled to receive severance pay pursuant to an agreement described in (5) below;

(4) Is authorized in writing by the Vice President to receive the benefits under this Appendix ERW; and

(5) Signs, submits and does not revoke a qualifying severance agreement releasing the Corporation and the Associated Companies and each of their employees, agents and affiliates from liability, subject to the Corporation's determination that (i) such severance agreement meets all substance, form and timing requirements that the

Corporation applies and (ii) such severance agreement is entered into under the Severance Program as part of the Reorganization.

Any Active Member who does not meet all of the foregoing requirements is not a “Covered Employee” and is not eligible for the benefits under this Appendix ERW.

(c) **Reorganization**: The reorganization, plant closing, or other event that triggered the applicable Severance Program.

(d) **Severance Date**: An Active Member’s final day of employment with the Employer pursuant to the Reorganization.

(e) **Severance Program and Effective Date**: The Terms Severance Program and Effective Date are defined as follows, separately for each Severance Program:

(1) **2007/2008 Restructuring**. For purposes of the 2007/2008 Restructuring, Severance Program means both the “PepsiCo Transition Severance Program for the 2007 Restructuring for Salaried Employees Below Band 1” and the “PepsiCo Transition Severance Program for the Equipment & Service Management Restructuring for Salaried Employees below Band 1” and Effective Date means February 4, 2008 (that is, the first date an Active Member would be able to retire under this paragraph (1)).

(2) **2008/2009 Restructuring**. For purposes of the 2008/2009 Restructuring, Severance Program means both the “PepsiCo Transition Severance Program for the 2008/2009 Restructuring for Salaried Employees Below Band I” and the “PepsiCo Transition Severance Program for the 2008/2009 Restructuring for Salaried Employees Band I” and Effective Date means April 3, 2009 (that is, the first date an Active Member would be able to retire under this paragraph (2)).

### **ERW.3 Special Early Retirement.**

Any Covered Employee who meets the eligibility requirements of subsection (a) below shall be treated as eligible for a Special Early Retirement Pension under Section 4.03.

(a) **Eligibility requirements**: To be eligible under this section, an individual must:

(1) Be a Covered Employee on his Severance Date,

(2) For purposes of the 2007/2008 Restructuring only:

(i) have attained at least age 50 (but not age 55) by his Severance Date, and

(ii) be credited with at least 10 years of Vesting Service as of his Severance Date

(3) For purposes of the 2008/2009 Restructuring only:

(i) have attained at least age 50 (but not age 55) by his “Pension Termination Date” (which means the earlier of the Covered Member’s Severance Date or the date that is 52 weeks after the Covered Member’s last day of active employment pursuant to the Reorganization);

(ii) be credited with at least 10 years of Vesting Service as of his Severance Date. For purposes of determining whether the Covered Member has met the age and service requirements, the Covered Member’s age and years of Vesting Service are rounded up to the nearest whole year,

(iii) not return to employment with an Employer before his Pension Termination Date, and

(iv) not be otherwise eligible for Normal or Early Retirement Pension.

(b) Amount of Reduction: In determining the amount of the Special Early Retirement Pension provided under this Appendix ERW, the 4/12ths of 1 percent per month early commencement reduction of Section 4.03 shall apply. The Special Early Retirement Pension provided under this section is otherwise subject to all the usual limitations set forth in the DB Program.

(c) Non-Duplication of Benefits: For the avoidance of doubt, the Special Early Retirement Pension made available pursuant to this Appendix ERW shall be in lieu of the Special Early Retirement Pension pursuant to Rule 4.03 of the DB Program. Covered Employees shall not be entitled to, and shall not receive, a Special Early Retirement Pension pursuant to Section 4.03 of the DB Program. In addition, the Special Early Retirement Pension under this Appendix ERW shall not be available to any individual who is eligible for special early retirement under the PepsiCo Salaried Plan (or who claims such special early retirement, unless a release of such claim acceptable to the Corporations is provided). By accepting benefits pursuant to this Appendix ERW, a Covered Employee is conclusively presumed to have waived irrevocably any and all right to a Special Early Retirement Pension under Section 4.03 or to special early retirement benefits under the PepsiCo Salaried Plan (or any other plan maintained or contributed to by the Corporation or an Associated Company).

(d) LTIP Awards: Any Covered Employee who is treated as eligible for an Early Retirement Pension pursuant to this Rule ERW shall also be deemed to qualify for “Retirement” for purposes of such Covered Employee’s outstanding stock option and restricted stock unit awards under the PepsiCo Inc. Long-Term Incentive Plan, the PepsiCo, Inc. 2003 Long-Term Incentive Plan, the PepsiCo, Inc. 1994 Long-Term Incentive Plan, the PepsiCo, Inc. 1995 Stock Option Incentive Plan and the PepsiCo SharePower Stock Option Plan.

**THE PEPSICO INTERNATIONAL RETIREMENT PLAN**  
**DEFINED CONTRIBUTION PROGRAM**  
**(PIRP-DC)**

**As Amended and Restated**  
**Effective as of January 1, 2019**

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## **ARTICLE I – HISTORY AND GENERAL INFORMATION**

PepsiCo, Inc. (the “Corporation”) first established the PepsiCo International Retirement Plan effective as of September 1, 1980. The Plan at that time was comprised of the “PepsiCo International Retirement Plan Trust Indenture” and the “Plan Rules.” The Plan was amended and restated in its entirety, effective September 2, 1982.

The Plan was again amended and restated effective October 1, 2003, whereupon the Plan Rules became the “Plan A Rules” (applicable to benefits funded by the Corporation’s contributions to the trust established by the PepsiCo International Retirement Plan Trust Indenture) and the “Plan B Rules” (applicable to benefits funded by the Corporation as they arise) took effect.

The Plan was further amended effective January 1, 2005, to provide that no person subject to taxation in the United States of America may in any way have their right to a benefit from the Plan come into existence, increase or in any way be enhanced, but instead will be determined as if they had left the Corporation and any Associated Company permanently before becoming subject to U.S. taxation.

Effective January 1, 2010, the Plan A Rules and Plan B Rules were amended and restated in their entirety to form one Plan document. The amendment and restatement referred to in the prior sentence remains in effect, and it sets forth the terms of the “DB Program.”

Effective January 1, 2011, the Corporation established a new defined contribution structure (the “DC Program”) to benefit selected international employees for whom it has been determined to be appropriate (*i.e.*, employees on assignments outside of their home countries for whom it is judged to be impractical to have them participate in their home country retirement plans, and employees who are among a selected group of senior globalists on United States tax equalized packages). The terms of the DC Program are set forth in this document, which is the governing legal document for the DC Program. Together, the DC Program and the DB Program set forth the terms of a single Plan. The DC Program is also sometimes referred to in employee communications as the PepsiCo International Pension Plan or “PIPP.”

The DC Program was previously amended and restated, effective as of January 1, 2016. As part of that amendment and restatement, the Corporation modified the DC Program to also benefit selected employees: (i) who are localized to a country outside of their home country, (ii) were participating in a defined benefit or defined contribution retirement program sponsored immediately prior to their localization and (iii) for whom no company-provided retirement program is available.

The DC Program is hereby amended and restated effective as of January 1, 2019.

At all times, the Plan is unfunded and unsecured for purposes of the United States Internal Revenue Code and Employee Retirement Income Security Act of 1974, as amended

("ERISA"). The benefits of an executive are an obligation of that executive's individual employer. With respect to his employer, the executive has the rights of an unsecured general creditor. The Plan is also intended to be exempt from ERISA as a plan maintained outside of the United States primarily for the benefit of persons substantially all of whom are nonresident aliens of the United States.

## ARTICLE II – DEFINITIONS AND CONSTRUCTION

### **2.01 Definitions.**

Where the following words and phrases appear in this governing document for the DC Program, they shall have the meaning set forth below, unless a different meaning is plainly required by the context:

(a) “Approved Transfer” means any of the following that are initiated or approved by the Corporation or (with the approval of the Corporation) by a Member’s Employer –

(1) The Member’s transfer to employment based in the United States or its territories;

(2) The Member’s secondment to a work location in the United States or its territories;

(3) Any other change in the Member’s employment circumstances that will cause the Member to become a U.S. Person.

(b) “Associated Company” means any company or undertaking which (i) is directly or indirectly controlled by or associated in business with the Corporation, and (ii) which has agreed, subject to the ongoing consent of the Vice President, to perform and observe the conditions, stipulations and provisions of the DC Program and to be included among the Employers under the DC Program. “Associated Companies” means all such companies or undertakings.

(c) “Corporation” means PepsiCo, Inc., a corporation organized and existing under the laws of the State of North Carolina, or its successor or successors.

(d) “Dependant” means the person who shall receive the balance of a Member’s PIRP-DC Account upon the Member’s death.

(e) “DB Program” means the portion of the Plan that provides a program of defined benefits and that is described in the governing legal document entitled “The PepsiCo International Retirement Plan Defined Benefit Program (PIRP DB), as it may be amended from time to time. The DB Program is also sometimes referred to as “PIRP-DB”.

(f) “DC Program” means the portion of the Plan that provides a program of defined contributions and that is described in the governing legal document entitled “The PepsiCo International Retirement Plan Defined Contribution Program (PIRP-DC), as it

may be amended from time to time. The DC Program is also sometimes referred to as “PIRP-DC.”

(g) “Distribution Valuation Date” means the date as specified by the Vice President from time to time as of which PIRP-DC Accounts are valued for purposes of distributions under Article VI. Currently, the Distribution Valuation Date for a Member is the month end that occurs just after the event specified in Article VI that triggers the Member’s distribution. Accordingly, if the trigger event occurs on December 30 of a year, the current Distribution Valuation Date is December 31 of that year, and if the trigger event occurs on December 31 of a year, the current Distribution Valuation Date is January 31 of the following year. The Vice President may change any current Distribution Valuation Date. Values are determined as of the close of a Distribution Valuation Date or, if such date is not a business day, as of the close of the preceding business day.

(h) “Effective Date” means the date as of which the DC Program is effective, January 1, 2011.

(i) “Eligible Domestic Partner” means, solely with respect to a Member who is actively employed by, or on an Authorized Leave of Absence from, a member of the PepsiCo Organization on or after January 1, 2019, an individual who is of the same sex or opposite sex as the Member and who satisfies paragraph (1), (2) or (3), subject to the additional rules set forth in paragraph (4), as determined by the Vice President.

- (1) Civil Union. If the Member has entered into a civil union or similar government-recognized status that is valid at the Member’s death under the law of the location that is determined by the Vice President to be the Member’s principal residence, the Participant’s Domestic Partner (if any) is the individual with whom the Participant has entered into such status, provided that such individual submits a claim for benefits within 60 days of Member’s date of death (and if no such claim is submitted, the individual shall not be a Domestic Partner under this Section 2.01(i)(1)).
- (2) Benefits Enrollment. If the Member does not have a Domestic Partner pursuant to subsection (1) above, the Member’s Eligible Domestic Partner (if any) is the individual who, on the applicable date, was enrolled, as the Member’s domestic partner, in the Cigna International Health Program (or its successor) sponsored by the Corporation.
- (3) Other Acceptable Evidence of Partnership. If the Member does not have a Domestic Partner under paragraph (1) or (2) above, such Member’s Domestic Partner, if any, is the individual who satisfies such criteria of domestic partnership as the Vice President has specified in writing, provided that such individual submits a claim for benefits

within 60 days of the Member's date of death (and if no such claim is submitted, the individual shall not be a Domestic Partner under this Section 2.01(i)(3)).

- (4) Additional Rules. The term "Eligible Domestic Partner" does not apply to a Member's Eligible Spouse. A Member is not permitted to have more than one Eligible Domestic Partner at any point in time, and a Member who has an Eligible Spouse is not permitted to have an Eligible Domestic Partner.

(j) "Eligible Employee" means an individual who the Vice President has determined (i) is employed exclusively outside of the United States on the regular staff of an Approved Employer on a full-time salaried basis, (ii) is neither actively accruing benefits that are derived from service under the DB Program nor is designated as being eligible to accrue such benefits, and (iii) is described in at least one of the following paragraphs

(1) The individual is on an assignment outside of his home country and it is judged to be impractical to have him participate in the retirement plan(s) sponsored by the Corporation (or an Affiliated Company) in his home country;

(2) The individual is on his second (or more) consecutive assignment outside of his home country, and the retirement plan(s) available to the individual in his home country do not include a retirement plan that is sponsored by the Corporation or an Affiliated Company (*e.g.*, a case where only a statutory plan is available to the individual);

(3) The individual is among a selected group of senior globalists on United States tax equalized packages whose positions and employment terms are among those that the Vice President has determined make them eligible to be considered for membership in the DC Program; or

(4) The individual is localized to a country outside of his home country, was actively participating in a retirement program sponsored by a member of the PepsiCo Organization immediately prior to his localization that will not provide for his continued active participation after his localization, and the local country employer does not sponsor a retirement plan.

The Vice President shall have the discretion to designate as an Eligible Employee any individual employed by an Approved Employer on a part-time basis who, but for his part-time status, otherwise satisfies the requirements of this subsection.

(k) "Eligible Spouse" means the individual to whom the Member is married, or to whom the Member was married on the date of his death. The determination of whether a Member is married shall be made by the Vice President based on the law of the location

that is determined by the Vice President to be the Member's principal residence; provided, however, that for purposes of the DC Program, a Member shall have only one Eligible Spouse.

(l) "Employers" means the Corporation and any and every Associated Company or such one or more of any of them as the context shall determine or the circumstances require. "Employer" in relation to any person means whichever it is of the Employers in whose employment that person is or was at the relevant time or those Employers (if more than one) in whose employment he had been during the relevant period. An "Approved Employer" means an Employer that, as of the time in question, has been approved by the Vice President (and remains approved) to have its Eligible Employees become and continue as Active Members hereunder.

(m) "Entry Date" means the date as of which an Eligible Employee becomes a Member, which shall be the date that the Vice President specifies for the Eligible Employee's admission to Membership.

(n) "Interest Credit" means the credit made annually to a Member's PIRP-DC Account pursuant to Section 4.01(b).

(o) "Interest Rate" means the annualized rate of interest used to determine a Member's Interest Credit. As of the Effective Date, the Interest Rate is the rate of interest on 30-year Treasury securities as prescribed by the Commissioner of the United States Internal Revenue Service for the month of September immediately preceding the first day of the Plan Year to which an Interest Credit relates. The Vice President shall have the discretion to change from time to time the basis for determining the Interest Rate as necessary to ensure that the Interest Rate is readily determinable and administrable, and that it can be reasonably expected to provide substantially a market rate of interest over time. At all times the Interest Rate shall not exceed a level that may be considered to constitute earnings under Treasury Regulation § 1.409A-1(o).

(p) "Member" means an Eligible Employee who has been admitted to Membership in the DC Program pursuant to Article III and who remains entitled to a benefit under the DC Program. In relation to each of the Employers, any reference to a Member means a Member in or formerly in its employment. References to "Membership" are references to the status of being a Member. The terms "Active Member" and "Inactive Member" shall have the respective meanings stated for these terms in Section 3.03.

(q) "Pay Credit" means the credit made to an Active Member's PIRP-DC Account pursuant to Section 4.01(a).

(r) "Plan" means the PepsiCo International Retirement Plan, which consists of the DC Program and DB Program.

(s) “Plan Year” means the 12-consecutive month period beginning on January 1 and ending on the following December 31 of the same calendar year.

(t) “PepsiCo Organization” means the controlled group of organizations of which the Corporation is a part, as defined by United States Internal Revenue Code section 414 and regulations issued thereunder. An entity shall only be considered a member of the PepsiCo Organization during the period it is one of the group of organizations described in the preceding sentence.

(u) “PIRP-DC Account” means the unfunded, notional account maintained for a Member on the books of the Member’s Employer that indicates the dollar amount that, as of any time, is credited under the DC Program for the benefit of the Member. The balance in such account shall be determined in accordance with interpretive principles and decisions applied by the Vice President.

(v) “Salary” means (i) home notional base salary in the case of an Eligible Employee who is not paid on a United States payroll, and (ii) base salary plus bonus in the case of an Eligible Employee who is paid on a United States payroll. In the case of an Eligible Employee who is employed in a country other than the United States, the Vice President may authorize the Eligible Employee’s Salary to be increased to reflect an amount of notional bonus that is paid to such Eligible Employee. The determination of an Eligible Employee’s Salary in accordance with the preceding two sentences shall be made by the Vice President and shall be conclusive and binding on all Eligible Employees.

(w) “Service” means the period during which an Eligible Employee was continuously in employment (including all permissible periods of authorized leave of absence) with any Approved Employer. A permissible period of authorized leave of absence is a period of absence of not more than 12 months, unless a longer period is individually authorized in writing by the Vice President. A break in service of less than 12 months shall not be considered to have broken the continuity of a Member’s Service. Other breaks in service (including a break in service of at least 12 months and a break in service before an individual has become a Member) shall break the continuity of an individual’s Service, and employment before the break in service will only be counted as Service if it would otherwise qualify under this subsection and the Vice President approves its being counted. For an individual who transfers from employment with an Employer while not an Eligible Employee to the status of an Eligible Employee of an Approved Employer, his pre-transfer period of employment with an Employer may be counted as Service only with the approval of the Vice President. Similarly, for an individual who transfers from employment with an Approved Employer as an Eligible Employee to other employment with an Employer, his post-transfer period of employment with an Employer may be counted as Service only with the approval of the Vice President. Except as otherwise expressly provided by the Vice President, Service shall not include an individual’s periods of employment with any company or undertaking prior to it becoming an Employer or a member of the PepsiCo Organization.

(x) “Status Change” means any change in a Member’s circumstances (other than a change in circumstances that constitutes an Approved Transfer) that will cause the Member to become a U.S. Person.

(y) “U.S. Person” means: (1) a citizen of the United States of America; (2) a person lawfully admitted for permanent residence in the United States of America at any time during the calendar year, or who has applied for such permanent residence (within the meaning of United States Internal Revenue Code section 7701(b)(1)(A)); or (3) any other person who is a resident alien of the United States of America under United States Internal Revenue Code section 7701(b)(1)(A) because, for example, the person satisfies the substantial presence test under United States Internal Revenue Code section 7701(b)(3) or makes an election to be treated as a United States resident under United States Internal Revenue Code section 7701(b)(4). In addition, a person shall be considered a U.S. Person for purposes of Section 9.14 in any year for which the person is required by the United States Internal Revenue Code to file an individual income tax return, unless the Vice President determines that it is clear that the person has no U.S. source earned income from a member of the PepsiCo Organization for such year.

(z) “Valuation date” means each business day, as determined by the Vice President, as of which Members’ PIRP-DC Accounts are valued (for purposes other than distributions under Article VI) in accordance with DC Program procedures that are then currently in effect. As of the Effective Date, the DC Program shall have a Valuation Date for all Members as of the last day of each Plan Year. In addition, to the extent provided in Section 4.02, the DC Program shall have a special Valuation Date prior to the end of a Plan Year for Active Members who have an Approved Transfer (and for certain Active Members who have a Status Change) as described in Section 4.02. In accordance with procedures that may be adopted by the Vice President, any current Valuation Date may be changed (but in such case adjustments shall apply in the operation of the DC Program as necessary to prevent duplicate or disproportionate benefits, as determined by the Vice President). Values are determined as of the close of a Valuation Date or, if such date is not a business day, as of the close of the preceding business day.

(aa) “Vice President” means the Vice President, Global Benefits & Wellness of PepsiCo, Inc., but if such position is vacant or eliminated it shall be the person who is acting to fulfill the majority of the duties of the position (or plurality of the duties, if no one is fulfilling a majority), as such duties existed immediately prior to the vacancy or the position elimination.

## **2.02 Construction.**

(a) Gender and Number: In this document for the DC Program where the context does not otherwise determine, words importing the masculine gender shall include the feminine gender and words importing the singular number shall include the plural number and vice versa.

(b) Determining Periods of Years: For the purposes of the DC Program, any period of 365 consecutive days (or of 366 consecutive days, if the period includes 29<sup>th</sup> February) shall be deemed to constitute a year, but not so that in the calculation of a number of years any day is counted more than once. Where the amount of a benefit depends upon the calculation of a number of years or months without expressly requiring that these should be complete years or months, a proportionate amount (*i.e.*, a number of days) may be given for any part of a year or month which would not otherwise be included in the calculation. Where this document makes reference to months or parts of a year, or to any other period of time except a day, week or year the Vice President may authorize the period to be counted in days or complete calendar months with each calendar month counted as 1/12th of a year.

(c) Compounds of the Word “Here”: The words “hereof” and “hereunder” and other similar compounds of the word “here” shall mean and refer to the entire DC Program, not to any particular provision or section.

(d) Examples: Whenever an example is provided or the text uses the term “including” followed by a specific item or items, or there is a passage having a similar effect, such passages of the document shall be construed as if the phrase “without limitation” followed such example or term (or otherwise applied to such passage in a manner that avoids limitation on its breadth of application).

(e) Subdivisions of this Document: This document is divided and subdivided using the following progression: articles, sections, subsections, paragraphs, subparagraphs and clauses. Articles are designated by capital roman numerals. Sections are designated by Arabic numerals containing a decimal point. Subsections are designated by lower-case letters in parentheses. Paragraphs are designated by Arabic numerals in parentheses. Subparagraphs are designated by lower-case roman numerals in parentheses. Clauses are designated by upper-case letters in parentheses. Any reference in a section to a subsection (with no accompanying section reference) shall be read as a reference to the subsection with the specified designation contained in that same section. A similar rule shall apply with respect to paragraph references within a subsection and subparagraph references within a paragraph.

## ARTICLE III – MEMBERSHIP

### **3.01 Eligibility for Membership.**

Every person who the Vice President determines is an Eligible Employee shall be eligible for Membership.

### **3.02 Admission to Membership.**

Every person who the Vice President determines is an Eligible Employee, and who is not during the relevant time a U.S. Person, shall, following the approval of his Membership by the Vice President, be admitted to Membership effective as of his Entry Date. For this purpose, the relevant time includes a sufficient period before the Eligible Employee's Proposed Entry Date as is necessary to avoid PIRP-DC Accounts being considered deferred compensation that is subject to Section 409A of the United States Internal Revenue Code. No Eligible Employee or any other person shall be admitted to Membership without the approval of the Vice President.

### **3.03 Active and Inactive Membership.**

A Member shall be an Active Member during the period that he is – (a) employed as an Eligible Employee, (b) not a U.S. Person, and (c) currently approved for status as an Active Member by the Vice President. A Member shall be an Inactive Member during any period that he does not currently meet all of the requirements to be an Active Member.

## ARTICLE IV – CONTRIBUTIONS

### **4.01 Contributions.**

To the extent provided in subsections (a) and (b) below, the Employer shall allocate Pay Credits and Interest Credits to a Member's PIRP-DC Account, each determined by the Vice President as follows –

(a) Pay Credit. To receive a Pay Credit for a Plan Year, an individual must be an Active Member during such year. The amount of an Active Member's Pay Credit for a Plan Year shall be determined by multiplying the Active Member's annualized Salary in effect as of that year's Valuation Date by the Active Member's applicable percentage, which shall be one of the following: 5%, 8%, 10%, 12% or 18%. The Vice President shall specify the Active Member's applicable percentage as of the Active Member's Entry Date. For each subsequent Plan Year that the individual is an Active Member, the Vice President may specify a new applicable percentage that shall apply to the Active Member for such Plan Year.

(b) Interest Credit. To receive an Interest Credit for a Plan Year, an individual must be either an Active Member or Inactive Member during such year, and the individual must have had a balance in his PIRP-DC Account as of the prior Plan Year's Valuation Date. The amount of a Member's Interest Credit shall be determined by the Vice President by multiplying the Interest Rate for the period since the last Valuation Date by the balance of the Member's PIRP-DC Account as of such last Valuation Date.

A Member's Pay Credit and Interest Credit shall be determined by the Vice President as soon as administratively practicable after each Valuation Date. If a Member has less than one full year of Active Membership since such last Valuation Date (*e.g.*, as may apply in the Member's first and last year of Membership), the Member's Pay Credit as otherwise determined under subsection (a) above shall be prorated for such period based upon the Member's fractional year of Active Membership. If a Member has less than one full year of Membership since such last Valuation Date, any Interest Credit as otherwise available and determined under subsection (b) above shall be prorated for such period based upon the Member's fractional year of Membership (*e.g.*, as may apply in the Member's last year of Membership). A fractional year shall be computed by dividing the Member's days of Membership or Active Membership (as applicable) during the Plan Year by the total number of days in such Plan Year. A period of paid leave of absence during a Plan Year shall be considered a period of Active Membership for purposes of determining a Member's Pay Credit for the Plan Year in accordance with the prior sentence. However, a period of unpaid leave of absence during a Plan Year shall not be considered a period of Active Membership for purposes of determining a Member's Pay Credit for the Plan Year in accordance with the prior sentence (and as a result, the Pay Credit for the Plan Year containing the unpaid leave shall be prorated, or there shall be no Pay Credit, all as necessary to limit Pay Credits to the Member's period of Active Membership during the Plan Year). In the event a prorated Pay Credit and Interest Credit relate to the Member's final year of Membership, the Pay

Credit and Interest Credit shall be determined as of the Member's Distribution Valuation Date (with proration based upon the Member's fractional final year of Membership). The calculation of the Pay Credit and Interest Credit by the Vice President shall be conclusive and binding on all Members (and their Dependents).

#### **4.02 Offsets.**

Notwithstanding Section 4.01, the Corporation may reduce the amount of any payment or benefit that is or would become payable to or on behalf of a Member by the amount of any obligation of the Member to the Corporation or by the amount of –

(a) Any material benefits accrued by the Member under a retirement plan sponsored by the Corporation or by any country, state, province or other political subdivision or locality, to the extent the Vice President determines that the benefit amount under such retirement plan is for Service or Salary that is taken into account in providing Pay Credits under the DC Program, and

(b) Any termination indemnity or other payment to the Member by the Employer or PepsiCo Organization related to the Member's termination of employment, to the extent the Vice President determines that the payment is reasonably related to Service that is taken into account in providing Pay Credits under the DC Program.

Consistent with the foregoing, appropriate reductions may be made in the Pay Credits and Interest Credits that otherwise would be provided to the Member under Sections 4.01 and 4.02, the balance in the Member's PIRP-DC Account under Article V, or the Member's distributions under Article VI. The determination of whether a benefit is material and all other aspects of the application of this Section 4.02 is solely in the independent discretion of the Vice President.

## ARTICLE V – MEMBER ACCOUNTS

### **5.01 Accounting for Members' Interests.**

Pay Credits and Interest Credits shall be credited to a Member's PIRP-DC Account as of the Valuation Date to which such credits relate (or, in the case of Pay Credits and Interest Credits that relate to the Member's final year of Membership, as of the Member's Distribution Valuation Date) or as soon as administratively practicable thereafter. A Member's PIRP-DC Account is a bookkeeping device to track the notional value of the Member's Pay Credits and Interest Credits (and his Employer's liability for such credits). No assets shall be reserved or segregated in connection with any PIRP-DC Account, and no PIRP-DC Account shall be funded, insured or otherwise secured.

### **5.02 Vesting.**

Subject to Sections 4.02 and 9.14, a Member shall be fully vested in, and have a nonforfeitable right to, his PIRP-DC Account upon completing 3 years of Service, or if earlier, upon the death or disability of the Member while employed by the Employer or PepsiCo Organization. The determination of whether a Member has become disabled for this purpose shall be made by the Vice President in accordance with such standards as the Vice President deems to be appropriate as of the time in question.

### **5.03 Special Vesting for Approved Transfers and Status Changes.**

(a) Automatic Special Vesting for Approved Transfers. Notwithstanding Section 5.02 above, in the case of an Active Member who will have an Approved Transfer during a Plan Year, the Active Member shall automatically have special vesting apply as of the last business day before the earlier of – (a) the Active Member's Approved Transfer, or (b) the day the Active Member would become a U.S. Person in connection with the Approved Transfer.

(b) Special Vesting for Status Changes. Also notwithstanding Section 5.02 above, in the case of an Active Member who will have a Status Change, the Active Member may request that the Vice President apply special vesting to him as of the last business day before the Active Member's Status Change. In order for special vesting related to a Status Change to be valid and effective under the DC Program, the Active Member's request and the Vice President's approval of the request must both be completely final and in place prior to the date that the special vesting applies.

Subject to the next sentence, the effect of special vesting applying to a Member in accordance with either subsection (a) or (b) above is that the Member will become vested, to the same extent as could apply under Section 5.02 if the Member vested under that Section, as of the date that the special vesting applies. Notwithstanding the preceding provisions of this Section 5.03, rights under this Section 5.03 are subject to the overriding requirement that allocations, benefits and

other rights under the Plan must remain entirely exempt from Section 409A of the United States Internal Revenue Code, and this Section 5.03 shall not apply to the extent inconsistent with this requirement.

## ARTICLE VI – DISTRIBUTION OF BENEFITS

### **6.01 Distribution Rules Generally.**

A Member's PIRP-DC Account shall be distributed based upon first to occur of the Member's termination of employment with the PepsiCo Organization or death, as provided in Sections 6.02 and 6.03 respectively, subject to Section 4.06 (vesting). All distributions shall be made in cash.

### **6.02 Distributions Upon Termination of Employment.**

If a Member's PIRP-DC Account becomes distributable based upon his termination of employment with the PepsiCo Organization, such distribution shall be made in a single lump sum payment on the first of the month that immediately follows the Member's Distribution Valuation Date. In the case of a Member whose termination of employment with the PepsiCo Organization occurs as a result of the Member becoming disabled, for purposes of this Section, the determination of whether such Member is disabled and the date on which such Member's termination of employment is considered to occur shall be made by the Vice President.

### **6.03 Distributions Upon Death.**

If a Member's PIRP-DC Account becomes distributable based upon his death, such distribution shall be made in a single lump sum payment on the first day of the month that immediately follows the Member's Distribution Valuation Date. Amounts paid following a Member's death shall be paid to the Member's Dependant; provided, however, that if no Dependant designation is in effect at the time of the Member's death (as determined by the Vice President), or if all persons designated as Dependents have predeceased the Member, then the payments to be made pursuant to this Section shall be distributed to the Member's Eligible Spouse or Eligible Domestic Partner, as applicable, or, if the Member does not have an Eligible Spouse or an Eligible Domestic Partner at the time of his death, to his estate.

### **6.04 Valuation.**

In determining the amount of any individual distribution pursuant to this Article, the Member's PIRP-DC Account shall continue to be credited with Interest Credits (and debited for expenses) as specified in Article V until the Member's Distribution Valuation Date.

### **6.05 Designation of Dependant.**

A Member shall designate one or more Dependents who will be entitled to any amounts payable on his death. A Member shall have the right to change or revoke his Dependant designation at any time prior to the effective date of such election. If the Member is married at the time he or she designates a Dependant(s), any designation under this section of a Dependant(s) who is not the Member's Eligible Spouse shall require the written consent of the

Member's Eligible Spouse. A revocation of a Dependant(s) does not require consent by the Member's Eligible Spouse. The designation of any Dependant(s), and any change or revocation thereof, and any written consent of a Member's Eligible Spouse required by this Section shall be made in accordance with rules adopted by the Vice President, shall be made in writing on forms provided by the Vice President, and shall not be effective unless and until filed with the Vice President.

## ARTICLE VII – ADMINISTRATION

### **7.01 Authority to Administer Plan.**

(a) Administration by the Vice President: The Plan shall be administered by the Vice President, who shall have the authority to interpret the Plan and issue such regulations as he deems appropriate. All actions by the Vice President hereunder may be taken in his sole discretion, and all interpretations, determinations and regulations made or issued by the Vice President shall be final and binding on all persons and parties concerned.

(b) Authority to Delegate: The Vice President may delegate any of his responsibilities under the Plan to other persons or entities, or designate or employ other persons to carry out any of his duties, responsibilities or other functions under the Plan. Any reference in the Plan to an action by the Vice President shall, to the extent applicable, refer to such action by the Vice President's delegate or other designated person.

### **7.02 Facility of Payment.**

Whenever, in the opinion of the Vice President, a person entitled to receive any payment of a benefit hereunder is under a legal disability or is incapacitated in any way so as to be unable to manage his financial affairs, the Vice President may direct that payments from the Plan be made to such person's legal representative for his benefit, or that the payment be applied for the benefit of such person in such manner as the Vice President considers advisable. Any payment of a benefit in accordance with the provisions of this section shall be a complete discharge of any liability for the making of such payment under the provisions of the Plan.

### **7.03 Claims Procedure.**

The Vice President shall have the exclusive discretionary authority to construe and to interpret the Plan, to decide all questions of eligibility for benefits and to determine the amount of such benefits, and his decisions on such matters are final and conclusive. As a result, benefits under this Plan will be paid only if the Vice President decides in his discretion that the person claiming such benefits is entitled to them. This discretionary authority is intended to be absolute, and in any case where the extent of this discretion is in question, the Vice President is to be accorded the maximum discretion possible. Any exercise of this discretionary authority shall be reviewed by a court, arbitrator or other tribunal under the arbitrary and capricious standard (*i.e.*, the abuse of discretion standard). If, pursuant to this discretionary authority, an assertion of any right to a benefit by or on behalf of a Member or Dependant (a "claimant") is wholly or partially denied, the Vice President, or a party designated by the Vice President, will provide such claimant within the 90-day period following the receipt of the claim by the Vice President, a comprehensible written notice setting forth:

(a) The specific reason or reasons for such denial;

(b) Specific reference to pertinent Plan provisions on which the denial is based;

(c) A description of any additional material or information necessary for the claimant to submit to perfect the claim and an explanation of why such material or information is necessary; and

(d) A description of the Plan's claim review procedure (including the time limits applicable to such process).

If the Vice President determines that special circumstances require an extension of time for processing the claim he may extend the response period from 90 to 180 days. If this occurs, the Vice President will notify the claimant before the end of the initial 90-day period, indicating the special circumstances requiring the extension and the date by which the Vice President expects to make the final decision. Upon review, the Vice President shall provide the claimant a full and fair review of the claim, including the opportunity to submit to the Vice President comments, document, records and other information relevant to the claim and the Vice President's review shall take into account such comments, documents, records and information regardless of whether it was submitted or considered at the initial determination. The decision on review will be made within 60 days after receipt of the request for review, unless circumstances warrant an extension of time not to exceed an additional 60 days. If this occurs, notice of the extension will be furnished to the claimant before the end of the initial 60-day period, indicating the special circumstances requiring the extension and the date by which the Vice President expects to make the final decision. The final decision shall be in writing and drafted in a manner calculated to be understood by the claimant; include specific reasons for the decision with references to the specific Plan provisions on which the decision is based; and provide that the claimant is entitled to receive, upon request and free of charge, copies of, all documents, records, and other information relevant to his claim for benefits.

Any claim under the Plan that is reviewed by a court, arbitrator or any other tribunal shall be reviewed solely on the basis of the record before the Vice President at the time it made its determination. In addition, any such review shall be conditioned on the claimant's having fully exhausted all rights under this section.

#### **7.04 Limitations on Actions.**

Any claim filed under Article VII and any action filed in any court or other tribunal by or on behalf of a former or current Employee, Member, Dependant or any other individual, person or entity (collectively, a "Petitioner") for the alleged wrongful denial of Plan benefits must be brought within two years of the date the Petitioner's cause of action first accrues. For purposes of this subsection, a cause of action with respect to a Petitioner's benefits under the Plan shall be deemed to accrue not later than earlier of (i) when the Petitioner has received the calculation of the benefits that are the subject of the claim or legal action; (ii) the date identified to the Petitioner by the Vice President on which payment shall be made; or (ii) when he has actual or

constructive knowledge of the facts that are the basis of his claim. Failure to bring any such claim or cause of action within this two-year time frame shall preclude a Petitioner, or any representative of the Petitioner, from filing the claim or cause of action. Correspondence or other communications following the mandatory appeals process described above shall have no effect on this two-year time frame.

**7.05 Restriction of Venue.**

Any claim or action filed in court or any other tribunal in connection with the Plan by or on behalf of a Petitioner shall only be brought or filed in the state or federal courts of New York, specifically the state or federal court, whichever applies, located nearest the Corporation's headquarters.

**7.06 Effect of Specific References.**

Specific references in the Plan to the Vice President's discretion shall create no inference that the Vice President's discretion in any other respect, or in connection with any other provision, is less complete or broad.

## ARTICLE VIII – AMENDMENT AND TERMINATION

### **8.01 Continuation of the Plan.**

While the Corporation intends to continue the Plan indefinitely, it assumes no contractual obligation as to its continuance. The Corporation hereby reserves the right, in its sole discretion, to amend, terminate, or partially terminate the Plan at any time provided, however, that no such amendment or termination shall reduce the balance (determined as of the date of such amendment or termination) in the Plan account maintained for the benefit of a Member or his Dependant, except to the extent the Member becomes entitled to an amount under another plan or practice maintained by an Employer. Specific forms (including times) of payment are not protected under the preceding sentence.

### **8.02 Amendment.**

The Corporation may, in its sole discretion, make any amendment or amendments to this Plan from time to time, with or without retroactive effect, subject to Section 8.01. An Employer (other than the Corporation) shall not have the right to amend the Plan.

### **8.03 Termination.**

The Corporation may terminate the Plan, either as to its participation or as to the participation of one or more Employers. If the Plan is terminated with respect to fewer than all of the Employers, the Plan shall continue in effect for the benefit of the employees of the remaining Employers.

## ARTICLE IX – MISCELLANEOUS

### **9.01 Unfunded Plan.**

The Employers' obligations under the Plan shall not be funded, but shall constitute liabilities by the Employer payable when due out of the Employer's general funds. To the extent a Member or any other person acquires a right to receive benefits under this Plan, such right shall be no greater than the rights of any unsecured general creditor of the Employer.

### **9.02 Costs of the Plan.**

Unless otherwise agreed by the Corporation, all costs, charges and expenses of or incidental to the administration and management of the Plan shall be the costs, charges and expenses of the Employers and shall be paid by each Employer based on the proportion of Members who are employed by such Employer as compared to the total number of Members at the time the cost or expense is incurred.

### **9.03 Temporary Absence of Member.**

If a Member is absent from duty by reason other than death, discharge, retirement or quitting (*e.g.*, sickness, accident, layoff, vacation), he shall be deemed to have terminated employment on the date that is 12 months after the date on which he is absent, unless the Vice President determines otherwise. If the Member's absence from duty is by reason of his service as a full-time member of the armed forces of any country or of any organization engaged in national service of any such country, he shall not be deemed to have terminated employment so long as he is regarded by the Employer as remaining in employment or until he shall resign permanently from employment, whichever shall first occur.

### **9.04 Taxes, Etc.**

In the event any tax or assessment or other duty is determined by the Vice President to be owing in respect of any benefit payable from the Plan, the Plan shall be entitled to withhold an amount not exceeding the amount of any such tax or assessment or other duty from the benefit payable and shall apply the same in satisfaction of said tax or assessment or other duty.

### **9.05 Nonguarantee of Employment.**

Nothing in the Plan shall be construed as a contract of employment between an Employer and any of its employees, or as a right of any such employee to continue in the employment of the Employer, or as a limitation of the right of an Employer to discharge any of its employees, with or without cause.

## **9.06 No Right to Benefits.**

No person, whether or not being a Member, shall have any claim, right or interest under the Plan except as provided by the terms of the Plan. In the event of a Member's termination of employment by an Employer, the resulting cessation of his Membership shall not be grounds for any damages or any increase in damages in any action brought against the Employer or any member of the PepsiCo Organization with respect to such termination.

## **9.07 Charges on Benefits and Recovery of Excess Payments.**

All benefits in respect of a Member under the Plan shall stand charged with and be subject to deductions therefrom of all sums in respect of losses to a member of the PepsiCo Organization or Employer or otherwise caused by misdemeanor of the Member and on production by the member of the PepsiCo Organization or Employer of proof satisfactory to the Vice President that any such loss ought to be made good by a Member. The relevant amount shall be deductible from the Member's benefits and be payable to the Employer or member of the PepsiCo Organization whose receipt shall be a valid discharge for the same.

Payments to, for or in connection with a Member that are made (as of a point in time and to any person or entity) may not exceed the exact amount of payments that are due as of such time and to such person, as provided by the terms of the Plan that specify the amounts that are payable, the time as of which they are payable, and the person to whom they are payable. Accordingly, any such excess payment or any other overpayment, premature payment or misdirected payment (one or more of which are hereafter referred to as an "Excess Payment") may not be retained by the party receiving it, but must be restored promptly to the Plan. In exchange for Member or beneficiary status hereunder (or for having any other direct or indirect right or claim of right from the Plan, or solely as a result of having received an Excess Payment), any party receiving an Excess Payment grants to the Plan the following nonexclusive rights –

(1) A constructive trust and first priority equitable lien on any payment that is received directly or indirectly from the Plan and that is, in whole or part, an Excess Payment (such trust and lien shall be equal to the amount of the Excess Payment increased by appropriate interest) or upon the proceeds or substitutes for such payment, and any transfer shall be subject to such constructive trust and equitable lien (including a transfer to a person, trust fund or entity).

(2) The right to offset (as necessary to recover the Excess Payment with appropriate interest) other payments that are properly payable by the Plan to the recipient of the Excess Payment; however, reliance on this right is in the discretion of the Vice President, and the existence of an opportunity to apply it shall not diminish the Plan's rights under paragraph (1) above.

(3) The right to bring any equitable or legal action or proceeding with respect to the enforcement of any rights in this Section in any court of competent jurisdiction as the Plan may elect, and following receipt of an

Excess Payment the Member hereby submits to each such jurisdiction, waiving any and all rights that may correspond to such party's present or future residence.

Any party receiving an Excess Payment shall promptly take all actions requested by the Vice President that are in furtherance of the Plan's recovery of the Excess Payment with appropriate interest. In all cases, this subsection shall maximize the rights of the Plan to recover improper payments and shall not restrict the rights of the Plan in any way, including with respect to any improper payment that is not addressed above.

#### **9.08 Prohibited Misconduct.**

(a) Notwithstanding any other provision of this Plan to the contrary, if the Vice President determines that a Member has engaged in Prohibited Misconduct at any time prior to the second anniversary of his termination of employment with the PepsiCo Organization, the Member shall forfeit all Pay Credits and Interest Credits (whether paid previously, being paid currently or payable in the future), and his PIRP-DC Account shall be adjusted to reflect such forfeiture and previously paid Pay Credits and Interest Credits shall be recovered. As a condition to Membership in this Plan, each Member agrees to this and each Member agrees to repay PepsiCo the amounts it seeks to recover under this Section 9.08.

(b) Any of the following activities engaged in, directly or indirectly, by a Member shall constitute Prohibited Misconduct:

(1) The Member accepting any employment, assignment, position or responsibility, or acquiring any ownership interest, which involves the Member's "Participation" (as defined below) in a business entity that markets, sells, distributes or produces "Covered Products" (as defined below), unless such business entity makes retail sales or consumes Covered Products without in any way competing with the PepsiCo Organization.

(2) The Member, directly or indirectly (including through someone else acting on the Member's recommendation, suggestion, identification or advice), soliciting any PepsiCo Organization employee to leave the PepsiCo Organization's employment or to accept any position with any other entity.

(3) The Member using or disclosing to anyone any confidential information regarding the PepsiCo Organization other than as necessary in his position with the PepsiCo Organization. Such confidential information shall include all non-public information the Member acquired as a result of his positions with the PepsiCo Organization. Examples of such confidential information include non-public information about the PepsiCo Organization's customers, suppliers, distributors and potential acquisition targets; its business operations and structure; its product lines, formulas and pricing; its processes,

machines and inventions; its research and know-how; its financial data; and its plans and strategies.

(4) The Member engaging in any acts that are considered to be contrary to the PepsiCo Organization's best interests, including violating the Corporation's Code of Conduct, engaging in unlawful trading in the securities of the Corporation or of any other company based on information gained as a result of his employment with the PepsiCo Organization, or engaging in any other activity which constitutes gross misconduct.

(5) The Member engaging in any activity that constitutes fraud.

Notwithstanding the foregoing and for the avoidance of doubt, nothing in this Plan shall prohibit the Member from communicating with government authorities concerning any possible legal violations without notice to the Corporation, participating in government investigations, and/or receiving any applicable award for providing information to government authorities. The Corporation nonetheless asserts and does not waive its attorney-client privilege over any information appropriately protected by the privilege. Further, pursuant to the Defend Trade Secrets Act, an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.

For purposes of this subsection, "Participation" shall be construed broadly to include: (i) serving as a director, officer, employee, consultant or contractor with respect to such a business entity; (ii) providing input, advice, guidance or suggestions to such a business entity; or (iii) providing a recommendation or testimonial on behalf of such a business entity or one or more products it produces. For purposes of this subsection, "Covered Products" shall mean any product that falls into one or more of the following categories, so long as the PepsiCo Organization is producing, marketing, selling or licensing such product anywhere in the world – beverages, including without limitation carbonated soft drinks, tea, water, juice drinks, sports drinks, coffee drinks, energy drinks, and value-added dairy drinks; juices and juice products; dairy products; snacks, including salty snacks, sweet snacks meat snacks, granola and cereal bars, and cookies; hot cereals; pancake mixes; value-added rice products; pancake syrups; value-added pasta products; ready-to-eat cereals; dry pasta products; or any product or service that the Member had reason to know was under development by the PepsiCo Organization during the Member's employment with the PepsiCo Organization.

## **9.09 Notices.**

Any notice which under the Plan is required to be given to or served upon the Plan shall be deemed to be sufficiently given to or served upon the Plan if it is in writing and delivered to the Vice President. In any case where under the Plan any notice shall be required to be given to Members, it shall be sufficient if such notice is delivered to the Member's last known address on file in the records of the Employer or delivered to the Member pursuant to any other method (*e.g.*, electronically) that the Vice President determines is reasonably available to the Member.

## **9.10 Plan Documentation.**

Every Member shall on demand be entitled to a copy of the Plan.

## **9.11 Currency of Payment.**

Payment of benefits under the Plan shall be made in United States dollars, or other "eligible currency," as approved by the Vice President. The amount otherwise payable in United States dollars would be converted to the selected currency using the exchange rate, based on the methodology approved by the Vice President from time to time.

## **9.12 Governing Law.**

The Plan shall in all respects be governed by and interpreted according to the laws of the State of New York.

## **9.13 Exemption from ERISA.**

The Plan is intended to be exempt from the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), as a plan maintained outside of the United States primarily for the benefit of persons substantially all of whom are nonresident aliens of the United States. In order to preserve this exemption from ERISA, Active Membership in the Plan shall be limited to individuals who are nonresident aliens of the United States and whose assigned work locations are outside the United States, and it is intended that all permanent records and documentation relating to the administration of the Plan shall be kept at a location that is outside of the United States.

## **9.14 Exemption from Section 409A.**

In order to permit this Plan to be completely exempt from United States Internal Revenue Code section 409A ("Section 409A"), this Plan shall be subject to the special operating rules and limitations in this Section 9.14, effective for any period to which Section 409A applies. It is the intent of the Plan that no Member who is a U.S. Person may in any way have their benefit from the Plan vest, increase or in any way be enhanced (collectively, a "Benefit Enhancement") as a result of their compensation or service while a U.S. Person. However, Interest Credits may be

provided on the PIRP-DC Account of a Member who is a U.S. Person, but only to the extent the balance in the PIRP-DC Account is derived from Pay Credits that relate to Service completed while the Member was not a U.S. Person (and Interest Credits on such Pay Credits). Accordingly, no Member shall become entitled to a Benefit Enhancement with respect to a calendar year until it is determined, following the close of such year, that the Member was not a U.S. Person with respect to such year. Notwithstanding the preceding sentence, in the calendar year a Member's benefit under this Plan is scheduled to commence, the Vice President may authorize a Benefit Enhancement for the calendar year of benefit commencement to the extent the Vice President determines satisfactorily that the Member will not be a U.S. Person for such year. In other cases, the Member's benefit will commence under this Plan without any Benefit Enhancement related to the calendar year of commencement, and appropriate adjustments will be made to the Member's benefit in the following year if it is determined that the Member was not a U.S. Person in such calendar year of commencement. This Section 9.14 shall at all times be interpreted and applied in accordance with the overriding requirement that allocations, benefits and rights under the Plan must remain entirely exempt from Section 409A, and the Vice President shall have such unrestricted authority as is necessary to ensure that it is applied in accordance with this requirement.

**ARTICLE X – SIGNATURE**

The PepsiCo International Retirement Plan, DC Program document, as amended and restated, is hereby adopted as of this 5th day of December, 2018, to be effective as of January 1, 2019 or as otherwise stated herein.

PEPSICO, INC.

By: /s/ Ruth Fattori  
Ruth Fattori  
Executive Vice President and  
Chief Human Resources Officer

Date: December 5, 2018

Law Department Approval

By: /s/ Aline G. Haffner  
Aline G. Haffner  
Legal Director, Employee Benefits Counsel

Date: December 3, 2018

## **APPENDIX**

Effective January 1, 2013, the Vice President, in his or her sole discretion, may establish Pay Credit Schedules other than those provided for in Section 4.01 of the DC Program to apply in the case of a Member (or Members) specifically designated by the Vice President for this purposes, provided that each such arrangement otherwise meets all applicable requirements of the Plan.

**PEPSICO**  
**PENSION EQUALIZATION PLAN**  
**(PEP)**

*Plan Document for the Section 409A Program  
January 1, 2019 Restatement*

- i -

PEPSICO PENSION EQUALIZATION PLAN

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## ARTICLE I

### Foreword

The PepsiCo Pension Equalization Plan (“PEP” or “Plan”) has been established by PepsiCo for the benefit of salaried employees of the PepsiCo Organization who participate in the PepsiCo Salaried Employees Retirement Plan (“Salaried Plan”). PEP provides benefits for eligible employees whose pension benefits under the Salaried Plan are limited by the provisions of the Internal Revenue Code of 1986, as amended. In addition, PEP provides benefits for certain eligible employees based on the pre-1989 Salaried Plan formula (see, for example, Part B thereof).

1989 Restatement. The Plan was amended and restated in its entirety in 1989.

409A Program Document 2005 Restatement. The Plan was last amended and restated in its entirety effective as of January 1, 2005. The 2005 restatement sets forth the terms of the Plan that are applicable to benefits that are subject to Section 409A, *i.e.*, generally, benefits that are earned or vested after December 31, 2004 or materially modified within the meaning of Treas. Reg. § 1.409A-6(a)(4) (the “409A Program”).

Amendments to the 2005 Restatement. The 2005 restatement was amended to reflect the merger into this Plan of the PBG Pension Equalization Plan (“PBG PEP”), effective at the end of the day on December 31, 2011. The PBG PEP document that was in effect on April 1, 2009, as amended through January 1, 2011 (the “409A PBG PEP Document”) is attached hereto as Appendix Article PBG 409A and shall continue to govern PBG PEP benefits that were subject to the 409A PBG PEP Document prior to the Plan merger, except for certain administrative provisions that are now governed by the main portion of the 409A PepsiCo PEP Document as is

explained in Appendix Article PBG 409A. There has been no change to the time or form of payment of benefits that are subject to Internal Revenue Code Section 409A (“Section 409A”) under either the PepsiCo PEP or PBG PEP Documents as a result of the merger or the revisions to the 409A PepsiCo PEP Document and 409A PBG PEP Document.

2017 and 2019 Restatements. This restatement of the 409A Program Document is effective as of January 1, 2019. Before this restatement, the 409A Program Document was most recently restated effective as of January 1, 2017.

Interplay of this 409A Program and Pre-409A Program. All benefits under the Plan that are not subject to the 409A Program (i.e., generally, benefits that are earned or vested before January 1, 2005 and not materially modified thereafter within the meaning of Treas. Reg. § 1.409A-6(a)(4)) shall be governed by the Plan Document for the Pre-Section 409 Program (the “Pre-409A Program”). Together, this document and the document for the Pre-409A Program describe the terms of a single plan. However, amounts subject to the terms of this 409A Program and amounts subject to the terms of the Pre-409A Program shall be tracked separately at all times. The preservation of the terms of the Pre-409A Program, without material modification, and the separation between the 409A Program amounts and the Pre-409A Program amounts are intended to be sufficient to permit the pre-409A Program to remain exempt from Section 409A as grandfathered benefits.

## ARTICLE II

### Definitions and Construction

2.1 **Definitions**: This section provides definitions for certain words and phrases listed below. Where the following words and phrases, in boldface and underlined, appear in this Plan document (including the Foreword) with initial capitals they shall have the meaning set forth below, unless a different meaning is plainly required by the context.

**Accrued Benefit**: The Pension payable at Normal Retirement Date determined in accordance with Article V, based on the Participant's Highest Average Monthly Earnings and Credited Service at the date of determination.

**Actuarial Equivalent**: Except as otherwise specifically set forth in the Plan or any Appendix to the Plan with respect to a specific benefit determination, a benefit of equivalent value computed on the basis of the factors set forth below. The application of the following assumptions to the computation of benefits payable under the Plan shall be done in a uniform and consistent manner. In the event the Plan is amended to provide new rights, features or benefits, the following actuarial factors shall not apply to these new elements unless specifically adopted by the amendment.

(1) **Annuities and Inflation Protection**: To determine the amount of a Pension payable in the form of a Qualified Joint and Survivor Annuity or optional form of survivor annuity, as an annuity with inflation protection, or as a period certain and life annuity, the Plan Administrator shall select the factors that are to be used. Effective January 1, 2009, the factors

selected by the Plan Administrator are set forth in Schedule 1, below (prior factors appear in the Appendix). Thereafter, the Plan Administrator shall review such factors for forms of payment (including for annuities and lump sums) from time to time and shall amend such factors in its discretion. In general, a Participant shall have no right to have any of the actuarial factors specified for forms of payment under the Plan from time to time applied to his benefit (or any portion thereof), except to the extent that a particular factor is currently in effect at the time it is to be applied under the Plan. For the avoidance of doubt, it is expressly intended and binding upon Participants that any actuarial factors for forms of payment selected by the Plan Administrator from time-to-time may be applied retroactively to already accrued benefits, and without regard to the actuarial factors that may have applied previously for such purpose. However, in adjusting benefits under the Plan using those factors in Schedule 1 (below) that become effective for Annuity Starting Dates on or after January 1, 2019, the right to receive a benefit that is not less than would have applied under the prior basis for this adjustment shall apply to the same extent (and in the same manner) as applies under the Salaried Plan with respect to the 2019 Salaried Plan Factors. For this purpose, the phrase “2019 Salaried Plan Factors” refers to the new factors that appear in the Salaried Plan’s definition of “Actuarial Equivalent” effective for annuity starting dates (as defined under the Salaried Plan) on or after January 1, 2019.

## SCHEDULE 1

<u>Date</u>	<u>Mortality Table Factors</u>	<u>Interest Rate Factor</u>
Annuity Starting Dates from 1/1/2009 until 12/31/2018	GAR 94	5%
Annuity Starting Dates on or After 1/1/2019 Except for Inflation Protection	The 2019 mortality table*	5%
Annuity Starting Dates on or After 1/1/2019 for 5% Inflation Protection	The 2019 mortality table*	4.2%
Annuity Starting Dates on or After 1/1/2019 for 7% Inflation Protection	The 2019 mortality table*	4.6%

\*As this term is defined in the Salaried Plan's definition of "Actuarial Equivalent"

(2) Lump Sums: To determine the lump sum value of a Pension, a Pre-Retirement Spouse's Pension under Section 4.6, or a Pre-Retirement Domestic Partner's Pension under Section 4.12, the lump sum equivalent factors currently applicable to lump sum distributions under the Salaried Plan shall apply (disregarding transition factors). These factors are subject to change in accordance with paragraph (1) above.

(3) Other Cases: To determine the adjustment to be made in the Pension payable to or on behalf of a Participant in other cases, the factors are those applicable for such purpose under the Salaried Plan. In this respect, the 2019 Salaried Plan Factors shall be effective hereunder for Annuity Starting Dates (as defined under this Plan) on or after January 1, 2019. These factors are subject to change in accordance with paragraph (1) above.

**Annuity**: A Pension payable as a series of monthly payments for at least the life of the Participant.

**Annuity Starting Date:** The Annuity Starting Date shall be the first day of the first period for which an amount is payable under this Plan as an annuity or in any other form. A Participant who: (1) is reemployed after his initial Annuity Starting Date, and (2) is entitled to benefits hereunder after his reemployment, shall have a subsequent Annuity Starting Date for such benefits only to the extent provided in Section 6.3(b).

**Cashout Limit:** The annual dollar limit on elective deferrals under Code section 402(g)(1)(B), as in effect from time to time.

**Code:** The Internal Revenue Code of 1986, as amended from time to time. All references herein to particular Code Sections shall also refer to any successor provisions and shall include all related regulations, interpretations and other guidance.

**Company:** PepsiCo, Inc., a corporation organized and existing under the laws of the State of North Carolina or its successor or successors.

**Covered Compensation:** "Covered Compensation" as that term is defined in Part B of the Salaried Plan.

**Credited Service:** The period of a Participant's employment, calculated in accordance with Section 3.3, which is counted for purposes of determining the amount of benefits payable to, or on behalf of, the Participant.

**Disability Retirement Pension:** The Retirement Pension available to a Participant under Section 4.5.

**Early 409A Retirement Pension:** The 409A Retirement Pension available to a Participant under Section 4.2.

**Elapsed Time Service:** The period of time beginning with a Participant's first date of employment with the PepsiCo Organization and ending with the Participant's Final Separation from Service, irrespective of any breaks in service between those two dates. By way of illustration, if a Participant began employment with the PepsiCo Organization on January 1, 2000, left the employment of the PepsiCo Organization from January 1, 2001 until December 31, 2004, and was then reemployed by the PepsiCo Organization on January 1, 2005 until he had a Final Separation from Service on December 31, 2008, the Participant would have eight years of Elapsed Time Service as of his Final Separation from Service.

**Eligible Domestic Partner.** The definition in this Section 2.1 is effective for applicable dates on and after January 1, 2019, and applies solely to a Participant who is actively employed by, or on an Authorized Leave of Absence from, a member of the PepsiCo Organization on or after January 1, 2019. For other dates or Participants, see Appendix Article H.

(1) **Definition.** For applicable dates on or after January 1, 2019, "Eligible Domestic Partner" means an individual who is of the same sex or opposite sex as the Participant and who satisfies paragraph (a), (b) or (c), subject to the additional rules set forth in paragraph (e).

(a) **Civil Union.** If on the applicable date the Participant has entered into a civil union that is valid on the applicable date in the state in which it was entered into, the Participant's Eligible Domestic

Partner (if any) is the individual with whom the Participant has entered into such a civil union.

(b) Enrollment in Health Benefits. If the Participant does not have an Eligible Domestic Partner pursuant to paragraph (a) above, the Participant's Eligible Domestic Partner (if any) is the individual who, on the applicable date, is enrolled in any of the Company's health benefit options as the Participant's domestic partner.

(c) Other Acceptable Evidence of Partnership. If on the applicable date a Participant does not have an Eligible Domestic Partner under paragraph (a) or (b) above, such Participant's Eligible Domestic Partner (if any) is the individual who satisfies such criteria of domestic partnership as the Plan Administrator has specified in writing.

(d) No Eligible Domestic Partner Except as Described Above. If on the applicable date a Participant does not have an Eligible Domestic Partner under paragraph (a), (b), or (c) above, such Participant is not eligible to have an Eligible Domestic Partner.

(e) Additional Rules. The term "Eligible Domestic Partner" does not apply to a Participant's Eligible Spouse. A Participant is not permitted to have more than one Eligible Domestic Partner at any point in time, and a Participant who has an Eligible Spouse is not permitted to have an Eligible Domestic Partner.

(2) **Terms Used in this Definition.** For purposes of the definition of “Eligible Domestic Partner” in this Section 2.1, the following definitions apply: “applicable date” means the earlier of the Participant’s Annuity Starting Date and date of death, and “state” means any domestic or foreign jurisdiction having the legal authority to sanction civil unions.

**Eligible Spouse:** The spouse of a Participant to whom the Participant is considered lawfully married for purposes of Federal tax law on the earlier of the Participant’s Annuity Starting Date or the date of the Participant’s death and who, solely for periods before September 16, 2013, is of the opposite sex.

**Employee:** An individual who qualifies as an “Employee” as that term is defined in Part B of the Salaried Plan.

**Employer:** An entity that qualifies as an “Employer” as that term is defined in Part B of the Salaried Plan.

**ERISA:** Public Law No. 93-406, the Employee Retirement Income Security Act of 1974, including any amendments thereto, any similar subsequent federal laws, and any rules and regulations from time to time in effect under any of such laws.

**FICA Amount:** The Participant’s share of the Federal Insurance Contributions Act (FICA) tax imposed on the 409A Pension and Pre-409A Pension of the Participant under Code Sections 3101, 3121(a) and 3121(v)(2).

**409A Program:** The program described in this document. The term “409A Program” is used to identify the portion of the Plan that is subject to Section 409A.

**Guiding Principles Regarding Benefit Plan Committee Appointments:** The guiding principles as set forth in Common Appendix Article PAC to be applied by the Chair of the PAC when selecting the members of the PAC.

**Highest Average Monthly Earnings:** “Highest Average Monthly Earnings” as that term is defined in the Part B of the Salaried Plan, but without regard to the limitation imposed by section 401(a)(17) of the Code (as such limitation is interpreted and applied under the Salaried Plan). Notwithstanding the foregoing, to the extent that a Participant receives, during a leave of absence, earnings that would be counted as Highest Average Monthly Earnings if they were received during a period of active service, but that will be received after the Participant’s Separation from Service, the Plan Administrator may provide for determining the Participant’s 409A Pension at Separation from Service by projecting the benefit the Participant would have if all such earnings were taken into account under the Plan.

**Key Employee:**

The individuals identified in accordance with the following paragraphs.

- (1) In General. Any Participant who at any time during the applicable year is:
  - (i) An officer of any member of the PepsiCo Organization having annual compensation greater than \$130,000 (as adjusted for the applicable year under Code Section 416(i)(1));
  - (ii) A 5-percent owner of any member of the PepsiCo Organization; or

(iii) A 1-percent owner of any member of the PepsiCo Organization having annual compensation of more than \$150,000.

For purposes of subparagraph (i) above, no more than 50 employees identified in the order of their annual compensation shall be treated as officers. For purposes of this Section, annual compensation means compensation as defined in Treas. Reg. §1.415(c)-2(a), without regard to Treas. Reg. §§1.415(c)-2(d), 1.415(c)-2(e), and 1.415(c)-2(g). The Plan Administrator shall determine who is a Key Employee in accordance with Code Section 416(i) (provided, that Code Section 416(i)(5) shall not apply in making such determination), and provided further that the applicable year shall be determined in accordance with Section 409A and that any modification of the foregoing definition that applies under Section 409A shall be taken into account.

(2) Applicable Year. Effective from and after December 31, 2007, the Plan Administrator shall identify Key Employees as of the last day of each calendar year, based on compensation for such year, and such designation shall be effective for purposes of this Plan for the twelve-month period commencing on April 1<sup>st</sup> of the next following calendar year (e.g., the Key Employee identification by the Plan Administrator as of December 31, 2008 shall be effective for the period from April 1, 2009 to March 31, 2010).

(3) Rule of Administrative Convenience. Effective beginning with the December 31, 2017 identification date, in addition to the foregoing, the Plan Administrator shall treat all other employees classified as Leadership Group 6 and above on the applicable identification date prescribed in paragraph

(2) as Key Employees effective for the twelve-month period commencing on April 1<sup>st</sup> of the next following calendar year (however, from the April 1, 2008 effective date through February 25, 2010, Band IV and above applied in lieu of Leadership Group 6 and above); provided that if this would result in counting more than 200 individuals as Key Employees as of any such determination date, then the number treated as Key Employees will be reduced to 200 by eliminating from consideration those employees otherwise added by this paragraph (3) in order by their base compensation, from the lowest to the highest.

(4) Identification of Key Employees Between February 26, 2010 and March 31, 2010. For the period between February 26, 2010 and March 31 2010, Key Employees shall be identified by combining the lists of Key Employees of all members of the PepsiCo Organization as in effect immediately prior to February 26, 2010. The foregoing method of identifying Key Employees is intended to comply with Treas. Reg. § 1.409A-1(i)(6)(i), which authorizes the use of an alternative method of identifying specified employees that complies with Treas. Reg. §§ 1.409A-1(i)(5) and -1(i)(8) and Section VII.C.4.d of the Preamble to the Final Regulations under Section 409A of the Code, which permits “service recipients to simply combine the pre-transaction separate lists of specified employees where it is determined that such treatment would be administratively less burdensome.”

(5) Identification of Key Employees from April 1, 2010 to March 31, 2018.

Notwithstanding the foregoing, for the 12-month periods

beginning on the April 1, 2010 effective date through March 31, 2018, Key Employees shall be identified as follows:

(i) For the period that begins on April 1, 2010, and ends on March 31, 2011, an employee shall be a Key Employee (subject to subparagraph (iii) below) if he was classified as at least a Band IV or its equivalent on December 31, 2009. For this purpose, an employee shall be considered to be at least a Band IV or its equivalent as of a date if the employee is classified as one of the following types of employees in the PepsiCo Organization on that date: (i) a Band IV employee or above in a PepsiCo Business, (ii) a Level E7 employee or above in a PBG Business, or (iii) a Salary Grade 19 employee or above at a PAS Business.

(ii) For the twelve-month period that begins on April 1, 2011, and for each twelve-month period that begins on April 1 in subsequent years through March 31, 2017, an employee shall be a Key Employee (subject to subparagraph (iii) below) if the employee was an employee of the PepsiCo Organization who was classified as Band IV or above on the December 31 that immediately precedes such April 1.

(iii) For the period covered by this paragraph (5) notwithstanding the rule of administrative convenience in paragraph (3) above, an employee shall be a Key Employee for the 12-month period that begins on any April 1, if as of the preceding December 31 the employee would be a specified employee, within the meaning of Treasury Regulation 1.409A-1(i), or any successor, by applying as of such December

31 the default rules that apply under such regulation for determining the minimum number of a service recipient's specified employees. If the preceding sentence and the methods for identifying Key Employees set forth in subparagraph (i) or (ii) above, taken together, would result in more than 200 individuals being counted as Key Employees as of any December 31 determination date, then the number of individuals treated as Key Employees pursuant to subparagraph (i) or (ii), who are not described in the first sentence of this subparagraph (iii), shall be reduced to 200 by eliminating from consideration those employees otherwise added by such subparagraph in order of their base compensation, from the lowest base compensation to the highest.

(iv) For purposes of this paragraph (5), "PAS Business" means each employer, division of an employer or other organizational subdivision of an employer that the Company classifies as part of the PAS business; "PBG Business" means each employer, division of an employer or other organizational subdivision of an employer that the Company classifies as part of the PBG business; and "PepsiCo Business" means each employer, division of an employer or other organizational subdivision of an employer that the Company classifies as part of the PepsiCo business.

The method for identifying Key Employees set forth in this definition is intended as an alternative method of identifying Key Employees under Treas. Reg. § 1.409A-1(i)(5), and is adopted herein and shall be interpreted and applied consistently with the rules applicable to such alternative arrangements.

**Late 409A Retirement Pension:** The 409A Retirement Pension available to a Participant under Section 4.4.

**Late Retirement Date:** The Late Retirement Date shall be the first day of the month coincident with or immediately following a Participant's actual Retirement Date occurring after his Normal Retirement Age.

**Normal 409A Retirement Pension:** The Retirement Pension available to a Participant under Section 4.1.

**Normal Retirement Age:** The Normal Retirement Age under the Plan is age 65 or, if later, the age at which a Participant first has 5 Years of Elapsed Time Service.

**Normal Retirement Date:** A Participant's Normal Retirement Date shall be the first day of the month coincident with or immediately following a Participant's Normal Retirement Age.

**Participant:** An Employee participating in the Plan in accordance with the provisions of Section 3.1.

**Pension:** One or more payments that are payable by the Plan to a person who is entitled to receive benefits under the Plan. The term "409A Pension" shall be used to refer to the portion of a Pension that is derived from the 409A Program. The term "Pre-409A Pension" shall be used to refer to the portion of a Pension that is derived from the Pre-409A Program.

**PepsiCo Administration Committee or PAC:** The committee that has the responsibility for the administration and operation of the Plan, as set forth in the Plan, as well as any other duties set forth therein. As of any time, the Chair of the PAC shall be the person who is then the Company's Senior Vice President, Total Rewards, but if such

position is vacant or eliminated, the Chair shall be the person who is acting to fulfill the majority of the duties of the position (or plurality of the duties, if no one is fulfilling a majority), as such duties existed immediately prior to the vacancy or the position elimination. The Chair shall appoint the other members of the PAC, applying the principles set forth in the Guiding Principles Regarding Benefit Plan Committee Appointments and acting promptly from time to time to ensure that there are four other members of the PAC, each of whom shall have experience and expertise relevant to the responsibilities of the PAC. At least two times each year, the PAC shall prepare a written report of its significant activities that shall be available to any U.S.-based executive of the Company who is at least a senior vice president.

**PepsiCo Organization:** The controlled group of organizations of which the Company is a part, as defined by Code section 414 and regulations issued thereunder. An entity shall be considered a member of the PepsiCo Organization only during the period it is one of the group of organizations described in the preceding sentence.

**Plan:** The PepsiCo Pension Equalization Plan, the Plan set forth herein and in the Pre-409A Program document(s), as the Plan may be amended from time to time (subject to the limitations on amendment that are applicable hereunder and under the Pre-409A Program). The Plan is also sometimes referred to as PEP, or as the PepsiCo Pension Benefit Equalization Plan.

**Plan Administrator:** The PAC, or its delegate or delegates. The Plan Administrator shall have authority to administer the Plan as provided in Article VII.

**Plan Year:** The 12-month period commencing on January 1 and ending on December 31.

**Pre-409A Program:** The portion of the Plan that governs deferrals that are not subject to Section 409A. The terms of the Pre-409A Program are set forth in a separate document (or separate set of documents).

**Pre-Retirement Domestic Partner's Pension:** The Pension available to an Eligible Domestic Partner under the Plan. The term "Pre-Retirement Domestic Partner's 409A Pension" shall be used to refer to the Pension available to an Eligible Domestic Partner under Section 4.12 of this document.

**Pre-Retirement Spouse's Pension:** The Pension available to an Eligible Spouse under the Plan. The term "Pre-Retirement Spouse's 409A Pension" shall be used to refer to the Pension available to an Eligible Spouse under Section 4.6 of this document.

**Primary Social Security Amount:** In determining Pension amounts, Primary Social Security Amount shall mean:

(1) For purposes of determining the amount of a Retirement, Vested, Pre-Retirement Spouse's Pension or Pre-Retirement Domestic Partner's Pension, the Primary Social Security Amount shall be the estimated monthly amount that may be payable to a Participant commencing at age 65 as an old-age insurance benefit under the provisions of Title II of the Social Security Act, as amended. Such estimates of the old-age insurance benefit to which a Participant would be entitled at age 65 shall be based upon the following assumptions:

(i) That the Participant's social security wages in any year prior to Retirement or Separation from Service are equal to the Taxable Wage Base in such year, and

(ii) That he will not receive any social security wages after Retirement or Separation from Service.

However, in computing a Vested Pension under Formula A of Section 5.2, the estimate of the old-age insurance benefit to which a Participant would be entitled at age 65 shall be based upon the assumption that he continued to receive social security wages until age 65 at the same rate as the Taxable Wage Base in effect at his Separation from Service. For purposes of this subsection, "social security wages" shall mean wages within the meaning of the Social Security Act.

(2) For purposes of determining the amount of a Disability Pension, the Primary Social Security Amount shall be (except as provided in the next sentence) the initial monthly amount actually received by the disabled Participant as a disability insurance benefit under the provisions of Title II of the Social Security Act, as amended and in effect at the time of the Participant's Retirement due to disability. Notwithstanding the preceding sentence, for any period that a Participant receives a Disability Pension before receiving a disability insurance benefit under the provisions of Title II of the Social Security Act, then the Participant's Primary Social Security Amount for such period shall be determined pursuant to paragraph (1) above.

(3) For purposes of paragraphs (1) and (2), the Primary Social Security Amount shall exclude amounts that may be available because of the spouse or any dependent of the Participant or any amounts payable on account of the Participant's death. Estimates of Primary Social Security Amounts shall be made on the basis of the Social Security Act as in effect at the Participant's Separation from Service, without regard to any increases in the social security wage base or benefit levels provided by such Act which take effect thereafter.

**Prohibited Misconduct:** Any of the following activities engaged in, directly or indirectly, by a Participant shall constitute Prohibited Misconduct:

(1) The Participant accepting any employment, assignment, position or responsibility, or acquiring any ownership interest, which involves the Participant's "Participation" (as defined below) in a business entity that markets, sells, distributes or produces "Covered Products" (as defined below), unless such business entity makes retail sales or consumes Covered Products without in any way competing with the PepsiCo Organization.

(2) The Participant, directly or indirectly (including through someone else acting on the Participant's recommendation, suggestion, identification or advice), soliciting any PepsiCo Organization employee to leave the PepsiCo Organization's employment or to accept any position with any other entity.

(3) The Participant using or disclosing to anyone any confidential information regarding the PepsiCo Organization other than as necessary in his or her position with the PepsiCo Organization.

Such

confidential information shall include all non-public information the Participant acquired as a result of his or her positions with the PepsiCo Organization. Examples of such confidential information include non-public information about the PepsiCo Organization's customers, suppliers, distributors and potential acquisition targets; its business operations and structure; its product lines, formulas and pricing; its processes, machines and inventions; its research and know-how; its financial data; and its plans and strategies.

(4) The Participant engaging in any acts that are considered to be contrary to the PepsiCo Organization's best interests, including violating the Company's Code of Conduct, engaging in unlawful trading in the securities of the Company or of any other company based on information gained as a result of his or her employment with the PepsiCo Organization, or engaging in any other activity which constitutes gross misconduct.

(5) The Participant engaging in any activity that constitutes fraud.

Notwithstanding the foregoing and for the avoidance of doubt, nothing in this Plan shall prohibit the Participant from communicating with government authorities concerning any possible legal violations without notice to the Company, participating in government investigations, and/or receiving any applicable award for providing information to government authorities. The Company nonetheless asserts and does not waive its attorney-client privilege over any information appropriately protected by the privilege. Further, pursuant to the Defend Trade Secrets Act, an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of

a trade secret that (A) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order. For purposes of this subsection, "Participation" shall be construed broadly to include: (i) serving as a director, officer, employee, consultant or contractor with respect to such a business entity; (ii) providing input, advice, guidance or suggestions to such a business entity; or (iii) providing a recommendation or testimonial on behalf of such a business entity or one or more products it produces. For purposes of this subsection, "Covered Products" shall mean any product that falls into one or more of the following categories, so long as the PepsiCo Organization is producing, marketing, selling or licensing such product anywhere in the world – beverages, including without limitation carbonated soft drinks, tea, water, juice drinks, sports drinks, coffee drinks and value-added dairy drinks; juices and juice products; snacks, including salty snacks, sweet snacks meat snacks, granola and cereal bars, and cookies; hot cereals; pancake mixes; value-added rice products; pancake syrups; value-added pasta products; ready-to-eat cereals; dry pasta products; or any product or service that the Participant had reason to know was under development by

the PepsiCo Organization during the Participant's employment with the PepsiCo Organization.

**Qualified Joint and Survivor Annuity**: An Annuity which is payable to the Participant for life with 50 percent of the amount of such Annuity payable after the Participant's death to his surviving Eligible Spouse or Eligible Domestic Partner for life. If the Eligible Spouse or Eligible Domestic Partner (as applicable) predeceases the Participant, no survivor benefit under a Qualified Joint and Survivor Annuity shall be payable to any person. The amount of a Participant's monthly payment under a Qualified Joint and Survivor Annuity shall be reduced to the extent provided in Sections 5.1 and 5.2, as applicable.

**Retirement**: Separation from Service for reasons other than death after a Participant has fulfilled the requirements for either a Normal, Early, Late, or Disability Retirement Pension under Article IV.

**Retirement Date**: The date immediately following the Participant's Retirement.

**Retirement Pension**: The Pension payable to a Participant upon Retirement under the Plan. The term "409A Retirement Pension" shall be used to refer to the portion of a Retirement Pension that is derived from the 409A Program. The term "Pre-409A Retirement Pension" shall be used to refer to the portion of a Retirement Pension that is derived from the Pre-409A Program.

**Salaried Plan**: The program of pension benefits set forth in Part B of the PSERP Component of both the PepsiCo Employees Retirement Plan A ("PERP-A") and the PepsiCo Employees Retirement Plan I ("PERP-I"), as it may be amended from time to

time, and as it was set forth prior to January 1, 2017 in predecessor plans to PERP-A and PERP-I.

**Section 409A:** Section 409A of the Code.

**Separation from Service:** A Participant's separation from service with the PepsiCo Organization, within the meaning of Section 409A(a)(2)(A)(i). The term may also be used as a verb (*i.e.*, "Separates from Service") with no change in meaning. Notwithstanding the preceding sentence, a Participant's transfer to an entity owned 20% or more by the Company will not constitute a Separation of Service to the extent permitted by Section 409A. A Participant's "Final Separation from Service" is the date of his Separation from Service that most recently precedes his Annuity Starting Date; provided, however, that to the extent a Participant is reemployed after an Annuity Starting Date, he will have a new Final Separation from Service with respect to any benefits to which he becomes entitled as a result of his reemployment. The following principles shall generally apply in determining when a Separation from Service occurs:

(1) A Participant separates from service with the Company if the Employee dies, retires, or otherwise has a termination of employment with the Company. Whether a termination of employment has occurred is determined based on whether the facts and circumstance indicate that the Company and the Employee reasonably anticipated that no further services would be performed after a certain date or that the level of bona fide services the Employee would perform after such date (as an employee or independent contractor) would permanently decrease to no more than 20 percent of the average level of bona fide services performed over the immediately preceding

36-month period (or the full period in which the Employee provided services to the Company if the Employee has been providing services for less than 36 months).

(2) An Employee will not be deemed to have experienced a Separation from Service if such Employee is on military leave, sick leave, or other bona fide leave of absence, to the extent such leave does not exceed a period of six months or, if longer, such longer period of time during which a right to re-employment is protected by either statute or contract. If the period of leave exceeds six months and the individual does not retain a right to re-employment under an applicable statute or by contract, the employment relationship is deemed to terminate on the first date immediately following such six-month period. Notwithstanding the foregoing, where a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months, where such impairment causes the Employee to be unable to perform the duties of his or her position of employment or any substantially similar position of employment, a 29-month period of absence may be substituted for such six-month period.

(3) If an Employee provides services both as an employee and as a member of the Board of Directors of the Company, the services provided as a Director are generally not taken into account in determining whether the Employee has Separated from Service as an Employee for purposes of the Plan, in accordance with final regulations under Section 409A.

**Service:** The period of a Participant's employment calculated in accordance with Section 3.2 for purposes of determining his entitlement to benefits under the Plan.

**Single Life Annuity:** A level monthly Annuity payable to a Participant for his life only, with no survivor benefits to his Eligible Spouse or any other person.

**Single Lump Sum:** The distribution of a Participant's total 409A Pension in the form of a single payment, which payment shall be the Actuarial Equivalent of the Participant's 409A Pension as of the Participant's Normal Retirement Date (or Late Retirement Date, if applicable), but not less than the Actuarial Equivalent of the Participant's 409A Pension as of the Participant's Early Retirement Date, in the case of a Participant who is entitled to an immediate Early 409A Retirement Pension.

**Social Security Act:** The Social Security Act of the United States, as amended, an enactment providing governmental benefits in connection with events such as old age, death and disability. Any reference herein to the Social Security Act (or any of the benefits provided thereunder) shall be taken as a reference to any comparable governmental program of another country, as determined by the Plan Administrator, but only to the extent the Plan Administrator judges the computation of those benefits to be administratively feasible.

**Taxable Wage Base:** The contribution and benefit base (as determined under section 230 of the Social Security Act) in effect for the Plan Year.

**Vested Pension:** The Pension available to a Participant under Section 4.3. The term "409A Vested Pension" shall be used to refer to the portion of a Vested Pension that is derived from the 409A Program. The term "Pre-409A Vested Pension"

shall be used to refer to the portion of a Vested Pension that is derived from the Pre-409A Program.

2.2 Construction: The terms of the Plan shall be construed in accordance with this section.

(a) Gender and Number: The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender, and the singular may include the plural, unless the context clearly indicates to the contrary.

(b) Compounds of the Word "Here": The words "hereof", "hereunder" and other similar compounds of the word "here" shall mean and refer to the entire Plan, not to any particular provision or section.

(c) Examples: Whenever an example is provided or the text uses the term "including" followed by a specific item or items, or there is a passage having a similar effect, such passages of the Plan shall be construed as if the phrase "without limitation" followed such example or term (or otherwise applied to such passage in a manner that avoids limits on its breadth of application).

(d) Subdivisions of the Plan Document: This Plan document is divided and subdivided using the following progression: articles, sections, subsections, paragraphs, subparagraphs, clauses, and sub-clauses. Articles are designated by capital roman numerals. Sections are designated by Arabic numerals containing a decimal point. Subsections are designated by lower-case letters in parentheses. Paragraphs are designated by Arabic numerals in parentheses. Subparagraphs are designated by lower-case roman numerals in parentheses. Clauses are designated by upper-case letters in

parentheses. Sub-clauses are designated by upper-case roman numerals in parentheses. Any reference in a section to a subsection (with no accompanying section reference) shall be read as a reference to the subsection with the specified designation contained in that same section. A similar rule shall apply with respect to paragraph references within a subsection and subparagraph references within a paragraph.

## ARTICLE III

### Participation and Service

3.1 Participation: An Employee shall be a Participant in the Plan during the period:

- (a) When he would be currently entitled to receive a Pension under the Plan if his employment terminated at such time, or
- (b) When he would be so entitled but for the vesting requirement of Section 4.7.

It is expressly contemplated that an Employee, who is entitled to receive a Pension under the Plan as of a particular time, may subsequently cease to be entitled to receive a Pension under the Plan.

3.2 Service: A Participant's entitlement to a Pension or, in the event the Participant dies before commencing a benefit hereunder, either a Pre-Retirement Spouse's Pension for his Eligible Spouse or a Pre-Retirement Domestic Partner's Pension for his Eligible Domestic Partner, shall be determined under Article IV based upon his period of Service. A Participant's period of Service shall be determined under Article III of Part B of the Salaried Plan, except as provided in (a) below.

(a) Inpats. Any Salaried Plan provision which results in disregarding for certain purposes the pre-transfer Service of certain inpats who transfer to the United States, shall not apply to this Plan before January 1, 2015, unless such earlier application avoids duplication of benefits.

(b) Leaves of Absence. If a Participant's period of Service (as so determined) would extend beyond the Participant's Separation from Service date because of a leave of absence, the Plan Administrator may provide for determining the Participant's 409A Pension at Separation from Service by projecting the benefit the Participant would have if all such Service were taken into account under the Plan.

3.3 Credited Service: Subject to the next two sentences, the amount of a Participant's Pension, Pre-Retirement Spouse's Pension or Pre-Retirement Domestic Partner's Pension shall be based upon the Participant's period of Credited Service, as determined under Article III of Part B of the Salaried Plan.

(a) Inpats. Any provision in Section 3.5 of Part B of the Salaried Plan which resulted in disregarding the pre-transfer Credited Service of certain inpats who transferred to the United States shall not apply under this Plan in the case of such inpats who transfer to the United States before October 1, 2014, unless such earlier application avoids duplication of benefits under the Salaried Plan.

(b) Leaves of Absence. If a Participant's period of Credited Service (as so determined) would extend beyond the Participant's Separation from Service date because of a leave of absence, the Plan Administrator may provide for determining the Participant's 409A Pension at Separation from Service by projecting the benefit the Participant would have if all such Service were taken into account under the Plan.

## ARTICLE IV

### Requirements for Benefits

A Participant shall be eligible to receive a Pension and a surviving Eligible Spouse or surviving Eligible Domestic Partner, as applicable, shall be eligible for certain survivor benefits as provided in this Article. The amount of any such Pension or survivor benefit shall be determined in accordance with Article V.

4.1 Normal 409A Retirement Pension: A Participant shall be eligible for a Normal 409A Retirement Pension if he Separates from Service after attaining Normal Retirement Age.

4.2 Early 409A Retirement Pension: A Participant shall be eligible for an Early 409A Retirement Pension if he Separates from Service prior to attaining Normal Retirement Age but after attaining at least age 55 and completing 10 or more years of Elapsed Time Service.

4.3 409A Vested Pension: A Participant who is vested under Section 4.7 shall be eligible to receive a 409A Vested Pension if he Separates from Service before he is eligible for a Normal 409A Retirement Pension or an Early 409A Retirement Pension. A Participant who terminates employment prior to satisfying the vesting requirement in Section 4.7 shall not be eligible to receive a Pension under this Plan.

4.4 Late 409A Retirement Pension: A Participant who continues without a Separation from Service after his Normal Retirement Age shall not receive a Pension until his Late Retirement Date. Thereafter, a Participant shall be eligible for a Late Retirement Pension

determined in accordance with Section 4.4 of Part B of the Salaried Plan (but without regard to any requirement for notice of suspension under ERISA section 203(a)(3)(B) or any adjustment as under Section 5.7(d) of Part B of the Salaried Plan).

4.5 409A Disability Pension: A Participant shall be eligible for a 409A Disability Pension if he meets the requirements for a Disability Pension under Part B of the Salaried Plan. A Participant's 409A Disability Pension, if any, shall generally be comprised of two parts. The first part shall represent the benefits with respect to a disabled Participant's Credited Service through the day of the Participant's Separation from Service (*i.e.*, the Participant's "Pre-Separation Accruals"). In the event the disabled Participant continues to receive Credited Service related to the disability after such Separation from Service, the Participant's 409A Disability Pension shall have a second part, which shall represent all benefits accrued with respect to Credited Service from the date immediately following the Participant's Separation from Service until the earliest of the Participant's (i) attainment of age 65, (ii) benefit commencement date under Part B of the Salaried Plan or (iii) recovery from the disability (*i.e.*, the Participant's "Post-LTD Accruals").

4.6 Pre-Retirement Spouse's 409A Pension: A Pre-Retirement Spouse's 409A Pension is payable under this section only in the event the Participant dies prior to his Annuity Starting Date. Any Pre-Retirement Spouse's 409A Pension payable on behalf of a Participant shall commence as of the first day of the month following the later of (i) the Participant's death and, (ii) the date the Participant attains or would have attained age 55. Subject to Section 4.9, any Pre-Retirement Spouse's 409A Pension shall continue monthly for the life of the Eligible Spouse.

(a) Active, Disabled and Retired Employees: A Pre-Retirement Spouse's 409A Pension shall be payable under this subsection to a Participant's Eligible Spouse (if any) who is entitled under Part B of the Salaried Plan to the pre-retirement spouse's pension for survivors of active, disabled and retired employees. The amount (if any) of such Pension shall be determined in accordance with the provisions of Section 5.3 (with the 409A Pension, if any, determined after application of Section 5.6).

(b) Vested Employees: A Pre-Retirement Spouse's 409A Pension shall be payable under this subsection to a Participant's Eligible Spouse (if any) who is entitled under Part B the Salaried Plan to the pre-retirement spouse's pension for survivors of vested terminated Employees. The amount (if any) of such Pension shall be determined in accordance with the provisions of Section 5.3 (with the 409A Pension, if any, determined after application of Section 5.6). If pursuant to this Section 4.6(b) a Participant has Pre-Retirement Spouse's coverage in effect for his Eligible Spouse, any Pension calculated for the Participant under Section 5.2(b) shall be reduced for each year such coverage is in effect by the applicable percentage set forth below (based on the Participant's age at the time the coverage is in effect) with a pro rata reduction for any portion of a year. No reduction shall be made for coverage in effect within the 90-day period following a Participant's termination of employment.

<u>Attained Age</u>	<u>Annual Charge</u>
Up to 35	.0%
35 – 39	.075%
40 – 44	.1%
45 – 49	.175%
50 – 54	.3%
55 – 59	.5%
60 – 64	.5%

4.7 Vesting: Subject to Section 8.7 (Section 457A), a Participant shall be fully vested in, and have a nonforfeitable right to, his Accrued Benefit at the time he becomes fully vested in his accrued benefit under Part B of the Salaried Plan.

4.8 Time of Payment: The distribution of a Participant's 409A Pension shall commence as of the time specified in Section 6.1, subject to Section 6.6. Any increase in a Participant's 409A Pension or Pre-409A Pension for interest due to a delay in payment, by application of Section 3.1(e) of Part A of the Salaried Plan (delay in payment) when calculating either portion of the Participant's Pension, shall accrue entirely under the 409A Program and be paid (subject to the last sentence of this Section) at the same time and in the same form that the Participant's 409A Pension is paid. Accordingly, if a Participant is entitled to an interest adjustment for a delay in payment of his Pre-409A Pension, such interest adjustment shall be limited to that which may be paid as part of the Participant's 409A Pension, consistent with 409A's payment rules and the limitation in the next sentence. Notwithstanding any provision of the Salaried Plan to the contrary, including such Section 3.1(e) of Part A, a Participant shall not receive interest for any delay in payment of his 409A Pension or Pre-409A Pension to the

extent the delay is caused by the Participant or interest is prohibited by the terms of an Internal Revenue Service correction program regarding compliance with Code section 409A.

4.9 Cashout Distributions: Notwithstanding the availability or applicability of a different form of payment under Article VI, the following rules shall apply in the case of certain small benefit Annuity payments:

(a) Distribution of Participant's 409A Pension: If at a Participant's Annuity Starting Date the Actuarial Equivalent lump sum value of the Participant's 409A Pension is equal to or less than the Cashout Limit, the Plan Administrator shall distribute to the Participant such lump sum value of the Participant's 409A Pension. Notwithstanding the preceding sentence, for Annuity Starting Dates prior to December 1, 2012, a Participant shall be cashed out under this subsection if, at the Participant's Annuity Starting Date, the Actuarial Equivalent lump sum value of the Participant's PEP Pension is equal to or less than \$15,000.

(b) Distribution of Pre-Retirement Spouse's 409A Pension: If at the time payments are to commence to an Eligible Spouse under Section 4.6, the Actuarial Equivalent lump sum value of the PEP Pre-Retirement Spouse's 409A Pension to be paid is equal to or less than the Cashout Limit, the Plan Administrator shall distribute to the Eligible Spouse such lump sum value of the PEP Pre-Retirement Spouse's Pension that is subject to Section 409A. Notwithstanding the preceding sentence, for Annuity Starting Dates prior to December 1, 2012, an Eligible Spouse shall be cashed out under this subsection if the Actuarial Equivalent lump sum value of the Eligible Spouse's PEP Pre-Retirement Spouse's Pension is equal to or less than \$15,000.

(c) Special Cashout of 409A Vested Pensions: Notwithstanding subsection (a) above, the Plan Administrator shall have discretion under this subsection to cash out a 409A Vested Pension in a single lump sum prior to the date that would apply under subsection (a).

(1) The Plan Administrator shall have discretion under this subsection to cash out in a single lump sum any 409A Vested Pension that, as of December 1, 2012 – (i) has not otherwise had its Annuity Starting Date occur, (ii) has an Actuarial Equivalent lump sum value that is equal to or less than the Cashout Limit as of such date, and (iii) is practicable to calculate and distribute (as determined pursuant to the exercise of the Plan Administrator’s discretion), with such cashout being made on December 1, 2012.

(2) The Plan Administrator shall also have discretion under this subsection to cash out in a single lump sum any 409A Vested Pension that, as of the first day of any month in 2013 or a later year specified by the Plan Administrator pursuant to the exercise of its discretion – (i) has not otherwise had its Annuity Starting Date occur, (ii) has an Actuarial Equivalent lump sum value that is equal to or less than the Cashout Limit as of such date, and (iii) is practicable to calculate and distribute (as determined pursuant to the exercise of the Plan Administrator’s discretion), with such cashout being made on the first day of the month specified.

Not later than November 30, the Plan Administrator shall memorialize in writing the exercise of its discretion under this subsection to select Vested Pensions for cashout on December 1, 2012, through the creation of a written list (in either hard copy or

electronic form) of Participants with 409A Vested Pensions who will be cashed out. In addition, not later than the day before the date specified pursuant to paragraph (2) above, the Plan Administrator shall memorialize in writing the exercise of its discretion under this subsection to select Vested Pensions for cashout on the specified date, through the creation of a written list (in either hard copy or electronic form) of Participants with 409A Vested Pensions who will be cashed out.

(d) Distribution of Pre-Retirement Domestic Partner's 409A Pension. If at the time payments are to commence to an Eligible Domestic Partner under Section 4.12, the Actuarial Equivalent lump sum value of the Pre-Retirement Domestic Partner's 409A Pension to be paid is equal to or less than the Cashout Limit, the Plan Administrator shall distribute to the Eligible Domestic Partner such Actuarial Equivalent lump sum value of the Pre-Retirement Domestic Partner's Pension that is subject to Section 409A.

(e) Exceptions to the Availability of Cashout. Effective January 1, 2018, a cashout shall not be available with respect to a Participant who is eligible for either a "PEP Kicker" or a "Qualified Kicker" under a "Severance Program". For purposes of this Section 4.9, the quoted terms in the prior sentence shall have the meanings that they are assigned in Appendix Article E.

Any lump sum distributed under this section shall be in lieu of the Pension that otherwise would be distributable to the Participant, Eligible Spouse or Eligible Domestic Partner hereunder. The cashout provisions described in subsections (a) through (d) above are intended to be "limited cashout" features within the meaning of Treasury Regulation § 1.409A-3(j)(4)(v), and they shall be interpreted and applied consistently with this regulation. Accordingly, in determining if an

applicable dollar limit is satisfied, a Participant's entire benefit under this Plan that is subject to Section 409A and all benefits subject to Section 409A under all other nonaccount balance plans (within the meaning of Treasury Regulation § 1.409A-1(c)(2)(i)(C)) shall be taken into account (the "accountable benefit"), and a Participant's entire accountable benefit must be cashed out as of the time in question as a condition to any payout under this Section. In addition, a cashout under this Section shall not cause an accountable benefit to be paid out before completing any applicable six-month delay (see, e.g., Section 6.6). No Participant, Eligible Spouse or Eligible Domestic Partner shall be given a direct or indirect election with respect to whether the Participant's Vested Pension, Pre-Retirement Spouse's 409A Pension or Pre-Retirement Eligible Domestic Partner's 409A Pension will be cashed out under this section.

4.10 Reemployment of Certain Participants: In the case of a current or former Participant who is receiving his Pension as an Annuity under Section 6.1(b), and who is reemployed and is eligible to re-participate in Part B of the Salaried Plan after his Annuity Starting Date, payment of his 409A Pension will continue to be paid in the same form as it was paid prior to his reemployment. Any additional 409A Pension that is earned by the Participant shall be paid based on the Separation from Service that follows the Participant's re-employment.

4.11 Forfeiture of Benefits: Effective beginning with benefits accrued after December 31, 2008 ("Post-2008 Accruals"), and notwithstanding any other provision of this Plan to the contrary, if the Plan Administrator determines that a Participant has engaged in Prohibited Misconduct at any time prior to the second anniversary of his or her Separation from Service, the Participant shall forfeit all Post-2008 Accruals (whether paid previously, being paid

currently or payable in the future), and his or her 409A Pension shall be adjusted to reflect such forfeiture and previously paid Post-2008 Accruals shall be recovered.

4.12 Pre-Retirement Domestic Partner's 409A Pension: A Pre-Retirement Domestic Partner's 409A Pension is payable under this section only in the event the Participant dies prior to his Annuity Starting Date under either the 409A Program or the Pre-409A Program. Any Pre-Retirement Domestic Partner's 409A Pension payable on behalf of a Participant shall commence on the first day of the month following the later of (i) the Participant's death and, (ii) the date the Participant attains or would have attained age 55. Subject to Section 4.9, any Pre-Retirement Domestic Partner's 409A Pension shall continue monthly for the life of the Eligible Domestic Partner.

(a) Active, Disabled and Retired Employees: A Pre-Retirement Domestic Partner's 409A Pension shall be payable under this subsection to a Participant's Eligible Domestic Partner (if any) who is entitled under Part B of the Salaried Plan to the pre-retirement domestic partner's pension for survivors of active, disabled and retired employees. The amount (if any) of such Pension shall be determined in accordance with the provisions of Section 5.8 (with the 409A Pension, if any, determined after application of Section 5.6).

(b) Vested Employees: A Pre-Retirement Domestic Partner's 409A Pension shall be payable under this subsection to a Participant's Eligible Domestic Partner (if any) who is entitled under Part B of the Salaried Plan to the pre-retirement domestic partner's pension for survivors of vested terminated Employees. The amount (if any) of such Pension shall be determined in accordance with the provisions of Section

5.8 (with the 409A Pension, if any, determined after application of Section 5.6). If, pursuant to this Section 4.12(b), a Participant has Pre-Retirement Domestic Partner's Pension coverage in effect for his Eligible Domestic Partner, any Pension calculated for the Participant under Section 5.2(b) shall be reduced for each year such coverage is in effect by the applicable percentage set forth below (based on the Participant's age at the time the coverage is in effect) with a pro rata reduction for any portion of a year. No reduction shall be made for coverage in effect within the 180-day period following a Participant's termination of employment.

Attained Age	Annual Charge
Up to 35	.0%
35-39	.075%
40-44	.1%
45-49	.175%
50-54	.3%
55-59	.5%
60-64	.5%

## ARTICLE V

### Amount of Retirement Pension

When a 409A Pension becomes payable to or on behalf of a Participant under this Plan, the amount of such 409A Pension shall be determined under Section 5.1 or 5.3 (whichever is applicable), subject to any adjustments required under Sections 4.6(b) and 5.4.

5.1 Participant's 409A Pension: Subject to Section 8.7 (Section 457A), a Participant's 409A Pension shall be determined as follows –

(a) Calculating the 409A Pension: A Participant's 409A Pension shall be calculated as follows (on the basis specified in subsection (b) below and using the definitions appearing in subsection (c) below):

- (1) His Total Pension, reduced by.
- (2) His Salaried Plan Pension, and then further reduced by (but not below zero)
- (3) His Pre-409A Pension.

(b) Basis for Determining: The 409A Pension Benefit amount in subsection (a) above shall be determined on a basis that (i) takes into account applicable reductions for early or late commencement, (ii) reflects, as applicable, the relative value of forms of payment, and (iii) otherwise adjusts the reductions in (a)(2) and (3) above to their Actuarial Equivalent as appropriate under the circumstances and pursuant to rules of the Plan Administrator, including to take account the time and form of any prior payments.

(c) Definitions: The following definitions apply for purposes of this section.

(1) A Participant's "Total Pension" means the greater of:

(i) The amount of the Participant's pension determined under the terms of Part B of the Salaried Plan, but without regard to: (A) the limitations imposed by sections 401(a)(17) and 415 of the Code (as such limitations are interpreted and applied under the Salaried Plan), and (B) the actuarial adjustment under Section 5.7(d) of Part B of the Salaried Plan (relating to benefits that are deferred beyond the Participant's Normal Retirement Date); or

(ii) The amount (if any) of the Participant's PEP Guarantee determined under Section 5.2.

As necessary to ensure the Participant's receipt of a "greater of" benefit, the foregoing comparison shall be made by reflecting, as applicable, the relative value of forms of payment.

(2) A Participant's "Salaried Plan Pension" means the amount of the Participant's pension determined under the terms of Part B of the Salaried Plan.

(3) A Participant's "Pre-409A Pension" means the amount of the Participant's pension determined under Section 5.6.

5.2 PEP Guarantee: A Participant who is eligible under subsection (a) below shall be entitled to a PEP Guarantee benefit determined under subsection (b) below. In the case of other Participants, the PEP Guarantee shall not apply.

(a) Eligibility: A Participant shall be covered by this section if the Participant has 1988 pensionable earnings from an Employer of at least \$75,000. For purposes of this section, "1988 pensionable earnings" means the Participant's remuneration for the 1988 calendar year, within the meaning of the Salaried Plan as in effect in 1988. "1988 pensionable earnings" does not include remuneration from an entity attributable to any period when that entity was not an Employer.

(b) PEP Guarantee Formula: The amount of a Participant's PEP Guarantee shall be determined under the applicable formula in paragraph (1), subject to the special rules in paragraph (2).

(1) Formulas: The amount of a Participant's Pension under this paragraph shall be determined in accordance with subparagraph (i) below. However, if the Participant was actively employed by the PepsiCo Organization in a classification eligible for the Salaried Plan prior to July 1, 1975, the amount of his Pension under this paragraph shall be the greater of the amounts determined under subparagraphs (i) and (ii), provided that subparagraph (ii)(B) shall not apply in determining the amount of a Vested Pension.

(i) Formula A: The Pension amount under this subparagraph shall be:

(A) 3 percent of the Participant's Highest Average Monthly Earnings for the first 10 years of Credited Service, plus

(B) 1 percent of the Participant's Highest Average Monthly Earnings for each year of Credited Service in excess of 10 years, less

(C) 1-2/3 percent of the Participant's Primary Social Security Amount multiplied by years of Credited Service not in excess of 30 years.

In determining the amount of a Vested Pension under this Formula A, the Pension shall first be calculated on the basis of (I) the Credited Service the Participant would have earned had he remained in the employ of the Employer until his Normal Retirement Age, and (II) his Highest Average Monthly Earnings and Primary Social Security Amount at his Separation from Service, and then shall be reduced by multiplying the resulting amount by a fraction, the numerator of which is the Participant's actual years of Credited Service on his Separation from Service and the denominator of which is the years of Credited Service he would have earned had he remained in the employ of an Employer until his Normal Retirement Age.

(ii) Formula B: The Pension amount under this subparagraph shall be the greater of (A) or (B) below:

(A) 1-1/2 percent of Highest Average Monthly Earnings times the number of years of Credited Service, less 50 percent of the Participant's Primary Social Security Amount, or

(B) 3 percent of Highest Average Monthly Earnings times the number of years of Credited Service up to 15 years, less 50 percent of the Participant's Primary Social Security Amount.

In determining the amount of a Disability Pension under Formula A or B above, the Pension shall be calculated on the basis of the Participant's Credited Service (determined in accordance with Section 3.3(c)(3) of Part B of the Salaried Plan), and his Highest Average Monthly Earnings and Primary Social Security Amount at the date of disability.

(2) Calculation: The amount of the PEP Guarantee shall be determined pursuant to paragraph (1) above, subject to the following special rules:

(i) Surviving Eligible Spouse's or Eligible Domestic Partner's Annuity: Subject to subparagraph (iii) below and the last sentence of this subparagraph, if the Participant has an Eligible Spouse or Eligible Domestic Partner, the Participant's Eligible Spouse or Eligible Domestic Partner shall be entitled to receive a survivor annuity equal to 50 percent of the Participant's Annuity under this section, with no corresponding reduction in such Annuity for the Participant. Annuity payments to a surviving Eligible Spouse or Eligible Domestic Partner shall

begin on the first day of the month coincident with or following the Participant's death and shall end with the last monthly payment due prior to the Eligible Spouse's or Eligible Domestic Partner's death. If the Eligible Spouse or Eligible Domestic Partner is more than 10 years younger than the Participant, the survivor benefit payable under this subparagraph shall be adjusted as provided below.

(A) For each full year more than 10 but less than 21 that the surviving Eligible Spouse or Eligible Domestic Partner is younger than the Participant, the survivor benefit payable to such Eligible Spouse or Eligible Domestic Partner shall be reduced by 0.8 percent.

(B) For each full year more than 20 that the surviving Eligible Spouse or Eligible Domestic Partner is younger than the Participant, the survivor benefit payable to such Eligible Spouse or Eligible Domestic Partner shall be reduced by an additional 0.4 percent.

(ii) Reductions: The following reductions shall apply in determining a Participant's PEP Guarantee.

(A) If the Participant will receive an Early Retirement Pension, the payment amount shall be reduced by 3/12ths of 1 percent for each month by which the benefit commencement date precedes the date the Participant would attain his Normal Retirement Date.

(B) If the Participant is entitled to a Vested Pension, the payment amount shall be reduced to the actuarial equivalent of the amount payable at his Normal Retirement Date (if payment commences before such date), and the Section 4.6(b) reductions for any Pre Retirement Spouse's coverage and Section 4.12(b) reductions for any Pre-Retirement Domestic Partner's coverage shall apply.

(C) This clause applies if the Participant will receive his Pension in a form that provides an Eligible Spouse or Eligible Domestic Partner benefit, continuing for the life of the surviving Eligible Spouse or surviving Eligible Domestic Partner, that is greater than that provided under subparagraph (i). In this instance, the Participant's Pension under this section shall be reduced so that the total value of the benefit payable on the Participant's behalf is the actuarial equivalent of the Pension otherwise payable under the foregoing provisions of this section.

(D) This clause applies if the Participant will receive his Pension in a form that provides a survivor annuity for a beneficiary who is not his Eligible Spouse or Eligible Domestic Partner. In this instance, the Participant's Pension under this section shall be reduced so that the total value of the benefit payable on the Participant's behalf is the actuarial equivalent of a Single Life Annuity for the Participant's life.

(E) This clause applies if the Participant will receive his Pension in an Annuity form that includes inflation protection described in Section 6.2(b). In this instance, the Participant's Pension under this section shall be reduced so that the total value of the benefit payable on the Participant's behalf is the actuarial equivalent of the elected Annuity without such protection.

(iii) Lump Sum Conversion: The amount of the Retirement Pension determined under this section for a Participant whose Retirement Pension will be distributed in the form of a lump sum shall be the actuarial equivalent of the Participant's PEP Guarantee determined under this section, taking into account the value of any survivor benefit under subparagraph (i) above and any early retirement reductions under subparagraph (ii)(A) above.

For purposes of this paragraph (2), actuarial equivalence shall be determined taking into account the PEP Guarantee's purpose to preserve substantially the value of a benefit under the pre-1989 terms of the Plan and the 409A Plan's design that offers alternative annuities that are considered actuarial equivalent for purposes of Section 409A (taking into account, without limitation, the special rule for subsidized joint and survivor annuities in Treasury Regulation § 1.409A-3(b)(ii)(C)).

5.3 Amount of Pre-Retirement Spouse's 409A Pension: The monthly amount of the Pre-Retirement

Spouse's 409A Pension payable to a surviving Eligible Spouse under Section 4.6 shall be determined under subsection (a) below.

(a) Calculation: An Eligible Spouse's Pre-Retirement Spouse's 409A Pension shall be equal to:

(1) The Eligible Spouse's Total Pre-Retirement Spouse's Pension, reduced by

(2) The Eligible Spouse's Salaried Plan Pre-Retirement Spouse's Pension, and then

further reduced by (but not below zero)

(3) The Eligible Spouse's Pre-Retirement Spouse's Pension derived from the Pre-409A

Program.

(b) Basis for Determining: The Pre-Retirement Spouse's 409A Pension amount in subsection (a)

above shall be determined on a basis (i) that takes into account applicable reductions for early or late commencement, and (ii) otherwise adjusts the reductions in (a)(2) and (3) above to their Actuarial Equivalent as appropriate under the circumstances and pursuant to rules of the Plan Administrator, including to take account the time and form of any prior payments.

(c) Definitions: The following definitions apply for purposes of this section.

(1) An Eligible Spouse's "Total Pre-Retirement Spouse's Pension" means the greater of:

(i) The amount of the Eligible Spouse's pre-retirement spouse's pension determined

under the terms of Part B of the Salaried

Plan, but without regard to: (A) the limitations imposed by sections 401(a)(17) and 415 of the Code (as such limitations are interpreted and applied under the Salaried Plan), and (B) the actuarial adjustment under Section 5.7(d) of Part B of the Salaried Plan; or

(ii) The amount (if any) of the Eligible Spouse's PEP Guarantee Pre-Retirement Spouse's Pension determined under subsection (c).

In making this comparison, the benefits in subparagraphs (i) and (ii) above shall be calculated as if payable as of what would be the Normal Retirement Date of the Participant related to the Eligible Spouse. The greater benefit determined under the prior sentence shall then be reduced/increased for commencement before/after, as applicable, such Normal Retirement Date.

(2) An "Eligible Spouse's Salaried Plan Pre-Retirement Spouse's Pension" means the amount of the Eligible Spouse's Pre-Retirement Spouse's Pension determined under the terms of the Salaried Plan.

(3) An "Eligible Spouse's Pre-Retirement Spouse's Pension derived from the Pre-409A Program" means the amount of the Eligible Spouse's Pre-Retirement Spouse's Pension determined under the terms of the Pre-409A Program.

(c) PEP Guarantee Pre-Retirement Spouse's Pension: An Eligible Spouse's PEP Guarantee Pre-Retirement Spouse's Pension shall be determined in accordance with paragraph (1) or (2) below, whichever is applicable, with reference to

the PEP Guarantee (if any) that would have been available to the Participant under Section 5.2.

(1) Normal Rule: The Pre-Retirement Spouse's Pension payable under this paragraph shall be equal to the amount that would be payable as a survivor annuity, under a Qualified Joint and Survivor Annuity, if the Participant had:

(i) Separated from Service on the date of death (or, if earlier, his actual Separation from Service);

(ii) Commenced a Qualified Joint and Survivor Annuity on the same date payments of the Qualified Pre-Retirement Spouse's Pension are to commence; and

(iii) Died on the day immediately following such commencement.

(2) Special Rule for Active and Disabled Employees: Notwithstanding paragraph (1) above, the Pre-Retirement Spouse's Pension paid on behalf of a Participant described in Section 4.6(a) shall not be less than an amount equal to 25 percent of such Participant's PEP Guarantee determined under Section 5.2. For this purpose, Credited Service shall be determined as provided in Section 3.3(c) (2) of Part B the Salaried Plan, and the deceased Participant's Highest Average Monthly Earnings, Primary Social Security Amount and Covered Compensation shall be determined as of his date of death. A Pre-Retirement Spouse's Pension under this paragraph is not reduced for early commencement.

Principles similar to those applicable under – (i) Section 5.1(b), and (ii) the last sentence of Section 5.2(b)(2) shall apply in determining the Pre-Retirement Spouse’s 409A Pension under this section.

5.4 Certain Adjustments: Pensions determined under the foregoing sections of this Article are subject to adjustment as provided in this section. For purposes of this section, “specified plan” shall mean the Salaried Plan or a nonqualified pension plan similar to this Plan. A nonqualified pension plan is similar to this Plan if it is sponsored by a member of the PepsiCo Organization and if its benefits are not based on participant pay deferrals.

(a) Adjustments for Rehired Participants: This subsection shall apply to a current or former Participant who is reemployed after his Annuity Starting Date and whose benefit under the Salaried Plan is recalculated based on an additional period of Credited Service. In the event of any such recalculation, the Participant’s PEP Pension shall also be recalculated hereunder to the maximum extent permissible under Section 409A. For this purpose and to the maximum extent permissible under Section 409A, the PEP Guarantee under Section 5.2 is adjusted for in-service distributions and prior distributions in the same manner as benefits are adjusted under the Salaried Plan, but by taking into account benefits under this Plan and any specified plans.

(b) Adjustment for Increased Pension Under Other Plans: If the benefit paid under a specified plan on behalf of a Participant is increased after PEP benefits on his behalf have been determined (whether the increase is by order of a court, by agreement of the plan administrator of the specified plan, or otherwise), then the PEP benefit for the Participant shall be recalculated to the maximum extent

permissible under Section 409A. If the recalculation identifies an overpayment hereunder, the Plan Administrator shall take such steps as it deems advisable to recover the overpayment. It is specifically intended that there shall be no duplication of payments under this Plan and any specified plans to the maximum extent permissible under Section 409A.

(c) No Benefit Offsets That Would Violate Section 409A. Effective as of January 1, 2009, if a Participant has earned a benefit under a plan maintained by a member of the PepsiCo Organization that is a “qualifying plan” for purposes of the “Non-Duplication” rule in Section 3.8 of Part A of the Salaried Plan and the “Transfers and Non-Duplication” rule in Section 3.5 of Part B of the Salaried Plan, such Transfers and Non-Duplication rules shall apply when calculating the Participant’s Total Pension under Section 5.1(c)(1) above only to the extent the application of such rule to the Participant’s 409A Pension will not result in a change in the time or form of payment of such pension that is prohibited by Section 409A. For purposes of the limit on offsets in the preceding sentence, it is the Company’s intent to undertake to make special arrangements with respect to the payment of the benefit under the qualifying plan that are legally permissible under the qualifying plan and compliant with Section 409A, in order to avoid such a change in time or form of payment to the maximum extent possible; to the extent that Section 409A compliant special arrangements are timely put into effect in a particular situation, the limit on offsets in the prior sentence will not apply.

5.5 Excludable Employment: An executive who has signed a written agreement with the Company pursuant to which the individual either (i) waives eligibility under

the Plan (even if the individual otherwise meets the definition of Employee under the Plan), or (ii) agrees not to participate in the Plan, shall not thereafter become entitled to a benefit or to any increase in benefits in connection with such employment (whichever applies). Written agreements may be entered into either before or after the executive becomes eligible for or begins participation in the Plan, and such written agreement may take any form that is deemed effective by the Company. This Section 5.5 shall apply with respect to agreements that are entered into on or after January 1, 2009.

5.6 Pre-409A Pension: A Participant's Pre-409A Pension is the portion of the Participant's Pension that is grandfathered under Treasury Regulation § 1.409A-6(a)(3)(i) and (iv). Principles similar to those applicable under – (i) Section 5.1(b), and (ii) the last sentence of Section 5.2(b)(2) shall apply in determining the Pre-409A Pension under this section.

5.7 Offset: Notwithstanding any other provision of the Plan, the Company may reduce the amount of any payment or benefit that is or would be payable to or on behalf of a Participant by the amount of any obligation of the Participant to the Company that is or becomes due and payable, provided that (1) the obligation of the Participant to the Company was incurred during the employment relationship, (2) the reduction during any Plan Year may not exceed the amount allowed under Code Section 409A and (3) the reduction is made at the same time and in the same amount as the obligation otherwise would have been due and collectable from the Participant.

5.8 Amount of Pre-Retirement Domestic Partner's Pension: The monthly amount of the Pre-Retirement Domestic Partner's 409A Pension payable to a surviving Eligible Domestic Partner under Section 4.12 shall be determined under subsection (a) below.

(a) Calculation: An Eligible Domestic Partner's Pre-Retirement Domestic Partner's 409A Pension shall be equal to:

- (1) The Eligible Domestic Partner's Total Pre-Retirement Domestic Partner's Pension, reduced by
- (2) The Eligible Domestic Partner's Salaried Plan Pre-Retirement Domestic Partner's Pension, and then further reduced by (but not below zero)
- (3) The Eligible Domestic Partner's Pre-Retirement Domestic Partner's Pension derived from the Pre-409A Program.

(b) Basis for Determining: The Pre-Retirement Domestic Partner's 409A Pension amount in subsection (a) above shall be determined on a basis (i) that takes into account applicable reductions for early or late commencement, and (ii) otherwise adjusts the reductions in (a)(2) and (3) above to their Actuarial Equivalent as appropriate under the circumstances and pursuant to rules of the Plan Administrator, including to take account the time and form of any prior payments.

(c) Definitions: The following definitions apply for purposes of this section:

(1) An Eligible Domestic Partner's "Total Pre-Retirement Domestic Partner's Pension" means the greater of:

- (i) The amount of the Eligible Domestic Partner's pre-retirement domestic partner's pension determined under the terms of the Salaried Plan, but without regard to: (A) the limitations imposed by sections 401(a)(17) and 415 of the Code (as such limitations are

interpreted and applied under the Salaried Plan), and (B) the actuarial adjustment under Section 5.7(d) of Part B of the Salaried Plan, or

(ii) The amount (if any) of the Eligible Domestic Partner's PEP Guarantee Pre-Retirement Domestic Partner's 409A Pension determined under subsection (c).

In making this comparison, the benefits in subparagraphs (i) and (ii) above shall be calculated as if payable as of what would be the Normal Retirement Date of the Participant related to the Eligible Domestic Partner. The greater benefit determined under the prior sentence shall then be reduced/increased for commencement before/after, as applicable, such Normal Retirement Date.

(2) An "Eligible Domestic Partner's Salaried Plan Pre-Retirement Domestic Partner's Pension" means the amount of the Eligible Domestic Partner's Pre-Retirement Domestic Partner's Pension determined under the terms of the Salaried Plan.

(3) An "Eligible Domestic Partner's Pre-Retirement Domestic Partner's Pension derived from the Pre-409A Program" means the amount of the Eligible Domestic Partner's Pre-Retirement Domestic Partner's Pension determined under the terms of the Pre-409A Program

(c) PEP Guarantee Pre-Retirement Domestic Partner's Pension: An Eligible Domestic Partner's PEP Guarantee Pre-Retirement Domestic Partner's 409A Pension shall be determined in accordance with paragraph (1) or (2) below, whichever is applicable, with reference to the PEP Guarantee (if any) that would have been available to the Participant under Section 5.2.

(1) Normal Rule: The Pre-Retirement Domestic Partner's 409A Pension payable under this paragraph shall be equal to the amount that would be payable as a survivor annuity, under a Qualified Joint and Survivor Annuity, if the Participant had:

- (i) Separated from Service on the date of death (or, if earlier, his actual Separation from Service);
- (ii) Commenced a Qualified Joint and Survivor Annuity on the same date payments of the Qualified Pre Retirement Domestic Partner's Pension are to commence; and
- (iii) Died on the day immediately following such commencement.

(2) Special Rule for Active and Disabled Employees: Notwithstanding paragraph (1) above, the Pre-Retirement Domestic Partner's 409A Pension paid on behalf of a Participant described in Section 4.6(a) shall not be less than an amount equal to 25 percent of such Participant's PEP Guarantee determined under Section 5.2. For this purpose, Credited Service shall be determined as provided in Section 3.3(c)(2) of the Salaried Plan, and the deceased Participant's Highest Average Monthly Earnings, Primary Social Security Amount and Covered Compensation shall be determined as of his date of death. A Pre-Retirement Domestic Partner's 409A Pension under this paragraph is not reduced for early commencement.

Principles similar to those applicable under (i) Section 5.1(b), and (ii) the last sentence of Section 5.2(b)(2) shall apply in determining the Pre-Retirement Domestic Partner's 409A Pension under this section.

## ARTICLE VI

### Distribution of Benefits

The terms of this Article govern (i) the distribution of benefits to a Participant who becomes entitled to a 409A Pension, and (ii) the continuation of benefits (if any) to such Participant's beneficiary following the Participant's death. A Pre-Retirement Spouse's Pension or Pre-Retirement Domestic Partner's Pension derived from the 409A Program shall be payable as an Annuity for the life of the Eligible Spouse or Eligible Domestic Partner, as applicable, in all cases, subject to Section 4.9 (cashout distributions). The distribution of a Pre-409A Pension is governed by the terms of the Pre-409A Program.

6.1 Form and Timing of Distributions: Benefits under the 409A Program shall be distributed as follows:

(a) 409A Retirement Pension: The following rules govern the distribution of a Participant's 409A Retirement Pension:

(1) Generally: A Participant's 409A Retirement Pension shall be distributed as a Single Lump Sum on the first day of the month that is coincident with or next follows the Participant's Retirement Date, subject to paragraph (2) and Section 6.6 (delay for Key Employees).

(2) Prior Payment Election: Notwithstanding paragraph (1), a Participant who is entitled to a 409A Retirement Pension and who made an election (i) up to and including December 31, 2007, and (ii) at least six months prior to and in a calendar year prior to the Participant's Annuity Starting Date

shall receive his benefit in accordance with such payment election. A payment election allowed a Participant to choose either (i) to receive a distribution of his benefit in an Annuity form, (ii) to commence distribution of his benefit at a time other than as provided in paragraph 6.1(a)(1), or both (i) and (ii). A payment election made by a Participant who is only eligible to receive a Vested Pension on his Separation from Service shall be disregarded. Subject to Section 4.9 (cashouts), a Participant who has validly elected to receive an Annuity shall receive his benefit as a Qualified Joint and Survivor Annuity if he is married or as a Single Life Annuity if he is unmarried, unless he elects one of the optional forms of payment described in Section 6.2 in accordance with the election procedures in Section 6.3(a). A Participant shall be considered married if he is married on his Annuity Starting Date (with such Annuity Starting Date determined taking into account any election applicable under this subsection). To the extent a Participant's benefit commences later than it would under paragraph 6.1(a)(1) as a result of an election under this paragraph 6.1(a)(2), the Participant's benefit will be increased for earnings at the interest rate used to compute the Actuarial Equivalent lump sum value through the date the check for payment is prepared, which interest shall be paid at the time elected by the Participant under this paragraph 6.1(a)(2).

(b) 409A Vested Pension: Subject to Section 4.9, Section 6.6 and subsection (c) below, a Participant's 409A Vested Pension shall be distributed in accordance with paragraph (1) or (2) below, unless, in the case of a Participant who is married (as determined under the standards in paragraph 6.1(a)(2), above) or has an

Eligible Domestic Partner on his Annuity Starting Date, he elects one of the optional forms of payment distributions in Section 6.2 in accordance with the election procedures in Section 6.3(a):

(1) Separation Prior to Age 55: In the case of a Participant who Separates from Service with at least five years of Service prior to attaining age 55, the Participant's 409A Vested Pension shall be distributed as an Annuity commencing on the first of the month that is coincident with or immediately follows the date he attains age 55, which shall be the Annuity Starting Date of his 409A Vested Pension. A distribution under this subsection shall be in the form of a Qualified Joint and Survivor Annuity if the Participant is married or as a Single Life Annuity if he is not married; provided that an unmarried Participant who has an Eligible Domestic Partner may elect a 50% Survivor Annuity or 75% Survivor Annuity with his Eligible Domestic Partner as his beneficiary as provided in Section 6.2. A Participant shall be considered married or to have an Eligible Domestic Partner for purposes of this paragraph if he is married or has an Eligible Domestic Partner on the Annuity Starting Date of his 409A Vested Pension.

(2) Separation at Ages 55 Through 64: In the case of a Participant who Separates from Service with at least five years but less than ten years of Service and on or after attaining age 55 but prior to attaining age 65, the Participant's 409A Vested Pension shall be distributed as an Annuity (as provided in paragraph (1) above) commencing on the first of the month that follows his Separation from Service.

(c) Disability Pension: The portion of a Participant's 409A Disability Pension representing Pre-Separation Accruals shall be paid on the first day of the month following the later of (i) the Participant's attainment of age 55 and (ii) the Participant's Separation from Service. The available forms of payment for the portion of a Participant's 409A Disability Pension representing Pre-Separation Accruals (as defined in Section 4.5) shall be those forms available to a Participant who is entitled to a Vested Pension or a Retirement Pension, as set forth in Section 6.2, below (including, to the extent applicable, the different forms available to a married Participant / Participant with a domestic partner versus a single Participant). The portion of a Participant's 409A Disability Pension representing Post-LTD Accruals shall be paid on the first day of the month following the Participant's attainment of age 65 in a lump sum.

6.2 Available Forms of Payment: This section sets forth the payment options available to a Participant who is entitled to a Retirement Pension under paragraph 6.1(a)(2) above or a Vested Pension under subsection 6.1(b) above.

(a) Basic Forms: A Participant who is entitled to a Retirement Pension may choose one of the following optional forms of payment by making a valid election in accordance with the election procedures in Section 6.3(a). A Participant who is entitled to a Vested Pension and who is married on his Annuity Starting Date may choose one of the optional forms of payment available under paragraph (1), (2)(ii) or (2)(iii) below with his Eligible Spouse as his beneficiary (and no other optional form of payment available under this subsection (a) shall be permitted to such a Participant). A Participant who is entitled to a Vested Pension, who is not married and who has an Eligible Domestic

Partner on his Annuity Starting Date may choose one of the optional forms available under paragraph (2)(ii) or (2)(iii) below with his Eligible Domestic Partner as his beneficiary (and no other optional forms of payment available under this subsection shall be permitted to such a Participant). A Participant who is entitled to a Vested Pension and who is not married and does not have an Eligible Domestic Partner on his Annuity Starting Date shall receive a Single Life Annuity. Each optional annuity is the actuarial equivalent of the Single Life Annuity:

(1) Single Life Annuity Option: A Participant may receive his 409A Pension in the form of a Single Life Annuity, which provides monthly payments ending with the last payment due prior to his death.

(2) Survivor Options: A Participant may receive his 409A Pension in accordance with one of the following survivor options:

(i) 100 Percent Survivor Option: The Participant shall receive a reduced 409A Pension payable for life, ending with the last monthly payment due prior to his death. Payments in the same reduced amount shall continue after the Participant's death to his beneficiary for life, beginning on the first day of the month coincident with or following the Participant's death and ending with the last monthly payment due prior to the beneficiary's death.

(ii) 75 Percent Survivor Option: The Participant shall receive a reduced 409A Pension payable for life, ending with the last monthly payment due prior to his death. Payments in the amount of 75 percent of such reduced 409A Pension shall be continued after the

Participant's death to his beneficiary for life, beginning on the first day of the month coincident with or following the Participant's death and ending with the last monthly payment due prior to the beneficiary's death.

(iii) 50 Percent Survivor Option: The Participant shall receive a reduced 409A Pension payable for life, ending with the last monthly payment due prior to his death. Payments in the amount of 50 percent of such reduced 409A Pension shall be continued after the Participant's death to his beneficiary for life, beginning on the first day of the month coincident with or following the Participant's death and ending with the last monthly payment due prior to the beneficiary's death. A 50 percent survivor option under this paragraph shall be a Qualified Joint and Survivor Annuity if the Participant's beneficiary is his Eligible Spouse.

(iv) Ten Years Certain and Life Option: The Participant shall receive a reduced 409A Pension which shall be payable monthly for his lifetime but for not less than 120 months. If the retired Participant dies before 120 payments have been made, the monthly 409A Pension amount shall be paid for the remainder of the 120 month period to the Participant's primary beneficiary (or if the primary beneficiary has predeceased the Participant, the Participant's contingent beneficiary).

(b) Inflation Protection: The following levels of inflation protection may be provided to any Participant who elects to receive all or a part of his 409A Retirement Pension as an Annuity:

(1) 5 Percent Inflation Protection: A Participant's monthly benefit shall be initially reduced, but thereafter shall be increased if inflation in the prior year exceeds 5 percent. The amount of the increase shall be the difference between inflation in the prior year and 5 percent.

(2) 7 Percent Inflation Protection: A Participant's monthly benefit shall be initially reduced, but thereafter shall be increased if inflation in the prior year exceeds 7 percent. The amount of the increase shall be the difference between inflation in the prior year and 7 percent.

Benefits shall be subject to increase in accordance with this subsection each January 1, beginning with the second January 1 following the Participant's Annuity Starting Date. The amount of inflation in the prior year shall be determined based on inflation in the 12-month period ending on September 30 of such year, with inflation measured in the same manner as applies on the Effective Date for adjusting Social Security benefits for changes in the cost of living. Inflation protection that is in effect shall carry over to any survivor benefit payable on behalf of a Participant, and shall increase the otherwise applicable survivor benefit as provided above. Any election by a Participant to receive inflation protection shall be irrevocable by such Participant or his surviving beneficiary.

6.3 Procedures for Elections: This section sets forth the procedures for making Annuity Starting Date elections (*i.e.*, elections under Section 6.2). Subsection (a) sets forth the procedures for making a valid election of an optional form of payment under Section 6.2 and subsection (b) includes special rules for Participants with multiple Annuity Starting Dates. An election under this Article VI shall be treated as received on a particular day

if it is: (i) postmarked that day, or (ii) actually received by the Plan Administrator on that day. Receipt under (ii) must occur by the close of business on the date in question, which time is to be determined by the Plan Administrator.

Spousal consent is not required for an election to be valid.

(a) Election of an Optional Form of Payment: To be valid, an election of an optional form of Annuity under Section 6.2, for (i) a Participant's 409A Retirement Pension (if a proper election was made under paragraph 6.1(a)(2)) or (ii) a Participant's 409A Vested Terminated Pension, must be in writing, signed by the Participant, and received by the Plan Administrator at least one day prior to the Annuity Starting Date that applies to the Participant's Pension in accordance with Section 6.1. In addition, an election under this subsection must specify one of the optional forms of payment available under Section 6.2 and a beneficiary, if applicable, in accordance with Section 6.5 below. To the extent permitted by the Plan Administrator, an election made through electronic media shall be considered to satisfy the requirement for a written election, and an electronic affirmation of such an election shall be considered to satisfy the requirement for a signed election.

(b) Multiple Annuity Starting Dates: When amounts become payable to a Participant in accordance with Article IV, they shall be payable as of the Participant's Annuity Starting Date and the election procedures (in this section and Sections 6.1 and 6.5) shall apply to all of the Participant's unpaid accruals as of such Annuity Starting Date, with the following exception. In the case of a Participant who is rehired after his initial Annuity Starting Date and who (i) is currently receiving an Annuity that remained in pay status upon rehire, or (ii) was previously paid a lump sum distribution (other than

a cashout distribution described in Section 4.9(a)), the Participant's subsequent Annuity Starting Date (as a result of his subsequent Separation from Service), and the election procedures at such subsequent Annuity Starting Date, shall apply only to the portion of his benefit that accrues after his rehire. Any prior accruals that remain to be paid as of the Participant's subsequent Annuity Starting Date shall continue to be payable in accordance with the elections made at his initial Annuity Starting Date.

(c) Determination of Marital Status. Effective January 1, 2014, in any case in which the form of payment of a Participant's 409A Pension is determined by his marital status on his Annuity Starting Date, the Plan Administrator shall assume the Participant is unmarried on his Annuity Starting Date unless the Participant provides notice to the Plan prior to his Annuity Starting Date, which is deemed sufficient and satisfactory by the Plan Administrator, that he is married. The Participant shall give such notification to the Plan Administrator when he makes the election described in subsection (a) above or in accordance with such other procedures that are established by the Plan Administrator for this purpose (if any). Notwithstanding the two prior sentences, the Plan Administrator may adopt rules that provide for a different outcome than specified above.

6.4 Special Rules for Survivor Options: The following special rules shall apply for the survivor options available under Section 6.2.

(a) Effect of Certain Deaths: If a Participant makes an election under Section 6.3(a) to receive his 409A Retirement Pension in the form of an optional Annuity that includes a benefit for a surviving beneficiary under Section 6.2 and the Participant

or his beneficiary (beneficiaries in the case of the optional form of payment in Section 6.2(a)(2)(iv)) dies prior to the Annuity Starting Date of such Annuity, the election shall be disregarded. If the Participant dies after this Annuity Starting Date but before his 409A Retirement Pension actually commences, the election shall be given effect and the amount payable to his surviving Eligible Spouse, Eligible Domestic Partner or other beneficiary (as applicable) shall commence on the first day of the month following his death (any back payments due the Participant shall be payable to his estate). In the case of a Participant who has elected the form of payment described in Section 6.2(a)(2)(iv), if such Participant: (i) dies after his Annuity Starting Date, (ii) without a surviving primary or contingent beneficiary, and (iii) before receiving 120 payments under the form of payment, then the remaining payments due under such form of payment shall be paid to the Participant's estate. If payments have commenced under such form of payment to a Participant's primary or contingent beneficiary and such beneficiary dies before payments are completed, then the remaining payments due under such form of payment shall be paid to such beneficiary's estate.

(b) Beneficiary Who Is Not an Eligible Spouse or Eligible Domestic Partner: If a Participant's beneficiary is not his Eligible Spouse or Eligible Domestic Partner, he may not elect:

- (1) The 100 percent survivor option described in Section 6.2(a)(2)(i) if his beneficiary is more than 10 years younger than he is, or
- (2) The 75 percent survivor option described in Section 6.2(a)(2)(ii) if his beneficiary is more than 19 years younger than he is.

6.5 Designation of Beneficiary: A Participant who has elected under Section 6.2 to receive all or part of his Retirement Pension in a form of payment that includes a survivor option shall designate a beneficiary who will be entitled to any amounts payable on his death. Such designation shall be made on the election form used to choose such optional form of payment or an approved election form filed under the Salaried Plan, whichever is applicable. In the case of the survivor option described in Section 6.2(a)(2)(iv), the Participant shall be entitled to name both a primary beneficiary and a contingent beneficiary. A Participant (whether active or former) shall have the right to change or revoke his beneficiary designation at any time prior to his Annuity Starting Date. The designation of any beneficiary, and any change or revocation thereof, shall be made in accordance with rules adopted by the Plan Administrator. A beneficiary designation shall not be effective unless and until filed with the Plan Administrator. If no beneficiary is properly designated and a Participant's elects a survivor's option described in Section 6.2(a)(2), the Participant's beneficiary shall be his Eligible Spouse or Eligible Domestic Partner, as applicable. A Participant entitled to a Vested Pension does not have the right or ability to name a beneficiary; if the Participant is permitted under Section 6.2 to elect an optional form of payment, then his beneficiary shall be his Eligible Spouse or Eligible Domestic Partner, as applicable, on his Annuity Starting Date.

6.6 Required Delay for Key Employees: Notwithstanding Section 6.1 above, if a Participant is classified as a Key Employee upon his Separation from Service (or at such other time for determining Key Employee status as may apply under Section 409A), then distributions to the Participant shall commence as follows:

(a) Distribution of a Retirement Pension: In the case of a Key Employee Participant who is entitled to a 409A Retirement Pension, distributions shall commence on the earliest first of the month that is at least six months after the date the Participant Separates from Service (or, if earlier, the Participant's death). For periods before 2009, commencement of distributions, however, shall not be delayed under the preceding sentence if the Participant's 409A Retirement Pension commences at the same time as his pension under the Salaried Plan in accordance with Section 6.1(b)(3)(i).

(b) Distribution of a Vested Pension. In the case of a Participant who is entitled to a 409A Vested Pension, distributions shall commence as provided in Section 6.1(b), or if later, on the earliest first of the month that is at least six months after the Participant's Separation from Service (or, if earlier, the Participant's death). For periods before 2009, commencement of distributions, however, shall not be delayed under the preceding sentence if the Participant's 409A Vested Pension commences at the same time as his pension under the Salaried Plan in accordance with Section 6.1(b)(3)(i).

(c) Interest Paid for Delay. Any payments to the Participant that are delayed in accordance with the provisions of this Section 6.6 shall be increased for earnings at the interest rate used to compute the Actuarial Equivalent lump sum value through the date the check for payment is prepared, with such delayed payment and accumulated interest paid as a lump sum payment to the Participant on the date payment occurs in accordance with subsection (a) or (b) above, whichever is applicable. If a Participant's beneficiary or estate is paid under subsection (a) or (b) above as a result of his death, then any payments that would have been made to the Participant and that

were delayed in accordance with the provisions of this Section 6.6 shall be paid as otherwise provided in the Plan, with interest at the rate specified in the preceding sentence through the date the check for payment is prepared.

6.7 Payment of FICA and Related Income Taxes: As provided in subsections (a) through (c) below, a portion of a Participant's 409A Pension shall be paid as a single lump sum and remitted directly to the Internal Revenue Service ("IRS") in satisfaction of the Participant's FICA Amount and the related withholding of income tax at source on wages (imposed under Code Section 3401 or the corresponding withholding provisions of the applicable state, local or foreign tax laws as a result of the payment of the FICA Amount) and the additional withholding of income tax at source on wages that is attributable to the pyramiding of wages and taxes.

(a) Timing of Payment: As of the date that the Participant's FICA Amount and related income tax withholding are due to be deposited with the IRS, a lump sum payment equal to the Participant's FICA Amount and any related income tax withholding shall be paid from the Participant's 409A Pension and remitted to the IRS (or other applicable tax authority) in satisfaction of such FICA Amount and income tax withholding related to such FICA Amount. The classification of a Participant as a Key Employee (as defined in Section 2.1) shall have no effect on the timing of the lump sum payment under this subsection (a).

(b) Reduction of 409A Pension. To reflect the payment of a Participant's FICA Amount and any related income tax liability, the Participant's 409A Pension shall be reduced, effective as of the date for payment of the lump sum in

accordance with subsection (a) above, with such reduction being the Actuarial Equivalent of the lump sum payment used to satisfy the Participant's FICA Amount and related income tax withholding. It is expressly contemplated that this reduction may occur effective as of a date that is after the date payment of a Participant's 409A Pension commences.

(A) No Effect on Commencement of 409A Pension. The Participant's 409A Pension shall commence in accordance with the terms of this Plan. The lump sum payment to satisfy the Participant's FICA Amount and related income tax withholding shall not affect the time of payment of the Participant's actuarially reduced 409A Pension, including not affecting any required delay in payment to a Participant who is classified as a Key Employee.

## ARTICLE VII

### Administration

7.1 Authority to Administer Plan: The Plan shall be administered by the Plan Administrator, which shall have the authority to interpret the Plan and issue such regulations as it deems appropriate. The Plan Administrator shall maintain Plan records and make benefit calculations, and may rely upon information furnished it by the Participant in writing, including the Participant's current mailing address, age and marital status. The Plan Administrator's interpretations, determinations, regulations and calculations shall be final and binding on all persons and parties concerned. Neither the Company nor the Plan Administrator shall be a fiduciary of the Plan, and any restrictions that might apply to a party in interest under section 406 of ERISA shall not apply under the Plan, including with respect to the Company or the Plan Administrator.

7.2 Facility of Payment: Whenever, in the Plan Administrator's opinion, a person entitled to receive any payment of a benefit or installment thereof hereunder is under a legal disability or is incapacitated in any way so as to be unable to manage his financial affairs, the Plan Administrator may make payments to such person or to the legal representative of such person for his benefit, or the Plan Administrator may apply the payment for the benefit of such person in such manner as it considers advisable. Any payment of a benefit or installment thereof in accordance with the provisions of this section shall be a complete discharge of any liability for the making of such payment under the provisions of the Plan.

7.3 Claims Procedure: The Plan Administrator shall have the exclusive discretionary authority to

construe and to interpret the Plan, to decide all questions of eligibility for benefits and to determine the amount of such benefits, and its decisions on such matters are final and conclusive. As a result, benefits under this Plan will be paid only if the Plan Administrator decides in its discretion that the person claiming such benefits is entitled to them. This discretionary authority is intended to be absolute, and in any case where the extent of this discretion is in question, the Plan Administrator is to be accorded the maximum discretion possible. Any exercise of this discretionary authority shall be reviewed by a court, arbitrator or other tribunal under the arbitrary and capricious standard (i.e., the abuse of discretion standard). If, pursuant to this discretionary authority, an assertion of any right to a benefit by or on behalf of a Participant or beneficiary (a "claimant") is wholly or partially denied, the Plan Administrator, or a party designated by the Plan Administrator, will provide such claimant within the 90-day period following the receipt of the claim by the Plan Administrator, a comprehensible written notice setting forth:

- (a) The specific reason or reasons for such denial;
- (b) Specific reference to pertinent Plan provisions on which the denial is based;
- (c) A description of any additional material or information necessary for the claimant to submit to perfect the claim and an explanation of why such material or information is necessary; and
- (d) A description of the Plan's claim review procedure (including the time limits applicable to such process and a statement of the claimant's right to bring a civil action under ERISA following a further denial on review).

If the Plan Administrator determines that special circumstances require an extension of time for processing the claim it may extend the response period from 90 to 180 days. If this occurs, the Plan Administrator will notify the claimant before the end of the initial 90-day period, indicating the special circumstances requiring the extension and the date by which the Plan Committee expects to make the final decision. The claim review procedure is available upon written request by the claimant to the Plan Administrator, or the designated party, within 60 days after receipt by the claimant of written notice of the denial of the claim. Upon review, the Plan Administrator shall provide the claimant a full and fair review of the claim, including the opportunity to submit to the Plan Administrator comments, document, records and other information relevant to the claim and the Plan Administrator's review shall take into account such comments, documents, records and information regardless of whether it was submitted or considered at the initial determination. The decision on review will be made within 60 days after receipt of the request for review, unless circumstances warrant an extension of time not to exceed an additional 60 days. If this occurs, notice of the extension will be furnished to the claimant before the end of the initial 60-day period, indicating the special circumstances requiring the extension and the date by which the Plan Administrator expects to make the final decision. The final decision shall be in writing and drafted in a manner calculated to be understood by the claimant; include specific reasons for the decision with references to the specific Plan provisions on which the decision is based; and provide that the claimant is entitled to receive, upon request ad free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to his or her claim for benefits.

Any claim under the Plan that is reviewed by a court, arbitrator or any other tribunal shall be reviewed solely on the basis of the record before the Plan Administrator at the

time it made its determination. In addition, any such review shall be conditioned on the claimant's having fully exhausted all rights under this section as is more fully explained in Section 7.5. Any notice or other notification that is required to be sent to a claimant under this section may be sent pursuant to any method approved under Department of Labor Regulation Section 2520.104b-1 or other applicable guidance.

7.4 Effect of Specific References: Specific references in the Plan to the Plan Administrator's discretion shall create no inference that the Plan Administrator's discretion in any other respect, or in connection with any other provision, is less complete or broad.

7.5 Claimant Must Exhaust the Plan's Claims Procedures Before Filing in Court: Before filing any Claim (including a suit or other action) in court or in another tribunal, a Claimant must first fully exhaust all of the Claimant's rights under the claims procedures of Section 7.3.

(a) Upon review by any court or other tribunal, the exhaustion requirement of this Section 7.5 is intended to be interpreted to require exhaustion in as many circumstances as possible (and any steps necessary to clarify or effect this intent may be taken).

(b) In any action or consideration of a Claim in court or in another tribunal following exhaustion of the Plan's claims procedure as described in this Section 7.5, the subsequent action or consideration shall be limited, to the maximum extent permissible, to the record that was before Plan Administrator in the claims procedure.

(c) The exhaustion requirement of this Section 7.5 shall apply: (i) regardless of whether other Disputes that are not Claims (including those that a court

might consider at the same time) are of greater significance or relevance, (ii) to any rights the Plan Administrator may choose to provide in connection with novel Disputes or in particular situations, (iii) regardless of whether the rights are actual or potential and (iv) even if the Plan Administrator has not previously defined or established specific claims procedures that directly apply to the submission and consideration of such Claim (in which case the Plan Administrator (upon notice of the Claim) shall either promptly establish such claims procedures or shall apply (or act by analogy to) the claims procedures of Section 7.5 that apply to claims for benefits).

(d) The Plan Administrator may make special arrangements to consider a Claim on a class basis or to address unusual conflicts concerns, and such minimum arrangements in these respects shall be made as are necessary to maximize the extent to which exhaustion is required.

(e) For purposes of this Section 7.5, the following definitions apply.

(i) A "Dispute" is any claim, dispute, issue, action or other matter.

(ii) A "Claim" is any Dispute that implicates in whole or in part any one or more of

the following –

(A) The interpretation of the Plan

(B) The interpretation of any term or condition of the Plan

(C) The interpretation of the Plan (or any of its terms or conditions) in light of

applicable law;

(D) Whether the Plan or any term or condition under the Plan has been validly adopted or put into effect;

(E) The administration of the Plan;

(F) Whether the Plan, in whole or in part, has violated any terms, conditions or requirements of ERISA or other applicable law or regulation, regardless of whether such terms, conditions or requirements are, in whole or in part, incorporated into the terms, conditions or requirements of the Plan;

(G) A request for Plan benefits or an attempt to recover Plan benefits;

(H) An assertion that any entity or individual has breached any fiduciary duty;

or

(I) Any Claim that: (i) is deemed similar to any of the foregoing by the Plan Administrator, or (ii) relates to the Plan in any way.

(iii) A "Claimant" is any Employee, former Employee, Participant, former Participant, Beneficiary (or the spouse, former spouse, domestic partner, estate, heir or representative of any of the foregoing individuals), or any other individual, person, entity with a relationship to any of the foregoing individuals or the Plan, as well as any group of one or more of the foregoing, who has a Claim.

7.6 Limitations on Actions: Effective for claims and actions filed on or after January 1, 2011, any claim filed under Article VII and any action filed in state or federal court by or on behalf of a former or current Employee, Participant, beneficiary or any other individual, person or entity (collectively, a "Petitioner") for the alleged wrongful denial of Plan benefits or for the alleged interference with or violation of ERISA-protected rights must be brought within two years of the date the Petitioner's cause of action first accrues. For purposes of this subsection, a cause of action with respect to a Petitioner's benefits under the Plan shall be deemed to accrue not later than the earliest of (i) when the Petitioner has received the calculation of the benefits that are the subject of the claim or legal action (ii) the date identified to the Petitioner by the Plan Administrator on which payments shall commence, or (iii) when the Petitioner has actual or constructive knowledge of the facts that are the basis of his claim. For purposes of this subsection, a cause of action with respect to the alleged interference with ERISA-protected rights shall be deemed to accrue when the claimant has actual or constructive knowledge of the acts that are alleged to interfere with ERISA-protected rights. Failure to bring any such claim or cause of action within this two-year time frame shall preclude a Petitioner, or any representative of the Petitioner, from filing the claim or cause of action. Correspondence or other communications following the mandatory appeals process described in Section 7.3 shall have no effect on this two-year time frame.

7.7 Restriction on Venue: Any claim or action filed in court or any other tribunal in connection with the Plan by or on behalf of a Petitioner (as defined in Section 7.6 above) shall only be brought or filed in the United States District Court for the Southern District of New York, effective for claims or actions filed on or after January 1, 2011.

## ARTICLE VIII

### Miscellaneous

8.1 Nonguarantee of Employment: Nothing contained in this Plan shall be construed as a contract of employment between an Employer and any Employee, or as a right of any Employee to be continued in the employment of an Employer, or as a limitation of the right of an Employer to discharge any of its Employees, with or without cause.

8.2 Nonalienation of Benefits: Benefits payable under the Plan or the right to receive future benefits under the Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution, or levy of any kind, either voluntary or involuntary, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of any right to benefits payable hereunder, including any assignment or alienation in connection with a divorce, separation, child support or similar arrangement, shall be null and void and not binding on the Company. The Company shall not in any manner be liable for, or subject to, the debts, contracts, liabilities, engagements or torts of any person entitled to benefits hereunder.

8.3 Unfunded Plan: The Company's obligations under the Plan shall not be funded, but shall constitute liabilities by the Company payable when due out of the Company's general funds. To the extent the Participant or any other person acquires a right to receive benefits under this Plan, such right shall be no greater than the rights of any unsecured general creditor of the Company.

8.4 Action by the Company: Any action by the Company under this Plan may be made by the Board of Directors of the Company or by the Compensation Committee of the Board of Directors, with a report of any actions taken by it to the Board of Directors. In addition, such action may be made by any other person or persons duly authorized by resolution of said Board to take such action.

8.5 Indemnification: Unless the Board of Directors of the Company shall determine otherwise, the Company shall indemnify, to the full extent permitted by law, any employee acting in good faith within the scope of his employment in carrying out the administration of the Plan.

8.6 Compliance with Section 409A:

(a) General: It is the intention of the Company that the Plan shall be construed in accordance with the applicable requirements of Section 409A. Further, in the event that the Plan shall be deemed not to comply with Section 409A, then neither the Company, the Board of Directors, the Plan Administrator nor its or their designees or agents shall be liable to any Participant or other person for actions, decisions or determinations made in good faith.

(b) Non-duplication of benefits: In the interest of clarity, and to determine benefits in compliance with the requirements of Section 409A, provisions have been included in this 409A Document describing the calculation of benefits under certain specific circumstances, for example, provisions relating to the inclusion of salary continuation during certain window severance programs in the calculation of Highest Average Monthly Earnings, as specified in Appendix B. Notwithstanding this or any

similar provision, no duplication of benefits may at any time occur under the Plan. Therefore, to the extent that a specific provision of the Plan provides for recognizing a benefit determining element (such as pensionable earnings or service) and this same element is or could be recognized in some other way under the Plan, the specific provision of the Plan shall govern and there shall be absolutely no duplicate recognition of such element under any other provision of the Plan, or pursuant to the Plan's integration with the Salaried Plan. This provision shall govern over any contrary provision of the Plan that might be interpreted to support duplication of benefits.

8.7 Section 457A: To avoid the application of Code section 457A ("Section 457A") to a Participant's Pension, the following shall apply to a Participant who transfers to a work location outside of the United States to provide services to a member of the PepsiCo Organization that is neither a United States corporation nor a pass-through entity that is wholly owned by a United States corporation ("Covered Transfer"):

(a) The Participant shall automatically vest in his or her Pension as of the last business day before the Covered Transfer;

(b) From and after the Covered Transfer, any benefit accruals or other increases or enhancements to the Participant's Pension relating to –

(1) Service, or

(2) The attainment of a specified age while in the employment of the PepsiCo

Organization ("age attainment"),

(collectively, "Benefit Enhancement") will not be credited to the Participant until the last day of the Plan Year in which the Participant renders the Service or has the age

attainment that results in such Benefit Enhancement, and then only to the extent permissible under subsection (c) below at that time; and

(c) The Participant shall have no legal right to (and the Participant shall not receive) any Benefit Enhancement that relates to Service or age attainment from and after the Covered Transfer to the extent such Benefit Enhancement would constitute compensation that is includable in income under Section 457A.

Notwithstanding the foregoing, subsection (a) above shall not apply to a Participant who has a Covered Transfer if, prior to the Covered Transfer, the Company provides a written communication (either to the Participant individually, to a group of similar Participants, to Participants generally, or in any other way that causes the communication to apply to the Participant – *i.e.*, an “applicable communication”) that these subsections do not apply to the Covered Transfer in question. Subsection (b) shall cease to apply as of the earlier of – (i) the date the Participant returns to service for a member of the PepsiCo Organization that is a United States corporation or a pass-through entity that is wholly owned by a United States corporation, or (ii) the effective date for such cessation that is stated in an applicable communication.

8.8 Authorized Transfers: If a Participant transfers to an entity that is not part of the PepsiCo Organization, the liability for any benefits accrued while the Participant was employed by the PepsiCo Organization shall remain with the Company.

## ARTICLE IX

### Amendment and Termination

This Article governs the Company's right to amend and or terminate the Plan. The Company's amendment and termination powers under this Article shall be subject, in all cases, to the restrictions on amendment and termination in Section 409A and shall be exercised in accordance with such restrictions to ensure continued compliance with Section 409A.

9.1 Continuation of the Plan: While the Company and the Employers intend to continue the Plan indefinitely, they assume no contractual obligation as to its continuance. In accordance with Section 8.4, the Company hereby reserves the right, in its sole discretion, to amend, terminate, or partially terminate the Plan at any time provided, however, that no such amendment or termination shall adversely affect the amount of benefit to which a Participant or his beneficiary is entitled under Article IV on the date of such amendment or termination, unless the Participant becomes entitled to an amount equal to such benefit under another plan or practice adopted by the Company (except as necessary to comply with Section 409A). Specific forms of payment are not protected under the preceding sentence.

9.2 Amendments: The Company may, in its sole discretion, make any amendment or amendments to this Plan from time to time, with or without retroactive effect, including any amendment necessary to ensure continued compliance with Section 409A. An Employer (other than the Company) shall not have the right to amend the Plan.

9.3 Termination: The Company may terminate the Plan, either as to its participation or as to the participation of one or more Employers. If the Plan is terminated with

respect to fewer than all of the Employers, the Plan shall continue in effect for the benefit of the Employees of the remaining Employers. Upon termination, the distribution of Participants' 409A Pensions shall be subject to restrictions applicable under Section 409A.

9.4 Change in Control: The Company intends to have the maximum discretionary authority to terminate the Plan and make distributions in connection with a Change in Control (defined as provided in Section 409A), and the maximum flexibility with respect to how and to what extent to carry this out following a Change in Control as is permissible under Section 409A. The previous sentence contains the exclusive terms under which a distribution shall be made in connection with any Change in Control in the case of benefits that are derived from this 409A Program.

## ARTICLE X

### ERISA Plan Structure

This Plan document in conjunction with the plan document(s) for the Pre-409A Program encompasses three separate plans within the meaning of ERISA, as are set forth in subsections (a), (b) and (c). This division into separate plans became effective as of July 1, 1996; previously the plans set forth in subsections (b) and (c) were a single plan within the meaning of ERISA.

(a) Excess Benefit Plan: An excess benefit plan within the meaning of section 3(36) of ERISA, maintained solely for the purpose of providing benefits for Salaried Plan participants in excess of the limitations on benefits imposed by section 415 of the Code.

(b) Excess Compensation Top Hat Plan: A plan maintained by the Company primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees within the meaning of sections 201(2) and 401(a)(1) of ERISA. The plan provides benefits for Salaried Plan participants in excess of the limitations imposed by section 401(a)(17) of the Code on benefits under the Salaried Plan (after taking into account any benefits under the Excess Benefit Plan). For ERISA reporting purposes, this portion of PEP may be referred to as the PepsiCo Pension Equalization Plan I.

(c) Preservation Top Hat Plan: A plan maintained by the Company primarily for the purpose of providing deferred compensation for a select group of

management or highly compensated employees within the meaning of sections 201(2) and 401(a)(1) of ERISA. The plan provides preserves benefits for those Salaried Plan participants described in section 5.2(a) hereof, by preserving for them the pre-1989 level of benefit accrual that was in effect before the Salaried Plan's amendment effective January 1, 1989 (after taking into account any benefits under the Excess Benefit Plan and Excess Compensation Top Hat Plan). For ERISA reporting purposes, this portion of PEP shall be referred to as the PepsiCo Pension Equalization Plan II.

Benefits under this Plan shall be allocated first to the Excess Benefit Plan, to the extent of benefits paid for the purpose indicated in (a) above; then any remaining benefits shall be allocated to the Excess Compensation Top Hat Plan, to the extent of benefits paid for the purpose indicated in (b) above; then any remaining benefits shall be allocated to the Preservation Top Hat Plan. These three plans are severable for any and all purposes as directed by the Company.

In addition to the above, to the extent that lump sum termination benefits are paid under this Plan in connection with a severed employee's Special Early Retirement (as defined in Appendix Article D) under a temporary severance program sponsored by the Company, this portion of the Plan shall be a component of the Company's unfunded severance plan that includes the temporary program of severance benefits in question. As a component of a severance plan, the lump sum termination benefits are welfare benefits, and this portion is part of a "welfare benefit plan" under ERISA section 3(1). This severance plan component shall exist solely (i) for the duration of the temporary severance program in question, and (ii) for the purpose of paying severance benefits. As a portion of an ERISA welfare plan, any such

temporary severance benefits hereunder shall not be subject to the reporting requirements for top hat plans under ERISA or any of the ERISA requirements for pension plans.

ARTICLE XI

Applicable Law

All questions pertaining to the construction, validity and effect of the Plan shall be determined in accordance with the provisions of ERISA. In the event ERISA is not applicable or does not preempt state law, the laws of the state of New York shall govern.

If any provision of this Plan is, or is hereafter declared to be, void, voidable, invalid or otherwise unlawful, the remainder of the Plan shall not be affected thereby.

ARTICLE XII

Signature

The PepsiCo Pension Equalization Plan, 409A Program, as amended and restated, is hereby adopted as of this 5th day of December, 2018, to be effective as of January 1, 2019 or as otherwise stated herein.

PEPSICO, INC.

By: /s/ Ruth Fattori  
Ruth Fattori  
Executive Vice President and  
Chief Human Resources Officer

APPROVED

By: /s/ Aline G. Haffner  
Aline G. Haffner  
Legal Director, Employee Benefits Counsel  
Law Department

By: /s/ Christine Griff  
Christine Griff  
Vice President, Tax Counsel  
Tax Department

## **APPENDIX**

The following Appendix articles modify particular terms of the Plan. Except as specifically modified in the Appendix, the foregoing main provisions of the Plan shall fully apply in determining the rights and benefits of Participants and beneficiaries (and of any other individual claiming a benefit through or under the foregoing). In the event of a conflict between the Appendix and the foregoing main provision of the Plan, the Appendix shall govern.

## **APPENDIX ARTICLE A -**

### **Transition Provisions**

#### **A.1 Scope.**

This Article A provides the transition rules for the Plan that were effective at some time during the period beginning January 1, 2005 and ending December 31, 2008 (the "Transition Period"). The time period during which each provision in this Article A was effective is set forth below.

#### **A.2 Transition Rules for Article II (Definitions).**

(a) Actuarial Equivalent. In addition to the provisions provided in Article II for determining actuarial equivalence under the Plan, for the duration of the Transition Period, to determine the amount of a Pension payable in the form of a Qualified Joint and Survivor Annuity or optional form of survivor annuity, as an annuity with inflation protection, or as a Single Life Annuity, the Plan Administrator used the actuarial factors under the Salaried Plan.

(b) Key Employee. In addition to the provisions provided in Article II for identifying Key Employees, the following operating rules were in effect for the indicated time periods –

(1) Operating Rules for 2005. To ensure that the Company did not fail to identify any Key Employees, in the case of Separation from Service distributions during the 2005 Plan Year, the Company treated as Key Employees

all Participants (and former Participants) classified (or grandfathered) for any portion of the 2005 Plan Year as Band IV and above.

(2) Operating Rules for 2006 and 2007. To ensure that the Company did not fail to identify any Key Employees, in the case of Separation from Service distributions during the 2006 Plan Year and 2007 Plan Year, the Company treated as Key Employees for such applicable Plan Year of their Separation from Service those individuals who met the provisions of (3) or (4) below (or both).

(3) The Company shall treat as Key Employees all Participants (and former Participants) who are classified (or grandfathered) as Band IV and above for any portion of the Plan Year prior to the Plan Year of their Separation from Service; and

(4) The Company shall treat as a Key Employee any Participant who would be a Key Employee as of his or her Separation from Service date based on the standards in this paragraph (4). For purposes of this paragraph (4), the Company shall determine Key Employees based on compensation (as defined in Code Section 415(c)(3)) that is taken into account as follows:

(A) If the determination is in connection with a Separation from Service in the first calendar quarter of a Plan Year, the determination shall be made using compensation earned in the calendar year that is two years prior to the current calendar year (e.g., for a determination made in the first quarter of 2006, compensation earned in the 2004 calendar year shall be used); and

(B) If the determination is in connection with a Separation from Service in the second, third or fourth calendar quarter of a Plan Year, the determination shall be made using the compensation earned in the prior calendar year (e.g., for a determination made in the second quarter of 2006, compensation earned in the 2005 calendar year shall be used).

A.3 Transition Rules for Article VI (Distributions):

409A Pensions that would have been paid out during the Transition Period under the provisions set forth in the main body of the Plan (but for the application of permissible transition rules under Section 409A) shall be paid out on March 1, 2009.

A.4 Transition Rules for Article VII (Administration):

Effective during the Transition Period, the language of Section 8.6(a) shall be replaced in its entirety with the following language:

“8.6(a) Compliance with Section 409A:

At all times during each Plan Year, this Plan shall be operated (i) in accordance with the requirements of Section 409A, and (ii) to preserve the status of deferrals under the Pre-409A Program as being exempt from Section 409A, i.e., to preserve the grandfathered status of the Pre-409A Program. Any action that may be taken (and, to the extent possible, any action actually taken) by the Plan Administrator or the Company shall not be taken (or shall be void and without effect), if such action violates the requirements of Section 409A or if such action would adversely affect the grandfather of the Pre-409A Program. If the failure to take an action under the Plan would violate Section 409A, then to the extent it is possible thereby to avoid a violation of Section 409A, the rights and effects under the Plan shall be altered to avoid such violation. A

corresponding rule shall apply with respect to a failure to take an action that would adversely affect the grandfather of the Pre-409A Program. Any provision in this Plan document that is determined to violate the requirements of Section 409A or to adversely affect the grandfather of the Pre-409A Program shall be void and without effect. In addition, any provision that is required to appear in this Plan document to satisfy the requirements of Section 409A, but that is not expressly set forth, shall be deemed to be set forth herein, and the Plan shall be administered in all respects as if such provision were expressly set forth. A corresponding rule shall apply with respect to a provision that is required to preserve the grandfather of the Pre-409A Program. In all cases, the provisions of this Section shall apply notwithstanding any contrary provision of the Plan that is not contained in this Section.”

#### A.5 Transition Rules for Severance Benefits.

Effective during the Transition Period, the following provisions shall apply according to their specified terms.

(a) Definitions:

(1) Where the following words and phrases, in boldface and underlined, appear in this Section A.5 with initial capitals they shall have the meaning set forth below, unless a different meaning is plainly required by the context. Any terms used in this Article A of the Appendix with initial capitals and not defined herein shall have the same meaning as in the main Plan, unless a different meaning is plainly required by the context.

(2) “**Special Early Retirement**” shall mean the Participant’s attainment of at least age 50 but less than age 55 with 10 years of Elapsed Time

Service as of the date of his Retirement, provided, however, that with respect to the 2008 Severance at Section A.5(d), for purposes of determining whether a Participant has met the age and service requirements, a Participant's age and years of Elapsed Time Service are rounded up to the nearest whole year.

(b) **2005 Severance:**

(1) Non-Retirement Eligible Employees: With respect to any Participant who terminated in 2005 as a result of a severance window program and who was not eligible for Retirement as of the date of his Separation from Service, the Participant's 409A Pension shall be paid as a Vested Pension under Section 6.1(b) of the Plan document, provided, however, that the Participant's 409A Pension will be paid at the same time as his Salaried Plan benefit. The available forms of payment shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2 of the Plan document.

(2) Non-Retirement Eligible Employees with Payments in 2007: With respect to any Participant who terminated in 2005 as a result of a severance window program, who was not eligible for Retirement as of the date of his Separation from Service, and whose 409A Pension Payment would otherwise be paid during 2007, the Participant's 409A Pension shall be paid as a Vested Pension under Section 6.1(b) of the Plan document, provided, however, that the Participant's 409A Pension will be paid at the later of (i) January 1, 2007 or (ii) when the Participant attained age 55. The available forms of payment shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2 of the Plan document.

(3) Retirement Eligible Employees: With respect to any Participant who terminated in 2005 as a result of a severance window program and who fulfilled the requirements for either a Normal or Early Retirement Pension under Article IV of the Plan document as of February 5, 2006, the Participant's 409A Pension shall be paid on the first day of the month following the Participant's Separation from Service in a lump sum.

(4) Retirement Eligible Employees (With Credit): With respect to any Participant who terminated in 2005 as a result of a severance window program and who fulfilled the requirements for either a Normal or Early Retirement Pension under Article IV of the Plan document as of his Separation from Service as a result of being provided additional Credited Service time by the Company, the Participant's 409A Pension shall be paid on the first day of the month following the Participant's Separation from Service in a lump sum.

(5) Special Early Retirement Eligible: With respect to any Participant who terminated in 2005 as a result of a severance window program and who fulfilled the requirements to be eligible for Special Early Retirement as of his Separation from Service, the Participant's 409A Pension shall be paid on the first day of the month following the Participant's Separation from Service in a lump sum.

(c) 2007 Severance:

(1) Non-Retirement Eligible Employees: With respect to any Participant who terminated in 2007 as a result of a severance window program and who was not eligible for Retirement as of the date of his Separation from

Service, the Participant's 409A Pension shall be paid as a Vested Pension under Section 6.1(b) of the Plan document. The available forms of payment shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2 of the Plan document.

(2) Retirement Eligible Employees: With respect to any Participant who terminated in 2007 as a result of a severance window program and who fulfilled the requirements for either a Normal or Early Retirement Pension under Article IV of the Plan document as of his Separation from Service, the Participant's 409A Pension shall be paid on the first day of the month following the Participant's Separation from Service in a lump sum; provided, however, that if a Participant made a valid Prior Payment Election under Section 6.1(a)(2) of the Plan document, his 409A Pension shall be paid according to such election.

(3) Employee Who Become Retirement Eligible:

(i) 409A Pension: With respect to any Participant who terminated in 2007 as a result of a severance window program and who fulfilled the requirements for either a Normal or Early Retirement Pension under Article IV of the Plan document between his Separation from Service and the last day of his paid leave of absence (if any), the Participant's 409A Pension shall be paid on the first day of the month following the later of (i) Participant's attainment of age 55 and (ii) his Separation from Service; the 409A Pension shall be paid as a Vested Pension under Section 6.1(b) of the Plan document. The available forms

of payment shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2 of the Plan document.

(ii) PEP Kicker: Any amount paid to a Participant otherwise described under this paragraph (3) as a replacement for benefits that the Participant could have earned under the Plan but for his Separation from Service shall be paid as a single lump sum, provided, however, that if a Participant made a valid Prior Payment Election under Section 6.1(a)(2) of the Plan document, the amounts described in this subparagraph (ii) shall be paid according to such election. All amounts to be paid shall be paid on the first day of the month following the later of (i) the Participant's attainment of age 55 or (ii) the Participant's Separation from Service.

(4) Special Retirement Eligible Employees:

(i) 409A Pension: With respect to any Participant who terminated in 2007 as a result of a severance window program and who fulfilled the requirements to be eligible for Special Early Retirement as of his Separation from Service, the Participant's 409A Pension shall be paid on the first day of the month following the Participant's attainment of age 55 as a Vested Pension under Section 6.1(b) of the Plan document. The available forms of payment shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2 of the Plan document.

(ii) PEP Kicker: Any amount paid to a Participant otherwise described under this paragraph (4) as a replacement for benefits that the

Participant could have earned under the Plan but for his Separation from Service shall be paid as a single lump sum, provided, however, that if a Participant made a valid Prior Payment Election under Section 6.1(a)(2) of the Plan document, the amounts described in this subparagraph (ii) shall be paid according to such election. All amounts to be paid shall be paid on the first day of the month following the Participant's attainment of age 55.

(5) Employees Who Become Special Retirement Eligible:

(i) 409A Pension: With respect to any Participant who terminated in 2007 as a result of a severance window program and who fulfilled the requirements to be eligible for Special Early Retirement during the period between his Separation from Service and the last day of his paid leave of absence (if any), the Participant's 409A Pension shall be paid on the first day of the month following the Participant's attainment of age 55 as a Vested Pension under Section 6.1(b) of the Plan document. The available forms of payment shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2 of the Plan document.

(ii) PEP Kicker: Any amount paid to a Participant otherwise described under this paragraph (5) as a replacement for benefits that the Participant could have earned under the Plan but for his Separation from Service shall be paid as a single lump sum, provided, however, that if a Participant made a valid Prior Payment Election under Section 6.1(a)(2) of

the Plan document, the amounts described in this subparagraph (ii) shall be paid according to such election. All amounts to be paid shall be paid on the first day of the month following the Participant's attainment of age 55.

(d) 2008 Severance:

(1) Non-Retirement Eligible Employees: With respect to any Participant who terminated in 2008 as a result of a severance window program and who was not eligible for Retirement as of the date of his Separation from Service, the Participant's 409A Pension shall be paid as a Vested Pension under Section 6.1(b) of the Plan document. The available forms of payment shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2 of the Plan document.

(2) Retirement Eligible Employees: With respect to any Participant who terminated in 2008 as a result of a severance window program and who fulfilled the requirements for either a Normal or Early Retirement Pension under Article IV of the Plan document as of his Separation from Service, the Participant's 409A Pension shall be paid on the first day of the month following the Participant's Separation from Service in a lump sum; provided, however, that if a Participant made a valid Prior Payment Election under Section 6.1(a)(2) of the Plan document, his 409A Pension shall be paid according to such election.

(3) Employee Who Become Retirement Eligible:

(i) 409A Pension: With respect to any Participant who terminated in 2008 as a result of a severance window program and who

fulfilled the requirements for either a Normal or Early Retirement Pension under Article IV of the Plan document between his Separation from Service and the last day of his paid leave of absence (if any), the Participant's 409A Pension shall be paid on the first day of the month following the later of (i) Participant's attainment of age 55 and (ii) his Separation from Service; the 409A Pension shall be paid as a Vested Pension under Section 6.1(b) of the Plan document. The available forms of payment shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2 of the Plan document.

(ii) PEP Kicker: Any amount paid to a Participant otherwise described under this paragraph (3) as a replacement for benefits that the Participant could have earned under the Plan but for his Separation from Service shall be paid as a single lump sum, provided, however, that if a Participant made a valid Prior Payment Election under Section 6.1(a)(2) of the Plan document, the amounts described in this subparagraph (ii) shall be paid according to such election. All amounts to be paid shall be paid on the first day of the month following the later of (i) Participant's attainment of age 55 or (ii) the Participant's Separation from Service.

(4) Employees Who Are or Become Special Retirement Eligible:

(i) 409A Pension: With respect to any Participant who terminated in 2008 as a result of a severance window program and who fulfilled the requirements to be eligible for Special Early Retirement as of his Separation from Service or during the period between his Separation

from Service and the last day of his paid leave of absence (if any), the Participant's 409A Pension shall be paid on the first day of the month following the Participant's attainment of age 55 as a Vested Pension under Section 6.1(b) of the Plan document. The available forms of payment shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2 of the Plan document.

(ii) PEP Kicker: Any amount paid to a Participant otherwise described under this paragraph (4) as a replacement for benefits that the Participant could have earned under the Plan but for his Separation from Service shall be paid as a single lump sum, provided, however, that if a Participant made a valid Prior Payment Election under Section 6.1(a)(2) of the Plan document, the amounts described in this subparagraph (ii) shall be paid according to such election. All amounts to be paid shall be paid on the first day of the month following the Participant's attainment of age 55.

(e) Delay for Key Employees: To the extent that a Participant is a Key Employee (as defined in Section A.2(b), above) with respect to any payment provided under this Section A.5, and to the extent that payment of his 409A Pension is on account of his Separation from Service, his 409A Pension shall be subject to the delay in payment provided under Section 6.6 of the main Plan document.

(f) Compliance with 19(c): All payments that are to be made under this Section A.5 were scheduled to be made during the calendar year in which the Participant terminated employment, with payments to be made as provided herein. All elections

made by the Company with respect to such payments were made in compliance with Notice 2005-1 and other provisions of Code Section 409A.

#### A.6 Certain Participants

The following transition rules shall apply only with respect to the following described Participants:

(a) A Participant's PEP Credited Service shall be deemed to be five years if the Participant terminates employment in 2005 while classified as Band VI (or equivalent), and his employment with an Employer was for a limited duration assignment of less than five years. A Participant shall be deemed to be vested for purposes of this Plan if the Participant terminates employment in 2005 while classified as Band VI (or equivalent), and his employment with an Employer was for a limited duration assignment of less than five years.

(b) In the case of a Participant who on October 9, 2007 selects an Annuity Starting Date of November 1, 2007 for the Participant's Pension under the Salaried Plan which is payable in a single lump sum (after taking into account the special rule in Section 6.3(a)(2), if necessary), the portion of the Participant's benefit under the Plan that is not subject to Section 409A of the Code shall be paid in a single lump sum six months after the Participant's Annuity Starting Date under the Salaried Plan.

(c) In the case of a Participant who on September 3, 2004 selects a fixed date of payment of February 1, 2005 for the Participant's Pension under the Plan, the following provisions shall apply:

- (1) Such fixed date shall be the commencement date for the Participant's benefit under the Plan,
- and

(2) The calculation of the Participant's benefit under the Plan shall be made taking into account service to be performed during any period for which the Participant is to provide consulting services to the Company, even if such services are to be performed after the payment date specified in paragraph (1).

A.7 Transition Rules for Article VI (409A Disability Pension Pre-Separation Accruals):

(a) Distribution: The portion of a Participant's 409A Disability Pension representing Pre-Separation Accruals that would have been paid out during the Transition Period under the provisions set forth in the main body of the Plan (but for the application of permissible transition rules under Section 409A) shall commence on March 1, 2009. The available forms of payment of a Participant's 409A Disability Pension representing Pre-Separation Accruals shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2 of the Plan (including the different forms available to a married versus an unmarried Participant).

(b) Additional Benefit: If a Participant who is paid the Pre-Separation Accruals of his 409A Disability Pension under the provisions of subsection A.7(a) of this Appendix Article A dies prior to his expected mortality date (based on the mortality table specified by Schedule 1 of Section 2.1(b) (Actuarial Equivalent) of the Plan document as of January 1, 2009), his beneficiary shall be paid the lump sum actuarial equivalent of the annuity payments that would have been made from the date of the Participant's death until his expected mortality date (had the Participant not died). The payment to the beneficiary shall be made within 30 days following the Participant's death. Notwithstanding anything else in Section 6.5 of the Plan, a Participant subject to this subsection shall be permitted to name a beneficiary (in a form and manner

acceptable to the Plan Administrator) for purposes of receiving the additional benefit described in this subsection. If the Participant fails to name a beneficiary for this purpose, his beneficiary shall be the beneficiary selected under Section 6.5 of the Plan, or if none, then his Eligible Spouse or Eligible Domestic Partner (as applicable). If the Participant does not have an Eligible Spouse or Eligible Domestic Partner as of the date of his death, then his beneficiary shall be his estate.

## **APPENDIX ARTICLE B -**

### **Computation of Earnings and Service During Certain Severance Windows**

#### **B.1 Definitions:**

Where the following words and phrases, in boldface and underlined, appear in this Appendix B with initial capitals they shall have the meaning set forth below, unless a different meaning is plainly required by the context. Any terms used in this Article B of the Appendix with initial capitals and not defined herein shall have the same meaning as in the main Plan, unless a different meaning is plainly required by the context.

(a) “**Severance Program**” shall mean a program providing certain severance benefits that are paid while the program’s participants are on a severance leave of absence that is determined by the Plan Administrator to qualify for recognition as Service under Section B.3 and Credited Service under Section B.4 of Article B.

(b) “**Eligible Bonus**” shall mean an annual incentive payment that is payable to the Participant under the Severance Program and that is identified under the terms of the Severance Program as eligible for inclusion in determining the Participant’s Highest Average Monthly Earnings.

#### **B.2 Inclusion of Salary and Eligible Bonus:**

The Plan Administrator may specify that, pursuant to a Participant’s participation in a severance window program provided by the Company, if a Participant receives a severance benefit pursuant to a Severance Program, all salary continuation and any Eligible Bonus earned or to be earned during the first 12 months of a leave of absence period provided to the

Participant under such Severance Program will be counted toward the Participant's Highest Average Monthly Earnings, even if such salary or other earnings are to be received after a Participant's Separation from Service. In particular, if payment of a Participant's 409A Pension is to be made at Separation from Service and prior to the Participant's receipt of all of the salary continuation or Eligible Bonus that is payable to the Participant from the Severance Program, the Participant's Highest Average Monthly Earnings shall be determined by taking into account the full salary continuation and eligible bonus that is projected to be payable to the Participant during the first 12 months of a period of leave of absence that is granted to the Participant under the Severance Program.

**B.3 Inclusion of Credited Service:**

The Plan Administrator may specify that, pursuant to a Participant's participation in a severance window program provided by the Company, if a Participant receives a severance benefit under a Severance Program, all Credited Service earned or to be earned during the first 12 months of the period of severance will be counted toward the Participant's Credited Service for purposes of determining the Participant's Pension and a Pre-Retirement Spouse's Pension or Pre-Retirement Eligible Domestic Partner's Pension, even if the period of time counted as Credited Service under the Severance Program occurs after a Participant's Separation from Service.

**B.4 Inclusion of Service:**

The Plan Administrator may specify that, pursuant to a Participant's participation in a severance window program provided by the Company, if a Participant receives a severance benefit under a Severance Program, all Service earned or to be earned during the first 12 months of the period of severance will be counted toward the Participant's Service for purposes

of determining the Participant's Pension and a Pre-Retirement Spouse's Pension or Pre-Retirement Eligible Domestic Partner's Pension, even if the period of time counted as Service under the Severance Program occurs after a Participant's Separation from Service.

**B.5 Reduction to Reflect Early Payment:**

If the Participant receives either (1) additional Credited Service or (2) additional earnings that are included in Highest Average Monthly Earnings under Sections B.2 or B.3 of this Article B, as a result of a severance benefit provided under a Severance Program and such additional Credited Service or earnings are included in the calculation of the Participant's Pension prior to the time that the Credited Service is actually performed by the Participant, or the earnings are actually paid to the Participant, the Pension paid to the Participant shall be adjusted actuarially to reflect the receipt of the portion of the Pension attributable to such Credited Service or earnings received on account of the Severance Program prior to the time such Credited Service is performed or such earnings are actually paid to the Participant. For purposes of determining the adjustment to be made, the Plan shall use the rate provided under the Salaried Plan for early payment of benefits.

## **APPENDIX ARTICLE C**

### **International and PIRP Transfer Participants**

#### **C.1 Scope:**

This Article provides special rules for calculating the benefit of an individual who is either an “International Transfer Participant” under Section C.2 below or a “PIRP Transfer Participant” under Section C.4 below. The benefit of an International Transfer Participant shall be determined under Section C.3 below, subject to Section C.6 below. The benefit of a PIRP Transfer Participant shall be determined under Section C.5 below. Once a benefit is determined for an International Transfer Participant or a PIRP Transfer Participant under this Article, such benefit shall be subject to the Plan’s normal conditions and shall be paid in accordance with the Plan’s normal terms. All benefits paid under this Article are subject to Code section 409A, including any accrued prior to January 1, 2005. The provisions of this Article relating to International Transfer Participants are effective April 1, 2007. The provisions of this Article relating to PIRP Transfer Participants are effective January 1, 2016 (but they may take into account years that precede January 1, 2016).

#### **C.2 International Transfer Participants:**

An “International Transfer Participant” is a Participant who is:

(a) General Rule: An individual who, following a transfer to an April 2007 Foreign Subsidiary (as defined in paragraph (5) of the Employer definition in Section 2.1 of Part B of the Salaried Plan, as in effect on January 1, 2014)), would qualify as an Employee within the meaning of paragraph (2)(vi) of the Employee definition in Section 2.1 of Part B of the Salaried Plan, as in effect on January 1, 2014 (U.S. citizen or resident

alien on qualifying temporary international assignment) but for the fact that his assignment with the April 2007 Foreign Subsidiary is in a position of employment that is classified as Band 4 (or its equivalent) or higher; or

(b) Special Rule for Certain Permanent Assignments to Mexico: Notwithstanding subsection (a) above, an International Transfer Participant also includes an individual who was transferred to an April 2007 Foreign Subsidiary based in Mexico, and who would qualify as an Employee within the meaning of paragraph (2)(vi) of the Employee definition in Section 2.1 of Part B of the Salaried Plan, as in effect on January 1, 2014 (U.S. citizen or resident alien on qualifying temporary international assignment) but for the fact that:

(1) His assignment with the April 2007 Foreign Subsidiary is in a position that is classified as Band 4 (or its equivalent) or higher;

(2) Mexico is his home country on the records of the Expat Centre for Excellence group or its successor (in accordance with such paragraph (2)(vi)); and

(3) The duration of his assignment with the April 2007 Foreign Subsidiary in Mexico is not limited to 5 years or less.

An individual described in subsection (a) or (b) above may still qualify as an International Transfer Participant if his transfer to an April 2007 Foreign Subsidiary occurred prior to April 1, 2007 (the effective date of this Article), provided he satisfied the terms of subsection (a) or (b) above on the date of his transfer.

### C.3 Benefit Formula for International Transfer Participants:

Except as provided in this Section C.3, an International Transfer Participant's benefit under the Plan shall be determined using a calculation methodology that is substantially similar to that which applies under Section 5.1 of the Plan.

(a) Total Pension for International Transfer Participant: Notwithstanding the preceding sentence, an International Transfer Participant's "Total Pension" (as defined in Section 5.1(c)(1) of the Plan) shall be calculated as if he continued to receive Credited Service and Earnings under the Salaried Plan while working for the April 2007 Foreign Subsidiary to which he transferred following his employment with an Employer based in the United States, without regard to the actual date on which he ceased receiving Credited Service and Earnings under the Salaried Plan. However, the Total Pension of an International Transfer Participant whose transfer to an April 2007 Foreign Subsidiary occurred prior to 1992 shall not take into account Credited Service and Earnings for employment with the April 2007 Foreign Subsidiary prior to 1992.

(b) Calculation of International Transfer Participant's Benefit: The International Transfer Participant's benefit under the Plan shall be calculated by reducing his Total Pension as determined under subsection (a) above (expressed as a lump sum as of his benefit commencement date under the Plan) by the following amounts:

(1) The amount of his actual benefit under the Salaried Plan (expressed as a lump sum amount on his benefit commencement date), and

(2) Any amounts paid to him from a "qualifying plan" as that term is defined under Section 3.5(c)(4) of Part B of the Salaried Plan (Transfers and Non-Duplication) with respect to his assignment with the April 2007 Foreign

Subsidiary (with such amounts expressed as a lump sum on his benefit commencement date under this Plan).

#### C.4 Definitions Related to PIRP Transfer Participants:

The following definitions apply for purposes of Sections C.1, C.4 and C.5 of this Article.

(a) "Accrued Benefit" is the benefit payable to a PIRP Transfer Participant, under PIRP-DB or this Plan, in the form of a single-life annuity and payable on the first of the month that is coincident with or next following the PIRP Transfer Participant's 65<sup>th</sup> birthday.

(b) "PIRP-DB" is the portion of the PepsiCo International Retirement Program that provides a program of defined benefits.

(c) "PIRP-DB Employer" is the Company or an affiliate of the Company that is an "Employer" under the terms of PIRP-DB.

(d) "PIRP-DB Pensionable Service" is service that qualifies as "Pensionable Service" under the terms of PIRP-DB.

(e) "PIRP-DB Salary" is compensation that qualifies as "Salary" under the terms of PIRP-DB.

(f) A "PIRP Transfer Participant" is an individual who is described in paragraph (1) or (2) below.

(1) Incoming PIRP Transfer Participant: An individual – (i) who is employed during a year (including a year preceding 2016) by a PIRP-DB Employer in a position that is eligible to accrue benefits under PIRP-DB (or would be eligible if Section 9.14 of PIRP-DB did not apply), (ii) who is then transferred by the Company during the year from such position to a position that is eligible to

accrue benefits under the Salaried Plan, (iii) whose PIRP-DB accrual for the Year of Transfer is blocked by Section 9.14 of PIRP-DB, (iv) who would otherwise be entitled to a PIRP-DB benefit enhancement for the Year of Transfer that relates to PIRP-DB Salary or PIRP-DB-Pensionable Service for the year of the transfer, and (v) whose PIRP-DB benefit was not already paid out by December 1, 2016 (but disregarding any such paid-out PIRP-DB benefit for this purpose that the PIRP-DB Vice President determines should be treated under this clause as if it had not been paid out).

(2) Outgoing PIRP Transfer Participant: An individual – (i) who is employed during a year (including a year preceding 2016) by an Employer in a position that is eligible to accrue benefits under the Salaried Plan, (ii) who is then transferred by the Company during the year from such position to a position that is eligible to accrue benefits under PIRP-DB (or would be eligible if Section 9.14 of PIRP-DB did not apply), (iii) whose PIRP-DB accrual for the Year of Transfer is blocked by Section 9.14 of PIRP-DB, (iv) who would otherwise be entitled to a PIRP-DB benefit enhancement for the Year of Transfer that relates to PIRP-DB Salary or PIRP-DB Pensionable Service for the year of the transfer, and (v) whose PIRP-DB benefit was not already paid out by December 1, 2016 (but disregarding any such paid-out PIRP-DB benefit for this purpose that the PIRP-DB Vice President determines should be treated under this clause as if it had not been paid out).

(g) The “PIRP-DB Vice President” is the Company executive who has the role of the “Vice President” under the terms of PIRP-DB.

(h) A "U.S. Person" is an individual who is classified as a "U.S. Person" under the terms of PIRP-DB.

(i) "Year of Transfer" is the year in which a transfer described in subsection (f) above occurs.

#### C.5 Benefit Formula for PIRP Transfer Participants:

Except as provided in this Section C.5, a PIRP Transfer Participant's benefit under the Plan shall be determined using a calculation methodology that is substantially similar to that which applies under Section 5.1 of the Plan.

(a) Total Pension for PIRP Transfer Participant: Notwithstanding the preceding sentence, a PIRP Transfer Participant's "Total Pension" (as defined in Section 5.1(c)(1) of the Plan) shall be calculated as provided in paragraphs (1) and (2) below.

(1) First, a PIRP Transfer Participant's Total Pension shall be calculated as if he were an eligible employee under the Salaried Plan for the entire Year of Transfer, and as if he received Credited Service and Earnings under the Salaried Plan for the Year of Transfer equal to – (i) his actual Credited Service and Earnings under the Salaried Plan for the Year of Transfer, increased by (ii) any other compensation and service for the Year of Transfer that would have been recognized as PIRP-DB Salary and PIRP DB Pensionable Service, if Section 9.14 of PIRP-DB did not apply for the Year of Transfer.

(2) If (during a year a PIRP Transfer Participant is otherwise accruing benefits under this Plan) the PIRP Transfer Participant would be credited with PIRP-DB Salary that cannot be recognized under PIRP as a result of Section 9.14 of PIRP-DB, and if this PIRP-DB Salary would be considered for accrual purposes

under PIRP-DB in connection with PIRP-DB Pensionable Service that is not recognized under this Plan, the increase in the PIRP Transfer Participant's Accrued Benefit under PIRP that is related to this PIRP-DB Pensionable Service and that is blocked by Section 9.14 of PIRP-DB shall be added to the PIRP Transfer Participant's Accrued Benefit under this Plan. In the case of a PIRP Transfer Participant who has a Separation from Service on or after January 1, 2017, this increase in the PIRP Transfers Participant's Accrued Benefit under this Plan shall result in an appropriate increase, determined in the Company's discretion, in the Total Pension determined under paragraph (1) above. Notwithstanding the foregoing, in determining Credited Service and Earnings under this subsection (a), no compensation or service shall be taken into account more than once, and a PIRP Transfer Participant's Total Pension shall be determined in a way that avoids any duplication of benefits that will be provided to or on behalf of the PIRP Transfer Participant under PIRP-DB (after applying Section 9.14 of PIRP-DB) or another plan maintained or contributed to by the Company or an affiliate, but without applying any offset that would violate Code Section 409A.

(b) Calculation of PIRP Transfer Participant's Benefit: The PIRP Transfer Participant's benefit under the Plan shall be calculated by reducing his Total Pension as determined under subsection (a) above by the reductions that are normally applicable under Article V. In addition, in the case of a PIRP Transfer Participant who has a Separation from Service on or after January 1, 2017, if (during a year a PIRP Transfer Participant is otherwise accruing benefits under this Plan) the value of the PIRP Transfer Participant's benefit under PIRP-DB would increase (if Section 9.14 of PIRP-DB did not

apply) as a result of the PIRP Transfer Participant becoming eligible for early retirement under PIRP-DB, then the projected increase in value of the PIRP-DB benefit at the PIRP Transfer Participant's retirement under PIRP-DB, which will be blocked by Section 9.14 of PIRP, shall result in an appropriate increase, determined in the Company's discretion, in the Participant's benefit under this Plan that is payable at the time and in the form applicable under this Plan. The appropriate increase shall be determined net of any expected increase in the value of the benefit under this Plan related to becoming eligible for Early Retirement under this Plan. In addition, a PIRP Transfer Participant's appropriate increase shall be determined in a way that avoids any duplication of benefits that will be provided to or on behalf of the PIRP Transfer Participant under PIRP-DB (after applying Section 9.14 of PIRP-DB) or another plan maintained or contributed to by the Company or an affiliate, but without applying any offset that would violate Code Section 409A.

C.6 Alternative Arrangements Permitted:

Notwithstanding any provision of this Article or the Plan to the contrary, the Company and a Participant who would qualify as an International Transfer Participant under Section C.2 above may agree in writing to disregard the provisions of this Article in favor of another mutually agreed upon benefit arrangement under the Plan that complies with Code Section 409A, in which case this Article shall not apply.

**APPENDIX ARTICLE D**

**Band 4 or Higher Rehired Yum Participants**

D.1 Scope:

Effective May 1, 2009, this Article provides special rules for calculating the benefit of a transferred Participant whose transfer would be an Eligible Transfer under Section TRI.2(e) of the Part B of the Salaried Plan but for the fact that such individual is reemployed by the Company on or after May 1, 2009, into a position that is classified as Band 4 (or its equivalent) or higher. For purposes of determining such Participant's Total Pension within the meaning of Section 5.1(c)(1), but not for purposes of determining such Participant's Salaried Plan Pension within the meaning of Section 5.1(c)(2), such Participant's position on reemployment will be deemed to be classified as below Band 4 (or its equivalent), so that the Participant's transfer is eligible to be treated as an Eligible Transfer (subject to the other conditions thereof) and the Participant is eligible for the imputed service provisions of Section TRI.4(b) and (c). Such Participant's benefit otherwise shall be subject to the Plan's usual conditions and shall be paid in accordance with the Plan's usual terms. All benefits paid under this Article are subject to Code section 409A.

**APPENDIX ARTICLE E -**

**Time and Form of Payment for Benefits Paid During Severance Windows**

E.1 Scope.

This Article E sets forth the time and form of payment provisions that apply to benefits under the Plan that are paid to a Covered Participant (as defined in Section E.2 below). This Article is effective for Participants who are terminated in a Severance Program or under circumstances that qualify them for an Individual Severance Agreement (each as defined in Section E.2 below) on or after January 1, 2009 (or in the case of Participants covered by Appendix Article PBG, on or after January 1, 2012). Nothing in this Article E shall make any of the additional benefits that are made available under the Plan in any Severance Program or pursuant to any Individual Severance Agreement a permanent feature of the Plan.

E.2 Definitions:

Where the following words and phrases appear in this Appendix E with initial capitals, they shall have the meaning set forth below unless a different meaning is plainly required by the context. Any terms used in this Article E of the Appendix with initial capitals and not defined herein shall have the same meaning as in the main Plan, unless a different meaning is plainly required by the context.

(a) "Applicable Summary Plan Description" means the summary plan description that sets forth the terms and conditions of a particular Severance Program.

(b) "Covered Participant" means a Participant whose employment with the Company is terminated and who is eligible for Special Early Retirement either (i) under a

Severance Program and pursuant to the terms of the Applicable Summary Plan Description, or (ii) pursuant to the terms of an Individual Severance Agreement.

(c) “Individual Severance Agreement” means an agreement between the Company and a Covered Participant that – (i) sets forth the terms and conditions of the Covered Participant’s termination of employment and (ii) expressly provides that the termination qualifies the Covered Participant for Special Early Retirement under PEP.

(d) “Kicker” means the Special Early Retirement benefit that is provided to a Covered Participant pursuant to the terms of an Applicable Summary Plan Description or an Individual Severance Agreement and that is equal to the following: (i) the Participant’s benefit under the Salaried Plan and this Plan as of his Termination Date, determined based on the benefit formulas and early retirement reduction factors for Early Retirement Pensions under each plan, minus (ii) the Participant’s Vested Pension under the Salaried Plan and this Plan as of the Termination Date, determined based on the benefit formulas and reduction factors for Vested Pensions under each plan. The Kicker shall be divided into the following components:

(1) The “PEP Kicker,” which is the portion of the Kicker paid under the Plan as a replacement for benefits that the Participant could have earned under the Plan but for his Separation from Service (either in a Severance Program or pursuant to the terms of an Individual Severance Agreement) prior to attaining Normal or Early Retirement under the Plan; and

(2) The “Qualified Kicker,” which is the portion of the Kicker paid under the Plan as a replacement for benefits that the Participant could have earned under the Salaried Plan but for his termination of employment (either in

a Severance Program or pursuant to the terms of an Individual Severance Agreement) prior to attaining Normal or Early Retirement under the Salaried Plan.

In determining the early retirement reduction factors for ages before 55, the monthly rate of reduction applicable between age 56 and age 55 shall apply unless (i) in the case of a Participant who is eligible for Special Early Retirement under a Severance Program, a different factor is used in the Salaried Plan for employees covered by the same Severance Program in which case such other factor shall be used, and (ii) in the case of a Participant who is eligible for Special Early Retirement pursuant to the terms of an Individual Severance Agreement, a different factor is called for therein, in which case such other factor shall be used.

(e) “Severance Program” has the same meaning that applies to that term under Appendix Section ERW.2(f) of Part B of the Salaried Plan (legacy PepsiCo Appendix).

(f) “Special Early Retirement” means a retirement from the Company that either – (i) satisfies all of the conditions for receiving special early retirement benefits that are set forth in an Applicable Summary Plan Description, or (ii) is expressly recognized as qualifying for special early retirement benefits pursuant to the terms of an Individual Severance Agreement.

(g) “Termination Date” means the later of – (i) the Covered Participant’s Separation from Service, or (ii) date as of which the Covered Participant’s severance leave of absence (if any) is projected to terminate under the terms of the Applicable Summary Plan Description or the Individual Severance Agreement, as applicable. If

clause (ii) of the preceding sentence applies, then a Participant's Termination Date shall be determined as of the date of the Participant's Separation from Service using the formulas for calculating the severance leave of absence, as such formulas are in effect under the Applicable Summary Plan Description or the Individual Severance Agreement when the legally binding right to special early retirement benefits arises in connection with the Severance Program or pursuant to the Individual Severance Agreement. A Participant's Termination Date, once set in accordance with the prior two sentences, shall not change based on any circumstances or events that follow the date of the Participant's Separation from Service.

E.3 Time and Form of Payment for 409A Pension:

A Covered Participant's 409A Pension (calculated without regard to the Kicker for purposes of this Section E.3) shall be paid as follows:

(a) Non-Retirement Eligible Participants: If a Covered Participant is not eligible for Retirement as of his Separation from Service, the Participant's 409A Pension shall be paid as a Vested Pension under Section 6.1(b) according to the form of payment provisions applicable to Vested Pensions under Section 6.2.

(b) Retirement Eligible Participants:

(1) If the Covered Participant is eligible for a Normal, Early or Late Retirement Pension under Article IV as of his Separation from Service, the Participant's 409A Pension shall be paid as a Retirement Pension under Section 6.1(a)(1); provided, however, that if the Participant made a valid prior payment election under Section 6.1(a)(2), his 409A Pension shall be paid as a Retirement Pension in accordance with such election.

(2) If the Covered Participant becomes eligible for a Normal or Early Retirement Pension after his Separation from Service, including during the period between his Separation from Service and the last day of his paid leave of absence (if any), the Participant's 409A Pension shall be paid as a Vested Pension under Section 6.1(b) according to the form of payment provisions applicable to Vested Pensions under Section 6.2.

(c) Special Early Retirement Eligible Participants: If a Covered Participant is eligible for Special Early Retirement as of his Separation from Service or becomes so eligible during the period between his Separation from Service and the last day of his paid leave of absence (if any), the Participant's 409A Pension shall be paid as a Vested Pension under Section 6.1(b) according to the form of payment provisions applicable to Vested Pensions under Section 6.2.

#### E.4 Time and Form of Payment of Kicker Benefits:

A Covered Participant's PEP Kicker and Qualified Kicker shall be paid as follows:

(a) PEP Kicker: A Participant's PEP Kicker shall be paid as a single lump sum on the first day of the month following the later of (i) the Participant's 55<sup>th</sup> birthday, or (ii) the Participant's Separation from Service; provided, however, that if the Participant made a valid Prior Payment Election under Section 6.1(a)(2), the Participant's PEP Kicker shall be paid according to such election (even in cases where the Participant's 409A Pension is paid according to Section E.3(b)(2) above). In the event the Participant dies after meeting the requirements for a PEP Kicker but before it is paid, the PEP Kicker shall be paid to his Surviving Spouse or surviving Eligible Domestic Partner in a single lump

sum 60 days following his death, and if there is no Surviving Spouse or surviving Eligible Domestic Partner, then to the Participant's estate.

(b) Qualified Kicker: A Participant's Qualified Kicker shall be paid based on his Separation from Service as a single lump sum on the first day of the month coincident or next following his Termination Date; provided, however, that if the Applicable Summary Plan Description or Individual Severance Agreement that creates the Participant's legally binding right to the Qualified Kicker expressly provides for a different time and/or form of payment, the provisions of this subsection (b) shall not apply, and the Participant's Qualified Kicker shall be paid as provided in the Applicable Summary Plan Description or Individual Severance Agreement, as applicable. In the event the Participant dies after meeting the requirements for a Qualified Kicker but before it is paid, the Qualified Kicker shall be paid to his Surviving Spouse or surviving Eligible Domestic Partner in a single lump sum 60 days following his death, and if there is no Surviving Spouse or surviving Eligible Domestic Partner, then to the Participant's estate.

E.5 Delay for Key Employees:

Notwithstanding any provision of this Appendix E to the contrary, if a Participant is determined to be a Key Employee, any payment under this Article E that is made on account of his Separation from Service shall be subject to the required delay in payment for Key Employees under Section 6.6, except to the extent that the payment qualifies for an exemption from the application of Section 409A.

## **APPENDIX ARTICLE F -**

### **U.K. Supplementary Appendix Participants with U.S. Service**

#### F.1 Scope:

This Article applies to “Covered U.K. Employees” as defined in Section F.2 below. The benefit of a Covered U.K. Employee shall be determined as provided in Section F.3 below. Once a benefit is determined for a Covered U.K. Employee under this Article, it shall be paid in accordance with the Plan’s normal terms regarding the time and form of payment. All benefits payable under this Article are subject to Code section 409A. This Article has been restated effective January 1, 2016 (the original version of this Article was effective January 1, 2011, and it applied, in accordance with its prior terms, to periods of service before January 1, 2016).

#### F.2 “Covered U.K. Employee” Defined:

A “Covered U.K. Employee” is a participant in the PepsiCo U.K. Pension Plan (“U.K. Participant”) who – (i) becomes subject to United States income taxes, *e.g.*, by transferring to a position with the Company in the United States or otherwise (hereinafter referenced as “Engages in U.S. Service”), (ii) continues to accrue benefits under the PepsiCo U.K. Pension Plan after he Engages in U.S. Service, (iii) would have also accrued a benefit under the U.K. Supplementary Pension Appendix for such period following when he Engages in U.S. Service (except for the unavailability of accruals under such Appendix for the period a U.K. Participant Engages in U.S. Service), (iv) subsequently either – (A) is localized in the United States as an employee of the PepsiCo Organization, or (B) terminates employment with the PepsiCo Organization (provided this occurs before the date the U.K. Participant commences an assignment with the PepsiCo Organization that is located outside the United States, as defined

in the Code), and (v) only after fully satisfying all of the preceding clauses, is then designated by the Company (in its completely unfettered discretion) as a Covered U.K. Employee and thereby granted a legally binding right to a benefit under this Article F at the time of the designation. The period that a U.K. Participant Engages in U.S. Service shall begin on the first day that he becomes subject to United States income taxes (his "U.S. Commencement Date"), and it shall end on the date he is no longer subject to U.S. income taxes or, if earlier, the date his Plan benefits under this Article F commence (his "U.S. Cessation Date").

**F.3 Benefit for Covered U.K. Employees:**

A Covered U.K. Employee's benefit under the Plan shall be determined by calculating, as of his Modified U.S. Cessation Date, his "Total U.K. Supplementary Benefit" and then subtracting from this amount his "Frozen U.K. Supplementary Benefit." For this purpose, a Covered U.K. Employee's—

(a) "Modified U.S. Cessation Date" is the earliest of the following – (i) the date he is no longer subject to U.S. income taxes, (ii) the date he first satisfies clause (iv) of Section F.2, (iii) the date he commences an assignment with the PepsiCo Organization that is located outside the United States (as defined in the Code), or (iv) the date his Plan benefits under this Article F commence.

(b) "Total U.K. Supplementary Benefit" is equal to the total benefit that he would have under the terms of the U.K. Supplementary Pension Appendix, calculated based on all service and compensation with the Company through his Modified U.S. Cessation Date that is counted in the calculation of his benefit under the PepsiCo U.K. Pension Plan (or that would be counted but for a limitation applicable to the plan under

U.K. law), and with such total benefit expressed in the form of a single lump sum that is payable as of the date his benefits under this Article F commence, and

(c) "Frozen U.K. Supplementary Benefit" is equal to the total benefit that he had under the terms of the U.K. Supplementary Pension Appendix as of immediately before his U.S. Commencement Date, and with such total benefit expressed in the form of a single lump sum that is payable as of the date his benefits under this Article F commence.

The calculation provided for in the preceding sentence shall be made in accordance with the operating rules set forth in Section F.4 below.

#### F.4 Operating Rules:

The following operating rules apply to the calculation in Section F.3. above.

(a) In general, accruals under the PepsiCo U.K. Pension Plan for the period after a Covered U.K. Employee's U.S. Cessation Date shall not reduce the benefit under this Article F determined under Section F.3. Notwithstanding the prior sentence and anything in Section F.3 to the contrary, to the extent a Covered U.K. Employee's accruals under the PepsiCo U.K. Pension Plan for the period after a Covered U.K. Employee's U.S. Cessation Date have more than fully offset the Covered U.K. Employee's accruals under the U.K. Supplementary Pension Appendix (and the excess would have been offset against the benefit under this Article F had such benefit accrued under the U.K. Supplementary Appendix), then any such excess as of the date benefits under this Article F commence (expressed as a lump sum as of such date) shall be offset against the benefits under this Article F to the extent such offset would not violate Code Section 409A.

(b) In determining the value of a lump sum under this Article F, the actuarial assumptions that are used shall be actuarial assumptions that comply with Section 417(e) of the Code and, specifically, are the Code Section 417(e) assumptions that would be used under the PepsiCo Salaried Employees Retirement Plan to pay a retirement lump sum as of the date applicable that the lump sum in question is to be determined under this Article F.

(c) A Covered U.K. Employee's Frozen U.K. Supplementary Benefit shall be determined on the basis of assuming that the Covered U.K. employee voluntarily terminated employment and any other service relationship with the PepsiCo Organization as of immediately before his U.S. Commencement Date.

(d) This subsection applies if the terms of the PepsiCo U.K. Pension Plan or the U.K. Supplementary Pension Appendix are amended during a year in a way that would change the results under the Section F.3 calculation, and such amendment otherwise applies earlier than the immediately following year. In this case, to the extent that doing is necessary to comply with Code Section 409A, the calculation in Section F.3 shall be made by delaying the application of the amendment so that it is prospectively effective starting with the immediately following year.

(e) In the event a Covered U.K. Employee (i) has earned a benefit under this Article F, (ii) has reached his U.S. Cessation Date, and (iii) then again Engages in U.S. Service and meets all of the requirements to be a Covered U.K. Employee when he again Engages in U.S. Service, the foregoing terms shall be applied again to determine if he earns a benefit for the new period that he Engages in U.S. Service, except that any resulting benefit from this new period shall be reduced by the lump sum value of any

prior benefit under this Article F (as necessary to completely avoid any duplication of benefits).

(f) In the event a Covered U.K. Employee (i) has earned a benefit under this Article F, (ii) has reached his U.S. Cessation Date, and (iii) then is employed by the PepsiCo Organization in a classification that would be eligible for an accrual under the provisions of the Plan other than this Article F (the "Other Provisions"), then the Other Provisions shall be applied to determine if he earns a benefit under the Other Provisions for the new period of service, except that any resulting benefit from this new period of service shall be reduced by the lump sum value of any prior benefit under this Article F (as necessary to completely avoid any duplication of benefits).

F.5 No Other Benefits:

A Covered U.K. Employee shall not be entitled to any other benefits under this Plan or the Salaried Plan while he is a Covered U.K. Employee (or while he would be a Covered U.K. Employee if clauses (iv) and (v) of Section F.2. were not included in the definition of Covered U.K. Employee). In addition, prior to the time that an individual has satisfied all of the requirements to be considered a Covered U.K. Employee, the individual has no legally binding right to a benefit under this Article F. Accordingly, for the avoidance of doubt, at any point before such time, the Company may take action that prevents the individual from becoming entitled to a benefit under this Article F (e.g., by deciding that it will not designate the individual as a Covered U.K. Employee, in an unfettered exercise of the Company's discretion), regardless of the services performed or other actions taken by the individual through this point in time, and regardless of any other factor.

## **APPENDIX ARTICLE G -**

### **Delay Election For Certain Pre-2018 Terminees**

#### **G.1 Scope:**

This Article provides an opportunity for certain Participants, who Separated from Service before January 1, 2018 and who are eligible to receive a 409A Vested Pension, to make a one-time election to delay the distribution of their 409A Vested Pension as permitted by Code section 409A(a)(4)(C). This opportunity is referred to in this Appendix G as a Delay Election. This Article is effective as of January 1, 2018.

#### **G.2 Eligibility for Making a Delay Election.**

To be eligible to make a Delay Election, a Participant must:

- (a) Have Separated from Service before January 1, 2018,
- (b) Be eligible for a 409A Vested Pension for which the scheduled payment date under the regular terms of the Plan, as determined by the Plan Administrator, (the "Scheduled Payment Date") is at least 12 months after the date the Participant will make the election, and
- (c) Be selected and notified by the Company, in its sole discretion, for the opportunity to make a Delay Election.

#### **G.3 Requirements for Making a Delay Election**

To be effective, a request for a Delay Election must:

- (a) Become fully effective and irrevocable at least 12 months in advance of the Scheduled Payment Date that was previously in effect, and

(b) Specify a new scheduled date for payment commencement that is at least 5 years later than the Participant's Scheduled Payment Date (but that is not later than the first of the month coincident with or immediately following the Participant's 65th birthday) (the "New Scheduled Payment Date").

G.4 No Change in Form

A Participant is not permitted to use a Delay Election to change the form of payment of his or her distribution, except that:

(a) The Participant's marital status as of the New Scheduled Payment Date shall determine the form of annuity payable under the Delay Election (with such marital status determined as of the New Scheduled Payment Date in accordance with Section 6.3(c) ("Determination of Marital Status")), and

(b) Any reduction for early commencement (as applicable under Section 5.1(b) ("Basis for Determining")) of the benefit, which is subject to the Delay Election, shall be determined with reference to the New Scheduled Payment Date.

G.5 Cashout Provisions Not Superseded.

A benefit to which an effective Delay Election applies remains subject to the cashout distribution provisions in Section 4.9.

## **APPENDIX ARTICLE H –**

### **Definitions of Eligible Domestic Partner Applicable Prior to January 1, 2019**

#### H.1 Scope.

This Article H provides the definition of Eligible Domestic Partner for periods prior to January 1, 2019.

#### H.2 Definition of Eligible Domestic Partner.

Paragraphs a, b, c and d are effective for the dates indicated in the paragraph. Paragraph e sets forth general rules. Paragraph f sets forth defined terms.

a) January 1, 2016 through December 31, 2018 Provisions For applicable dates from January 1, 2016 through December 31, 2018, “Eligible Domestic Partner” status is not recognized under the Plan, in light of the Supreme Court’s 2015 decision that the Constitution guarantees the right to same-sex marriage.

1. Limited Exception for 2016 Plan Year. Notwithstanding the foregoing, and solely for applicable dates in 2016, in the case of a Participant who (i) has a relationship with an individual on December 31, 2015 that is recognized as an eligible domestic partner or civil union relationship under paragraph (2) below and (ii) on any date during the 2015 Plan Year, is either an Employee who is actively employed or on an Authorized Leave of Absence from the PepsiCo Organization or a Participant, Eligible Domestic Partner means the individual with whom the Participant has entered into such an arrangement that was valid on the applicable date.

b) June 26, 2013 through December 31, 2015 Provisions.

1. Civil Unions. If on the applicable date the Participant resides in a state that does not permit same-sex marriage and the Participant has entered into a same-sex civil union that is valid on the applicable date in the state in which it was entered into, the Participant's Eligible Domestic Partner (if any) is the individual with whom the Participant has entered into such a same-sex civil union. If a Participant resides in a state that does not permit same-sex marriage but does permit same-sex civil unions, the Participant is not eligible to have an Eligible Domestic Partner unless the Participant is in a valid same-sex civil union.
2. State of Residence Allows Neither Civil Unions Nor Marriage. If the Participant does not have an Eligible Domestic Partner (and is not eligible to have one) pursuant to subsection (a) above, the Participant's Eligible Domestic Partner (if any) is the individual with whom the Participant has executed a legally binding same-sex domestic partner agreement that meets the requirements set forth in writing by the Company with respect to eligibility for domestic partner benefits that is in effect on the applicable date. If such Participant has not entered into such an agreement, the Participant is not eligible to have an "Eligible Domestic Partner."
- c) January 1, 2013 through June 25, 2013 Provisions. For applicable dates from January 1, 2013 through June 25, 2013, Eligible Domestic Partner means an individual described in paragraph (3) above, and also includes the following: If on the applicable date the Participant has entered into a same-sex marriage that is valid

on the applicable date in the state in which it was entered into, the Participant's Eligible Domestic Partner (if any) is the Participant's spouse pursuant to such same-sex marriage. If the Participant resides in a state that permits same-sex marriage, the Participant is not eligible to have an Eligible Domestic Partner unless either (a) the Participant is in a valid same-sex marriage or (b) such state did not start to permit same-sex marriages until less than 12 months before the applicable date.

- d) Pre-2013 Provisions. For applicable dates before January 1, 2013, "Eligible Domestic Partner" status was not available in the Plan.
- e) Additional Rules. This paragraph (5) applies to the definition of Eligible Domestic Partner for the applicable dates covered by this H notwithstanding any provisions in paragraphs (1), (2),(3) or (4) to the contrary. The term "Eligible Domestic Partner does not apply to an individual who is of the opposite sex of the Participant. A Participant who lives in a state that permits same-sex marriage is not permitted to have an Eligible Domestic Partner. In the case of applicable dates prior to January 1, 2016, if the Participant's state started to permit same-sex marriage or same-sex civil unions less than 12 months before the applicable date, the Participant is treated as residing in a state that does not permit same-sex marriage or same-sex civil unions, as the case may be, for purposes of this definition of Eligible Domestic Partner.
- f) Defined Terms. For purposes of the definition of "Eligible Domestic Partner" in this Article H, the following definitions apply: "applicable date" means the earlier of the Participant's Annuity Starting Date and date of death, and "state" means any domestic or foreign jurisdiction having the legal authority to sanction marriages or civil unions.

## **APPENDIX ARTICLE PBG**

Effective as of the end of the day on December 31, 2011, the PBG PEP is hereby merged with and into the PepsiCo PEP, with the PepsiCo PEP as the surviving plan after the merger. The following Appendix Article PBG governs PBG PEP benefits that were subject to the 409A PBG PEP Document prior to the merger, except as follows: Articles VII (Administration), VIII (Miscellaneous), IX (Amendment and Termination), X (ERISA Plan Structure) and XI (Applicable Law) of the main section of this document shall govern PBG PEP benefits that were subject to the 409A PBG PEP Document. There shall be no change to the time or form of payment of benefits that are subject to Code section 409A under either the PepsiCo PEP or PBG PEP Document as a result of the plan merger or the revisions made to the 409A PBG PEP Document when it was incorporated into this Appendix.

### **ARTICLE I TO APPENDIX ARTICLE PBG - HISTORY AND PURPOSE**

1.1 **History of Plan.** The Pepsi Bottling Group, Inc. ("PBG") established the PBG Pension Equalization Plan ("PEP" or "Plan") effective April 6, 1999 for the benefit of salaried employees of the PBG Organization who participate in the PBG Salaried Employees Retirement Plan ("Salaried Plan"). The Plan was initially established as a successor plan to the PepsiCo Pension Equalization Plan, due to PBG's April 6, 1999 initial public offering, and the Plan included historical PepsiCo provisions which are relevant for eligibility and benefit determinations under the Plan. The Plan provides benefits for eligible employees whose pension benefits under the Salaried Plan are limited by the provisions of the Internal Revenue Code of 1986, as amended. In addition, the Plan provides benefits for certain eligible employees based on the pre-1989

Salaried Plan formula. Effective April 1, 2009, the Plan also provides benefits for employees whose eligible pay under the Salaried Plan is reduced due to the employees' elective deferrals under the PBG Executive Income Deferral Program and for certain executives who would be "Grandfathered Participants" under the Salaried Plan but for their classification as salary band E3-E8 or MP (or its equivalent, for periods on and after the Effective Time). The Plan is intended as a nonqualified unfunded deferred compensation plan for federal income tax purposes. For purposes of the Employee Retirement Income Security Act of 1974 ("ERISA"), the Plan is structured as two plans. The portion of the Plan that provides benefits based on limitations imposed by Section 415 of the Internal Revenue Code (the "Code") is intended to be an "excess benefit plan" as described in Section 4(b)(5) of ERISA. The remainder of the Plan is intended to be a plan described in Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA providing benefits to a select group of management or highly-compensated employees.

The Plan has been amended from time to time, most recently in the form of an amendment and complete restatement effective as of April 1, 2009 ("2009 Restatement"). PBG further amended the Plan as a result of the merger of PBG with and into Pepsi-Cola Metropolitan Bottling Company, Inc., a wholly-owned subsidiary of PepsiCo, Inc. (the "Company"), pursuant to the Agreement and Plan of Merger dated as of August 3, 2009 among PBG, the Company and Pepsi-Cola Metropolitan Company, Inc., and to facilitate the Company's assumption of PBG's role as the Plan's sponsor.

**1.2 Effect of Amendment and Restatement.** The Plan as in effect on October 3, 2004 is referred to herein as the Prior Plan.

Except as otherwise explicitly provided in Section 6.1(b)(3) of this Plan, a Participant's benefit (including death benefits), determined under the terms of the Plan as in effect on October 3,

2004 as if the Participant had terminated employment on December 31, 2004, without regard to any compensation paid or services rendered after 2004, or any other events affecting the amount of or the entitlement to benefits (other than the Participant's survival or the Participant's election under the terms of the Plan with respect to the time or form of benefit) (the "Grandfathered Benefit") shall be paid at the time and in the form provided by the terms of the Plan as in effect on October 3, 2004.

The benefit of a Participant accrued under this Plan based on all compensation and services taken into account by the Prior Plan and this Plan, less the Participant's Grandfathered Benefit, shall be paid in the times and in the form as provided in this Plan. Except as otherwise explicitly provided in this Plan, this Plan superseded the Prior Plan effective January 1, 2009, with respect to amounts accrued and vested after 2004 by Participants who had not commenced receiving benefits as of January 1, 2009. The Plan was administered in accordance with a good faith interpretation of Section 409A of the Internal Revenue Code and IRS regulations and guidance thereunder from January 1, 2005 through December 31, 2008. Amounts accrued under this Plan after 2004 shall be treated as payable under a separate Plan for purposes of Section 409A of the Internal Revenue Code.

## **ARTICLE II TO APPENDIX ARTICLE PBG - DEFINITIONS AND CONSTRUCTION**

2.1 **Definitions.** The following words and phrases, when used in this Plan, shall have the meaning set forth below unless the context clearly indicates otherwise. Unless otherwise expressly qualified by the terms or the context of this Plan, the terms used in this Plan shall have the same meaning as those terms in the Salaried Plan.

(a) **Actuarial Equivalent**. Except as otherwise specifically set forth in the Plan or any Appendix to the Plan with respect to a specific benefit determination, a benefit of equivalent value computed on the basis of the factors applicable for such purposes under the Salaried Plan.

(b) **Annuity**. A Pension payable as a series of monthly payments for at least the life of the Participant.

(c) **Code**. The Internal Revenue Code of 1986, as amended from time to time.

(d) **Company**. PepsiCo, Inc., a corporation organized and existing under the laws of the State of North Carolina or its successor or successors. For periods prior to the Effective Time, "Company" means The Pepsi Bottling Group, Inc."

(e) **Compensation Limitation**. Benefits not payable under the Salaried Plan because of the limitations on the maximum amount of compensation which may be considered in determining the annual benefit of the Salaried Plan Participant under Section 401(a)(17) of the Code.

(f) **Effective Date**. The date upon which this Plan was effective, which is April 6, 1999 (except as otherwise provided herein).

(g) **Effective Time**. February 26, 2010. .

(h) **EID**. The PBG Executive Income Deferral Program, as amended from time to time.

(i) [Reserved]

(j) **Employee**. An individual who qualifies as an "Employee" as that term is defined in the Salaried Plan.

(k) **Employer**. An entity that qualifies as an “Employer” as that term is defined in the Salaried Plan.

(l) **ERISA**. Public Law No. 93-406, the Employee Retirement Income Security Act of 1974, as amended from time to time.

(m) **Participant**. An Employee participating in the Plan in accordance with the provisions of Section 3.1.

(n) **PepsiCo/PBG Organization**. The controlled group of organizations of which the Company is a part, as defined by Section 414 of the Code and the regulations issued thereunder. An entity shall be considered a member of the PepsiCo/PBG Organization only during the period it is one of the group of organizations described in the preceding sentence. The application of this definition for periods prior to the Effective Time shall take into account the different definition of “Company” that applies before the Effective Time.

(o) **PEP Pension**. One or more payments that are payable to a person who is entitled to receive benefits under the Plan. The term “Grandfather Benefit” shall be used to refer to the portion of a PEP Pension that is payable in accordance with the Plan as in effect October 3, 2004 and is not subject to Section 409A.

(p) **PepsiCo Prior Plan**. The PepsiCo Pension Equalization Plan.

(q) **Plan**. Effective January 1, 2012, Appendix Article PBG to the PepsiCo Pension Equalization Plan, as set forth herein, and as amended from time to time. Prior to January 1, 2012, the PBG Pension Equalization Plan, as amended from time to time. In these documents, the Plan is also sometimes referred to as PEP. For periods before April 6, 1999, references to the Plan refer to the PepsiCo Prior Plan.

(r) **Plan Administrator**. The PepsiCo Administration Committee (PAC), which shall have authority to administer the Plan as provided in Article VII of the main portion of the document.

(s) **Plan Year**. The 12-month period ending on each December 31<sup>st</sup>.

(t) **Primary Social Security Amount**. In determining Pension amounts, Primary Social Security Amount shall mean:

(1) For purposes of determining the amount of a Retirement, Vested, Pre-Retirement Spouse's Pension, or Pre-Retirement Domestic Partner's Pension, the Primary Social Security Amount shall be the estimated monthly amount that may be payable to a Participant commencing at age 65 as an old-age insurance benefit under the provisions of Title II of the Social Security Act, as amended. Such estimates of the old-age insurance benefit to which a Participant would be entitled at age 65 shall be based upon the following assumptions:

(i) That the Participant's social security wages in any year prior to Retirement or severance are equal to the Taxable Wage Base in such year, and

(ii) That he will not receive any social security wages after Retirement or severance.

However, in computing a Vested Pension under Section 4.2, the estimate of the old-age insurance benefit to which a Participant would be entitled at age 65 shall be based upon the assumption that he continued to receive social security wages until age 65 at the same rate as the Taxable Wage Base in effect at the earlier of his severance from employment or the date such participant

ceased to accrue benefits under both the Salaried Plan and this Plan. For purposes of this subsection, “social security wages” shall mean wages within the meaning of the Social Security Act.

(2) For purposes of paragraph (1), the Primary Social Security Amount shall exclude amounts that may be available because of the spouse or any dependent of the Participant or any amounts payable on account of the Participant’s death. Estimates of Primary Social Security Amounts shall be made on the basis of the Social Security Act as in effect at the Participant’s Severance from Service Date, without regard to any increases in the social security wage base or benefit levels provided by such Act which take effect thereafter.

(u) **Salaried Plan.** The PepsiCo Salaried Employees Retirement Plan; as it may be amended from time to time; provided that a Participant’s benefit under this Plan shall be determined solely by reference to Part C of the Salaried Plan.

(v) **Salaried Plan Participant.** An Employee who is a participant in the Salaried Plan.

(w) **Section 409A.** Section 409A of the Code and the applicable regulations and other guidance issued thereunder.

(x) **Section 415 Limitation.** Benefits not payable under the Salaried Plan because of the limitations imposed on the annual benefit of a Salaried Plan Participant by Section 415 of the Code.

(y) **Separation from Service.** A Participant’s separation from service as defined in Section 409A.

(z) **Single Lump Sum.** The distribution of a Participant's total PEP Pension in excess of the Participant's Grandfathered Benefit in the form of a single payment.

(aa) **Specified Employee.** The individuals identified in accordance with principles set forth below.

(1) **General.** Any Participant who at any time during the applicable year is:

(i) An officer of any member of the PBG Organization having annual compensation greater than \$130,000 (as adjusted under Section 416(i)(1) of the Code);

(ii) A 5-percent owner of any member of the PBG Organization; or

(iii) A 1-percent owner of any member of the PBG Organization having annual compensation of more than \$150,000.

For purposes of (i) above, no more than 50 employees identified in the order of their annual compensation shall be treated as officers. For purposes of this section, annual compensation means compensation as defined in Treas. Reg. § 1.415(c)-2(a), without regard to Treasury Reg. §§ 1.415(c)-2(d), 1.415(c)-2(e), and 1.415(c)-2(g). The Plan Administrator shall determine who is a Specified Employee in accordance with Section 416(i) of the Code and the applicable regulations and other guidance of general applicability issued thereunder or in connection therewith, and provided further that the applicable year shall be determined in accordance with Section 409A and that any modification of the foregoing definition that applies under Section 409A shall be taken into account.

(2) Applicable Year. Except as otherwise required by Section 409A, the Plan Administrator shall determine Specified Employees as of the last day of each calendar year, based on compensation for such year, and such designation shall be effective for purposes of this Plan for the twelve month period commencing on April 1<sup>st</sup> of the next following calendar year.

(3) Rule of Administrative Convenience. In addition to the foregoing, the Plan Administrator shall treat all other Employees classified as E5 and above on the applicable determination date prescribed in subsection (2) (i.e., the last day of each calendar year) as a Specified Employee for purposes of the Plan for the twelve-month period commencing of the applicable April 1<sup>st</sup> date. However, if there are at least 200 Specified Employees without regard to this provision, then it shall not apply. If there are less than 200 Specified Employees without regard to this provision, but full application of this provision would cause there to be more than 200 Specified Employees, then (to the extent necessary to avoid exceeding 200 Specified Employees) those Employees classified as E5 and above who have the lowest base salaries on such applicable determination date shall not be Specified Employees.

(4) Identification of Specified Employees Between February 26, 2010 and March 31, 2010. Notwithstanding the foregoing, for the period between February 26, 2010 and March 31, 2010, Specified Employees shall be identified by combining the lists of Specified Employees of all Employers as in effect immediately prior to the Effective Time. The foregoing method of identifying Specified Employees is intended to comply with Treas. Reg. § 1.409A-1(i)(6)(i),

which authorizes the use of an alternative method of identifying Specified Employees that complies with Treas. Reg. §§ 1.409A-1(i)(5) and -1(i)(8) and Section VII.C.4.d of the Preamble to the Final Regulations under Section 409A of the Code, which permits “service recipients to simply combine the pre-transaction separate lists of specified employees where it is determined that such treatment would be administratively less burdensome.”

(5) Identification of Specified Employees on and After April 1, 2010. Notwithstanding the foregoing, for the periods on after April 1, 2010, Key Employees shall be identified as follows:

(i) For the period that begins on April 1, 2010, and ends on March 31, 2011, an employee shall be a Specified Employee (subject to subparagraph (iii) below) if he was classified as at least a Band IV or its equivalent on December 31, 2009. For this purpose, an employee shall be considered to be at least a Band IV or its equivalent as of a date if the employee is classified as one of the following types of employees in the PepsiCo Organization on that date: (i) a Band IV employee or above in a PepsiCo Business, (ii) a Level E7 employee or above in a PBG Business, or (iii) a Salary Grade 19 employee or above at a PAS Business.

(ii) For the twelve-month period that begins on April 1, 2011, and for each twelve-month period that begins on April 1 in subsequent years, an employee shall be a Specified Employee (subject to subparagraph (iii) below) if the employee was an employee of the PepsiCo Organization who was classified as Band IV or above on the December 31 that immediately precedes such April 1.

(iii) Notwithstanding the rule of administrative convenience in paragraph (3) above, an employee shall be a Specified Employee for the 12-month period that begins on any April 1, if as of the preceding December 31 the employee would be a specified employee, within the meaning of Treasury Regulation 1.409A-1(i), or any successor, by applying as of such December 31 the default rules that apply under such regulation for determining the minimum number of a service recipient's specified employees. If the preceding sentence and the methods for identifying Specified Employees set forth in subparagraph (i) or (ii) above, taken together, would result in more than 200 individuals being counted as Specified Employees as of any December 31 determination date, then the number of individuals treated as Specified Employees pursuant to subparagraph (i) or (ii), who are not described in the first sentence of this subparagraph (iii), shall be reduced to 200 by eliminating from consideration those employees otherwise added by such subparagraph in order of their base compensation, from the lowest base compensation to the highest.

(iv) For purposes of this paragraph (5), "PAS Business" means each employer, division of an employer or other organizational subdivision of an employer that the Company classifies as part of the PAS business; "PBG Business" means each employer, division of an employer or other organizational subdivision of an employer that the Company classifies as part of the PBG business; and "PepsiCo Business" means each employer, division of an employer or other organizational subdivision of an employer that the Company classifies as part of the PepsiCo business.

The method for identifying Specified Employees set forth in this definition is intended as an alternative method of identifying Specified Employees under Treas. Reg. § 1.409A-1(i)(5), and

is adopted herein and shall be interpreted and applied consistently with the rules applicable to such alternative arrangements.

(bb) **Vested Pension**. The PEP Pension available to a Participant who has a vested PEP Pension and is not eligible for a Retirement Pension.

2.2 **Construction**. The terms of the Plan shall be construed in accordance with this section.

(a) **Gender and Number**. The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender, and the singular may include the plural, unless the context clearly indicates to the contrary.

(b) **Compounds of the Word "Here"**. The words "hereof", "hereunder" and other similar compounds of the word "here" shall mean and refer to the entire Plan, not to any particular provision or section.

### **ARTICLE III TO APPENDIX ARTICLE PBG - PARTICIPATION**

3.1 Each Salaried Plan Participant whose benefit under the Salaried Plan is curtailed by the Compensation Limitation or the Section 415 Limitation, or both, and each other Salaried Plan Participant (i) who is a Grandfathered Employee as defined in Section 3.7 of the Salaried Plan and who made elective deferrals to the EID on or after April 1, 2009 and before January 1, 2011 (inclusively); (ii) who would have been considered a Grandfathered Participant as defined in Section 3.7 of the Salaried Plan during the period April 1, 2009 through December 31, 2010 if the Participant had not been classified by the Employer as salary band E3-E8 or MP on March 31, 2009; or (iii) whose 1988 pensionable "earnings" under the Salaried Plan, as described in Section 4.2(a), were \$75,000 or more, shall participate in this Plan.

#### ARTICLE IV TO APPENDIX ARTICLE PBG - AMOUNT OF RETIREMENT PENSION

4.1 **PEP Pension.** Subject to Sections 4.5 and 8.7, a Participant's PEP Pension shall equal the amount determined under (a) or (b) of this Section 4.1, whichever is applicable. Such amount shall be determined as of the date of the Participant's Separation from Service.

(a) **Same Form as Salaried Plan.** If a Participant's PEP Pension will be paid in the same form and will commence as of the same time as his pension under the Salaried Plan, then his monthly PEP Pension shall be equal to the excess of:

(1) The greater of:

(i) the monthly pension benefit which would have been payable to such Participant under the Salaried Plan without regard to (I) the Compensation Limitation; (II) the Section 415 Limitation; (III) the exclusion from Earnings of amounts deferred at the election of the Participant under the EID on or after April 1, 2009 and before January 1, 2011; and (IV) the April 1, 2009 through December 31, 2010 exclusion from the Salaried Plan definition of a Grandfathered Participant of a Participant who, as of March 31, 2009, was classified as salary band E3-E8 or MP and had attained age 50 and completed five years of Service or whose sum of his age and years of Service was at least 65; and

(ii) if applicable, the amount determined in accordance with Section 4.2, expressed in such form and payable as of such time; over

(2) The amount of the monthly pension benefit that is in fact payable to such Salaried Plan Participant under the Salaried Plan, expressed in such form and payable as of such time.

The amount of the monthly pension benefit so determined, less the portion of such benefit that is the Participant's Grandfathered Benefit, shall be payable as provided in Section 6.2.

(b) **Different Form than Salaried Plan**. If a Participant's PEP Pension will be paid in a different form (whether in whole or in part) or will commence as of a different time than his pension benefit under the Salaried Plan, his PEP Pension shall be the product of:

(1) The greater of:

(i) the monthly pension benefit which would have been payable to such Participant under the Salaried Plan without regard to (I) the Compensation Limitation; (II) the Section 415 Limitation; (III) the exclusion from Earnings of amounts deferred at the election of the Participant under the EID on or after April 1, 2009 and before January 1, 2011; and (IV) the March 31, 2009 through December 31, 2010 exclusion from the Salaried Plan definition of a Grandfathered Participant of a Participant who, as of such date, was classified as salary band E3-E8 or MP and had attained age 50 and completed five years of Service or whose sum of his age and years of Service was at least 65; and

(ii) if applicable, the amount determined in accordance with Section 4.2, expressed in the form and payable as of such time as applies to his PEP Pension under this Plan, multiplied by

(2) A fraction, the numerator of which is the value of the amount determined in Section 4.1(b)(1), reduced by the value of his pension under the Salaried Plan, and the denominator of which is the value of the amount determined in Section 4.1(b)(1) (with value determined on a reasonable and consistent basis, in the discretion of the Plan Administrator, with respect to similarly situated employees).

The amount of the monthly pension benefit so determined, less the portion of such benefit that is the Participant's Grandfathered Benefit, shall be payable as provided in Section 6.2.

Notwithstanding the above, in the event any portion of the accrued benefit of a Participant under this Plan or the Salaried Plan is awarded to an alternate payee pursuant to a qualified domestic relations order, as such terms are defined in Section 414(p) of the Code, the Participant's total PEP Pension shall be adjusted, as the Plan Administrator shall determine, so that the combined benefit payable to the Participant and the alternate payee from this Plan and the Salaried Plan is the amount determined pursuant to subsections 4.1(a) and (b) above, as applicable.

4.2 **PEP Guarantee.** Subject to Section 8.7, a Participant who is eligible under subsection (a) below shall be entitled to a PEP Guarantee benefit determined under subsection (b) below, if any.

(a) **Eligibility.** A Participant shall be covered by this section if the Participant has 1988 pensionable earnings from an Employer of at least \$75,000. For purposes of this section, "1988 pensionable earnings" means the Participant's remuneration for the 1988 calendar year that was recognized for benefit accrual received under the Salaried

Plan as in effect in 1988. "1988 pensionable earnings" does not include remuneration from an entity attributable to any period when that entity was not an Employer.

(b) **PEP Guarantee Formula.** The amount of a Participant's PEP Guarantee shall be determined under paragraph (1), subject to the special rules in paragraph (2).

(1) Formula. The amount of a Participant's PEP Guarantee under this paragraph shall be determined as follows:

(i) Three percent of the Participant's Highest Average Monthly Earnings for the first 10 years of Credited Service, plus

(ii) One percent of the Participant's Highest Average Monthly Earnings for each year of Credited Service in excess of 10 years, less

(iii) One and two-thirds percent of the Participant's Primary Social Security Amount multiplied by years of Credited Service not in excess of 30 years.

In determining the amount of a Vested Pension, the PEP Guarantee shall first be calculated on the basis of (I) the Credited Service the Participant would have earned had he continued to accrue Credited Service until his Normal Retirement Age, and (II) his Highest Average Monthly Earnings and Primary Social Security Amount at the earlier of his Severance from Service Date or the date such Participant ceased to accrue additional benefits under both the Salaried Plan and this Plan, and then shall be reduced by multiplying the resulting amount by a fraction, the numerator of which is the Participant's actual years of Credited Service on the earlier of his Severance from Service Date or the date such Participant ceased to accrue additional benefits under both the Salaried Plan and

this Plan and the denominator of which is the years of Credited Service he would have earned had he continued to accrue Credited Service until his Normal Retirement Age.

(2) Calculation. The amount of the PEP Guarantee shall be determined pursuant to paragraph (1) above, subject to the following special rules:

(i) Surviving Eligible Spouse's or Eligible Domestic Partner's Annuity: Subject to subparagraph (iii) below and the last sentence of this subparagraph, if the Participant has an Eligible Spouse or Eligible Domestic Partner and has commenced receipt of an Annuity under this section, the Participant's Eligible Spouse or Eligible Domestic Partner shall be entitled to receive a survivor annuity equal to 50 percent of the Participant's Annuity under this section, with no corresponding reduction in such Annuity for the Participant. Annuity payments to a surviving Eligible Spouse or Eligible Domestic Partner shall begin on the first day of the month coincident with or following the Participant's death and shall end with the last monthly payment due prior to the Eligible Spouse's or Eligible Domestic Partner's death. If the Eligible Spouse or Eligible Domestic Partner is more than 10 years younger than the Participant, the survivor benefit payable under this subparagraph shall be adjusted as provided below.

(A) For each full year more than 10 but less than 21 that the surviving Eligible Spouse or Eligible Domestic Partner is

younger than the Participant, the survivor benefit payable to such Eligible Spouse or Eligible Domestic Partner shall be reduced by 0.8 percent.

(B) For each full year more than 20 that the surviving Eligible Spouse or Eligible Domestic Partner is younger than the Participant, the survivor benefit payable to such Eligible Spouse or Eligible Domestic Partner shall be reduced by an additional 0.4 percent. This subparagraph applies only to a Participant who retires on or after his Early Retirement Date.

(ii) Reductions. The following reductions shall apply in determining a Participant's PEP Guarantee.

(A) If the Participant will receive an Early Retirement Pension, the payment amount shall be reduced by  $\frac{3}{12}^{\text{ths}}$  of 1 percent for each month by which the benefit commencement date precedes the date the Participant would attain his Normal Retirement Date.

(B) If the Participant is entitled to a Vested Pension, the payment amount shall be reduced to the Actuarial Equivalent of the amount payable at his Normal Retirement Date (if payment commences before such date), and the reductions set forth in the Salaried Plan for any

Pre-Retirement Spouse's coverage or Pre-Retirement Domestic Partner's coverage shall apply.

(C) This clause applies if the Participant will receive his PEP Guarantee in a form that provides an Eligible Spouse or Eligible Domestic Partner benefit, continuing for the life of the surviving spouse or surviving domestic partner, that is greater than that provided under subparagraph (i). In this instance, the Participant's PEP Guarantee under this section shall be reduced so that the total value of the benefit payable on the Participant's behalf is the Actuarial Equivalent of the PEP Guarantee otherwise payable under the foregoing provisions of this section.

(D) This clause applies if the Participant will receive his PEP Guarantee in a form that provides a survivor annuity for a beneficiary who is not his Eligible Spouse or Eligible Domestic Partner. In this instance, the Participant's PEP Guarantee under this section shall be reduced so that the total value of the benefit payable on the Participant's behalf is the Actuarial Equivalent of a Single Life Annuity for the Participant's life.

(E) This clause applies if the Participant will receive his PEP Guarantee in an Annuity form that includes inflation protection described in the Salaried Plan. In this instance, the Participant's PEP Guarantee under this section shall be reduced so that the total value of the benefit payable on the Participant's behalf is the Actuarial Equivalent of the elected Annuity without such protection.

(iii) Lump Sum Conversion. The amount of the PEP Guarantee determined under this section for a Participant whose Retirement Pension will be distributed in the form of a lump sum shall be the Actuarial Equivalent of the Participant's PEP Guarantee determined under this section, taking into account the value of any survivor benefit under subparagraph (i) above and any early retirement reductions under subparagraph (ii)(A) above.

(iv) April 1, 2009 Salaried Plan Changes.

(A) The amount of the PEP Guarantee determined under this section for a Participant who, as of March 31, 2009, was classified as salary band E3-E8 or MP and who had attained age 50 and completed five years of Service or (inclusively) whose sum of his age and years of Service was at least 65 shall be determined as if such Participant were a Grandfathered Participant in the Salaried Plan on April 1, 2009 (so that Earnings and Credited Service were not frozen as of March 31, 2009 for the period April 1, 2009 through December 31, 2010).

(B) Highest Average Monthly Earnings shall be determined without regard to the exclusion from Earnings under the Salaried Plan of amounts deferred at the election of the Participant under the EID on or after April 1, 2009 and before January 1, 2011.

**4.3 Certain Adjustments.** Pensions determined under the foregoing sections of this Article are subject to adjustment as provided in this section. For purposes of this section, "specified plan" shall mean the Salaried Plan or a nonqualified pension plan similar to this Plan. A nonqualified pension plan is similar to this Plan if it is sponsored by a member of the PBG

Organization and if its benefits are not based on participant pay deferrals (this category of similar plans includes the PepsiCo Prior Plan).

(a) **Adjustments for Rehired Participants**. This subsection shall apply to a current or former Participant who is reemployed after his Annuity Starting Date and (i) whose benefit under the Salaried Plan is recalculated based on an additional period of Credited Service, or (ii) whose benefit under the Salaried Plan would have been recalculated, based on an additional period of Credited Service if the Participant would have been considered a Grandfathered Participant as defined in Section 3.7 of the Salaried Plan if the Participant was not classified by the Employer as salary band E3-E8 or MP. In such event, the Participant's PEP Pension shall be recalculated hereunder. For this purpose, the PEP Guarantee under Section 4.2 is adjusted for in-service distributions and prior distributions in the same manner as benefits are adjusted under the Salaried Plan, but by taking into account benefits under this Plan and any specified plans.

(b) **Adjustment for Increased Pension Under Other Plans**. If the benefit paid under a specified plan on behalf of a Participant is increased after PEP benefits on his behalf have been determined (whether the increase is by order of a court, by agreement of the plan administrator of the specified plan, or otherwise), the PEP benefit for the Participant shall be recalculated. If the recalculation identifies an overpayment hereunder, the Plan Administrator shall take such steps as it deems advisable to recover the overpayment. It is specifically intended that there shall be no duplication of payments under this Plan and any specified plans.

(c) **No Benefit Offsets That Would Violate Section 409A**. If a Participant has earned a benefit under a plan maintained by a member of the PepsiCo/PBG Organization

that is a “qualifying plan” for purposes of the “Non-Duplication” rule in Section 3.8 of Part A of the Salaried Plan and the “Transfers and Non-Duplication” rule in Section 3.6 of Part C of the Salaried Plan, such Transfers and Non-Duplication rules shall apply when calculating the amount determined under Section 4.1(a)(1) or 4.1(b)(1) above (as applicable) only to the extent the application of such rule will not result in a change in the time or form of payment of such pension that is prohibited by Section 409A. For purposes of the limit on offsets in the preceding sentence, it is the Company’s intent to undertake to make special arrangements with respect to the payment of the benefit under the qualifying plan that are legally permissible under the qualifying plan, and compliant with Section 409A, in order to avoid such a change in time or form of payment to the maximum extent possible; to the extent that Section 409A compliant special arrangements are timely put into effect in a particular situation, the limit on offsets in the prior sentence will not apply.

**4.4 Reemployment of Certain Participants.** In the case of a current or former Participant who is reemployed and is eligible to reparticipate in the Salaried Plan after his Annuity Starting Date, payment of his non-Grandfathered PEP Pension will not be suspended. If such Participant accrues an additional PEP Pension for service after such reemployment, his PEP Pension on his subsequent Separation from Service shall be reduced by the present value of PEP benefits previously distributed to such Participant, as determined by the Plan Administrator.

**4.5 Vesting; Misconduct.** Subject to Section 8.7, a Participant shall be fully vested in his Accrued Benefit at the time he becomes fully vested in his accrued benefit under the Salaried Plan. Notwithstanding the preceding, or any other provision of the Plan to the contrary, a Participant shall forfeit his or her entire PEP Pension if the Plan Administrator

determines that such Participant has engaged in "Misconduct" as defined below, determined without regard to whether the Misconduct occurred before or after the Participant's Severance from Service. The Plan Administrator may, in its sole discretion, require the Participant to pay to the Employer any PEP Pension paid to the Participant within the twelve month period immediately preceding a date on which the Participant has engaged in such Misconduct, as determined by the Plan Administrator.

"Misconduct" means any of the following, as determined by the Plan Administrator in good faith: (i) violation of any agreement between the Company or Employer and the Participant, including but not limited to a violation relating to the disclosure of confidential information or trade secrets, the solicitation of employees, customers, suppliers, licensors or contractors, or the performance of competitive services, (ii) violation of any duty to the Company or Employer, including but not limited to violation of the Company's Code of Conduct; (iii) making, or causing or attempting to cause any other person to make, any statement (whether written, oral or electronic), or conveying any information about the Company or Employer which is disparaging or which in any way reflects negatively upon the Company or Employer unless required by law or pursuant to a Company or Employer policy; (iv) improperly disclosing or otherwise misusing any confidential information regarding the Company or Employer; (v) unlawful trading in the securities of the Company or of another company based on information garnered as a result of that Participant's employment or other relationship with the Company; (vi) engaging in any act which is considered to be contrary to the best interests of the Company or Employer, including but not limited to recruiting or soliciting employees of the Employer; or (vii) commission of a felony or other serious crime or engaging in any activity which constitutes gross misconduct. Notwithstanding the foregoing and for the avoidance of

doubt, nothing in this Plan shall prohibit the Participant from communicating with government authorities concerning any possible legal violations. The Company nonetheless asserts and does not waive its attorney-client privilege over any information appropriately protected by the privilege.

#### **ARTICLE V TO APPENDIX ARTICLE PBG - DEATH BENEFITS**

5.1 **Death Benefits.** Each Participant entitled to a PEP Pension under this Plan who dies before his Annuity Starting Date shall be entitled to a death benefit equal in amount to the additional death benefit to which the Participant would have been entitled under the Salaried Plan if the PEP Pension as determined under Article IV was payable under the Salaried Plan instead of this Plan. The death benefit with respect to a Participant's PEP Pension in excess of the Grandfathered Benefit shall become payable on the Participant's date of death in a Single Lump Sum payment.

Payment of any death benefit of a Participant who dies before his Annuity Starting Date under the Plan shall be made to the persons and in the proportions to which any death benefit under the Salaried Plan is or would be paid (including to a Participant's Eligible Domestic Partner to whom pre-retirement death benefits are payable under the Salaried Plan, if any, with respect to deaths occurring on or after January 1, 2013).

#### **ARTICLE VI TO APPENDIX ARTICLE PBG - DISTRIBUTIONS**

The terms of this Article govern the distribution of benefits to a Participant who becomes entitled to payment of a PEP Pension under the Plan.

6.1 **Form and Timing of Distributions.** Subject to Section 6.5, this Section shall govern the form and timing of PEP Pensions.

(a) **Time and Form of Payment of Grandfathered Benefit.** The Grandfathered Benefit of a Participant shall be paid in the form and at the time or times provided by the terms of the Plan as in effect on October 3, 2004.

(b) **Time and Form of Payment of Non-Grandfathered Benefit.** Except as provided below, the PEP Pension payable to a Participant in excess of the Grandfathered Benefit shall be become payable in a Single Lump Sum on the Separation from Service of the Participant.

(1) **Certain Vested Pensions.** A Participant (i) who incurred a Separation from Service during the period January 1, 2005 through December 31, 2008 (other than a Participant described in (3) below); and (ii) whose Annuity Starting Date has not occurred as of January 1, 2009, shall receive his PEP Pension in excess of his Grandfathered Benefit in a Single Lump Sum which shall become payable on January 1, 2009.

(2) **Annuity Election.** A Participant who (i) attained age 50 on or before January 1, 2009, (ii) on or before December 31, 2008 irrevocably elected to receive a Single Life Annuity, a 50%, 75% or 100% Joint and Survivor Annuity, or a 10 Year Certain and Life Annuity; and (iii) incurs a Termination of Employment on or after July 1, 2009 after either attainment of age 55 and the tenth anniversary of the Participant's initial employment date or attainment of age 65 and the fifth anniversary of the Participant's initial employment date, shall receive his PEP Pension in excess of his Grandfathered Benefit in the form elected commencing on the first day of the month coincident with or next following his Separation from Service. If such Participant Separates from Service

prior to July 1, 2009 or prior to attainment of age 55 and the tenth anniversary of the Participant's employment date, or prior to attainment of age 65 and the fifth anniversary of the Participant's employment, the Participant's PEP Pension in excess of his Grandfathered Pension shall be payable in a Single Lump Sum on the Participant's Separation from Service.

(3) 2008 Reorganization. The entire PEP Pension of a Participant who (i) was involuntarily Separated from Service on or after November 1, 2008 and on or before December 19, 2008; (ii) at the time of Separation from Service had attained age 50 and had not attained age 55, and had 10 or more years of Service; and (iii) is eligible for special retirement benefits as described in the letter agreement executed and not revoked by the Participant, shall become payable in a Single Lump Sum on the last day of the Participant's "Transition Period" as defined in the letter agreement.

(4) Specified Employees. If a Participant is classified as a Specified Employee at the time of the Participant's Separation from Service (or at such other time for determining Specified Employee status as may apply under Section 409A), then no amount shall be payable pursuant to this Section 6.1(b) until at least six (6) months after such a Separation from Service. Any payment otherwise due in such six month period shall be suspended and become payable at the end of such six month period, with interest at the applicable interest rates used for computing a Single Lump Sum payment on the date of Separation from Service.

(5) Actual Date of Payment. An amount payable on a date specified in this Article VI or in Article V shall be paid as soon as administratively feasible after such date; but no later than the later of (a) the end of the calendar year in which the specified date occurs; or (b) the 15<sup>th</sup> day of the third calendar month following such specified date and the Participant (or Beneficiary) is not permitted to designate the taxable year of the payment. The payment date may be postponed further if calculation of the amount of the payment is not administratively practicable due to events beyond the control of the Participant (or Beneficiary), and the payment is made in the first calendar year in which the calculation of the amount of the payment is administratively practicable.

## 6.2 ***Special Rules for Survivor Options.***

(a) Effect of Certain Deaths. If a Participant makes an Annuity election described in Section 6.1(b)(2) and the Participant dies before his Separation from Service, the election shall be disregarded. Such a Participant may change his coannuitant of a Joint and Survivor Annuity at any time prior to his Separation from Service, and may change his beneficiary of a Ten Years Certain and Life Annuity at any time. If the Participant dies after such election becomes effective but before his non-Grandfathered PEP Pension actually commences, the election shall be given effect and the amount payable to his surviving Eligible Spouse, surviving Eligible Domestic Partner or other beneficiary shall commence on the first day of the month following his death (any back payments due the Participant shall be payable to his estate). In the case of a Participant who elected a 10 Year Certain and Life Annuity, if such Participant

dies: (i) after benefits have commenced; (ii) without a surviving primary or contingent beneficiary, and (iii) before receiving 120 payments under the form of payment, then the remaining payments due under such form of payment shall be paid to the Participant's estate. If payments have commenced under such form of payment to a Participant's primary or contingent beneficiary and such beneficiary dies before payments are completed, then the remaining payments due under such form of payment shall be paid to such beneficiary's estate.

(b) **Beneficiary Other Than Eligible Spouse or Eligible Domestic Partner**. If a Participant's beneficiary is not his Eligible Spouse or Eligible Domestic Partner, he may not elect:

(1) The 100 percent survivor option described in Section 6.1(b)(2) with a beneficiary more than 10 years younger than he is, or

(2) The 75 percent survivor option described in Section 6.1(b)(2) with a beneficiary more than 19 years younger than he is.

**6.3 Designation of Beneficiary.** A Participant who has elected to receive all or part of his pension in a form of payment that includes a survivor option shall designate a beneficiary who will be entitled to any amounts payable on his death. Such designation shall be made on a PEP Election Form. A Participant shall have the right to change or revoke his beneficiary designation at any time prior to when his election is finally effective. The designation of any beneficiary, and any change or revocation thereof, shall be made in accordance with rules adopted by the Plan Administrator. A beneficiary designation shall not be effective unless and until filed with the Plan Administrator

6.4 **Determination of Single Lump Sum Amounts.** Except as otherwise provided below, a Single Lump Sum payable under Article V or Section 6.1 shall be determined in the same manner as the single lump sum payment option prescribed in Section 6.1(b)(3) of the Salaried Plan.

(a) **Vested Pensions.** If on the date of Separation from Service of a Participant such Participant is not entitled to retire with an immediate pension under the Salaried Plan, the Single Lump Sum payable to the Participant under Section 6.1 shall be determined in the same manner as the single lump sum payment option prescribed in Section 6.1(b)(3) of the Salaried Plan but substituting (for Plan Years beginning before 2012) the applicable segment rates for the blended 30 year Treasury and segment rates that would otherwise be applicable.

(b) **2008 Reorganization.** Notwithstanding subsection (a) above, the Single Lump Sum payment for a Participant whose employment was involuntarily terminated as a result of the 2008 Reorganization on or after November 1, 2008 and on or before December 19, 2008 shall be determined based on the applicable interest rates and mortality used by the Salaried Plan for optional lump sum distributions in December 2008, provided that in no event shall such Single Lump Sum payment be less than the Single Lump Sum determined based on the applicable interest rates and mortality used by the Salaried Plan for lump sum distributions for the month in which the Single Lump Sum is distributed to the Participant.

6.5 **Section 162(m) Postponement.** Notwithstanding any other provision of this Plan to the contrary, no PEP Pension shall be paid to any Participant prior to the earliest date on which the Company's federal income tax deduction for such payment is not precluded by

Section 162(m) of the Code. In the event any payment is delayed solely as a result of the preceding restriction, such payment shall be made as soon as administratively feasible following the first date as of which Section 162(m) of the Code no longer precludes the deduction by the Company of such payment. Amounts deferred because of the Section 162(m) deduction limitation shall be increased by simple interest for the period of delay at the annual rate of six percent (6%).

## **APPENDIX TO ARTICLE PBG**

### **Foreword**

This Appendix sets forth additional provisions applicable to individuals specified in the Articles of this Appendix. In any case where there is a conflict between the Appendix and the main text of the Plan, the Appendix shall govern.

### **Article A (Article IPO) – Transferred and Transition Individuals**

IPO.1 **Scope.** This Article supplements the main portion of the Plan document with respect to the rights and benefits of Transferred and Transition Individuals following the spinoff of this Plan from the PepsiCo Prior Plan.

IPO.2 **Definitions.** This section provides definitions for the following words or phrases in boldface and underlined. Where they appear in this Article with initial capitals they shall have the meaning set forth below. Except as otherwise provided in this Article, all defined terms shall have the meaning given to them in Section 2.1 of the Plan.

(a) **Agreement.** The 1999 Employee Programs Agreement between PepsiCo, Inc. and The Pepsi Bottling Group, Inc.

- (b) **Close of the Distribution Date**. This term shall take the definition given it in the Agreement.
- (c) **Transferred Individual**. This term shall take the definition given it in the Agreement.
- (d) **Transition Individual**. This term shall take the definition given it in the Agreement.

IPO.3 ***Rights of Transferred and Transition Individuals***. All Transferred Individuals who participated in the PepsiCo Prior Plan immediately prior to the Effective Date shall be Participants in this Plan as of the Effective Date. The spinoff of this Plan from the PepsiCo Prior Plan shall not result in a break in the Service or Credited Service of Transferred Individuals or Transition Individuals. Notwithstanding anything in the Plan to the contrary, and as provided in Section 2.04 of the Agreement, all service, all compensation, and all other benefit-affecting determinations for Transferred Individuals that, as of the Close of the Distribution Date, were recognized under the PepsiCo Prior Plan for periods immediately before such date, shall as of the Effective Date continue to receive full recognition, credit and validity and shall be taken into account under this Plan as if such items occurred under this Plan, except to the extent that duplication of benefits would result. Similarly, notwithstanding anything to the contrary in the Plan, the benefits of Transition Individuals shall be determined in accordance with section 8.02 of the Agreement.

#### **Article B – Special Cases**

B.1 This Article B of the Appendix supplements the main portion of the Plan document and is effective as of January 28, 2002.

B.2 This Article shall apply to certain highly compensated management individuals who were (i) hired as a Band IV on or about January 28, 2002 and (ii) designated by the Senior Vice President of Human Resources as eligible to receive a supplemental retirement benefit (the "Participant").

B.3 Notwithstanding Article IV of the Plan, the amount of the total PEP Pension under this Plan shall be equal to the excess of (1) the monthly pension benefit which would have been payable to such individual under the Salaried Plan without regard to the Compensation Limitation and the Section 415 Limitation, determined as if such individual's employment commencement date with the Company were September 10, 1990; (2) the sum of (i) the amount of the monthly pension benefit that is in fact payable under the Salaried Plan; and (ii) the monthly amount of such individual's deferred, vested benefit under any qualified or nonqualified defined benefit pension plan maintained by PepsiCo., Inc. or any affiliate of PepsiCo., Inc., Tricon or YUM!, as determined by the administrator using reasonable assumptions to adjust for different commencement dates so that the total benefit of such individual does not exceed the amount described in (1) above.

B.4 In the event of the death of such individual while employed by the Company, the individual's beneficiary shall be entitled to a death benefit as provided in Article V, determined based on the formula for the total benefit described above, and reduced by the survivor benefits payable by the Salaried Plan and the other plans described above. The net amount so determined shall be payable in a Single Lump Sum as prescribed in Article V.

B.5 The Plan Administrator shall, in its sole discretion, adjust any benefit determined pursuant to this Article B to the extent necessary or appropriate to ensure that such individual's benefit in the aggregate does not exceed the Company's intent to ensure overall pension

benefits equal to the benefits that would be applicable if such individual had been continuously employed by the Company for the period commencing September 10, 1990 to the date of Separation from Service.

### **Article C – Transfers From/To PepsiCo, Inc.**

The provisions of this Article C shall only apply to transfers that occur before February 26, 2010 and shall not apply to any transfer to PepsiCo, Inc. or from PepsiCo, Inc. that occurs on or after such date.

C.1 This Article supplements and overrides the main portion of the Plan with respect to Participants who (i) transfer from the Company to PepsiCo, Inc.; and (ii) transfer from PepsiCo, Inc. to the Company.

C.2 Notwithstanding Article IV of the Plan, the PEP Pension of a Participant who (i) transfers from the Company to PepsiCo, Inc. or (ii) transfers to PepsiCo, Inc. from the Company shall be determined as set forth below.

C.3 Transfers to PepsiCo, Inc. The PEP Pension of a Participant who transfers to PepsiCo, Inc. shall be determined as of the date of such transfer in the manner described in Article IV, including the Salaried Plan offset regardless of whether such benefit under the Salaried Plan is transferred to a qualified plan of PepsiCo, Inc. On such Participant's Separation from Service, the PEP Pension so determined shall become payable in accordance with Article VI.

C.4 Transfers from PepsiCo, Inc. The PEP Pension of a Participant who transfers from PepsiCo, Inc. shall be determined as of the date of the Participant's Separation from Service in

the manner described in Article IV and shall be reduced by any benefit accrued by the Participant under any qualified or nonqualified plan maintained by PepsiCo, Inc. that is based on credited service included in the determination of the Participant's benefit under this Plan so that the total benefit from all plans does not exceed the benefit the Participant would have received had the Participant been solely employed by the Company. Notwithstanding the preceding, effective for transfers on or after January 1, 2005, in no event shall such benefit be less than the benefit the Participant would have received based solely on the Participant's employment by the Company. The Plan Administrator shall make such adjustments as the Plan Administrator deems appropriate to effectuate the intent of this Section C.4.

## APPENDIX ARTICLE PAC

### **Guiding Principles Regarding Benefit Plan Committee Appointments**

PAC.1 Scope. This Article PAC supplements the PepsiCo Pension Equalization Plan document with respect to the appointment of the members of the PAC.

PAC.2 General Guidelines. To be a member of the PAC, an individual must:

- (a) Be an employee of the PepsiCo Organization at a Leadership Group 1 or above level,
- (b) Be able to give adequate time to committee duties, and
- (c) Have the character and temperament to act prudently and diligently in the exclusive interest of the

Plan's participants and beneficiaries.

PAC.3 PAC Guidelines. In addition to satisfying the requirements set forth in Section PAC.2, the following guidelines will also apply to the PAC membership:

- (a) Each member of the PAC should have experience with benefit plan administration or other experience that can readily translate to a role concerning ERISA plan administration,
- (b) The membership of the PAC as a whole should have experience and expertise with respect to the administration of ERISA health and welfare and retirement plans, and
- (c) Each member of the PAC should be capable of prudently evaluating the reasonableness of expenses that are charged to the Plan.

PAC.4 Additional Information. The Chair of the PAC may seek information from Company personnel, including the Controller, CFO and CHRO, in connection with his identification of well qualified candidates for committee membership.

PAC.5 Role of the Guidelines. The foregoing guidelines in this Article PAC are intended to guide the Chair of the PAC in the selection of committee members; however, they neither diminish nor enlarge the legal standard applicable under ERISA.

**PEPSICO**

**AUTOMATIC RETIREMENT**

**CONTRIBUTION EQUALIZATION PLAN**

**Amended and Restated**  
**as of January 1, 2019**

# PepsiCo Automatic Retirement Contribution Equalization Plan

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## **ARTICLE I – FOREWORD**

PepsiCo, Inc. (the “Company”) established the PepsiCo Automatic Retirement Contribution Equalization Plan (the “Plan”) for the benefit of employees of the PepsiCo Organization who receive Automatic Retirement Contributions under the PepsiCo Savings Plan (the “Savings Plan”), and whose Automatic Retirement Contributions are affected by certain Code limitations. In particular, the Plan is designed to benefit eligible employees whose Automatic Retirement Contributions under the Savings Plan are curtailed by the limitation on compensation under Code section 401(a)(17) or the limitation on annual additions under Code section 415, or who have any other reductions in Automatic Retirement Contributions as a result of the employee’s deferrals under the PepsiCo Executive Income Deferral Program (the “EID Program”).

The Plan was originally effective as of January 1, 2011. Also as of the beginning of the day on this date, the PBG Supplemental Savings Plan (the “PBG Plan”) merged with and into this Plan. Appendix A of this Plan sets forth special provision applicable to amounts that were earned under the PBG Plan.

The Plan is amended and restated effective as of April 1, 2016.

At all times, the Plan is unfunded and unsecured for purposes of the Code and ERISA. The benefits of an executive are an obligation of that executive’s individual employer. With respect to his or her employer, the executive has the rights of an unsecured general creditor.

## ARTICLE II – DEFINITIONS

When used in this Plan, the following boldface terms shall have the meanings set forth below unless a different meaning is plainly required by the context:

**ARC Equalization Account; Account.**

The unfunded, notional account maintained for a Participant on the books of the Participant's Employer that indicates the dollar amount that, as of any time, is credited under the Plan for the benefit of the Participant. The balance in such account shall be determined by the Plan Administrator. The Plan Administrator may establish one or more subaccounts as it deems necessary for the proper administration of the Plan, and may also combine one or more subaccounts to the extent it deems separate subaccounts are not then needed for sound recordkeeping. Where appropriate, a reference to a Participant's Account shall include a reference to each applicable subaccount that has been established thereunder.

**Beneficiary.**

The person or persons (including a trust or trusts) properly designated by a Participant, as determined by the Recordkeeper, to receive the amounts credited to the Participant's ARC Equalization Account in the event of the Participant's death in accordance with Section 6.3(c).

**Code.**

The Internal Revenue Code of 1986, as amended from time to time.

**Company.**

PepsiCo, Inc., a corporation organized and existing under the laws of the State of North Carolina, or its successor or successors.

**Distribution Valuation Date.**

The date as specified by the Plan Administrator from time to time as of which Participant ARC Equalization Accounts are valued for purposes of a distribution from a Participant's Account. Currently, the Distribution Valuation Date for a Participant is the month end

that occurs just after the event specified in Article VI that triggers the Participant's distribution. Accordingly, if the trigger event occurs on December 30 of a year, the current Distribution Valuation Date is December 31 of that year, and if the trigger event occurs on December 31 of a year, the current Distribution Valuation Date is January 31 of the following year. Any current Distribution Valuation Date may be changed by the Plan Administrator, provided that such change does not result in a change in when deferrals are paid out that is impermissible under Section 409A. Values are determined as of the close of a Distribution Valuation Date or, if such date is not a business day, as of the close of the preceding business day.

**EID Program.**

The PepsiCo Executive Income Deferral Program.

**Eligible Employee.**

An Employee who is eligible to participate actively in the Plan in accordance with Section 3.1. An Employee's status as an Eligible Employee shall be determined separately with respect to each payroll date.

**Employee.**

An individual who qualifies as an "Employee" as that term is defined in the Savings Plan.

**Employer.**

An entity that qualifies as an "Employer" as that term is defined in the Savings Plan.

**ERISA.**

Public Law No. 93-406, the Employee Retirement Income Security Act of 1974, as amended from time to time.

**Equalized Automatic Retirement Contribution.**

The contributions made to the Plan pursuant to Section 4.1.

**Guiding Principles Regarding Benefit Plan Committee Appointments.**

The guiding principles as set forth in Appendix B to be applied by the Chairs of the PAC and PIC when selecting the members of the PAC and PIC.

**Key Employee.**

The individuals identified in accordance with the following paragraphs.

(a) In General. Any Participant who at any time during the applicable year is:

- (1) An officer of any member of the PepsiCo Organization having annual compensation greater than \$130,000 (as adjusted for the applicable year under Code Section 416(i)(1));
- (2) A five-percent owner of any member of the PepsiCo Organization; or
- (3) A one-percent owner of any member of the PepsiCo Organization having annual compensation of more than \$150,000.

For purposes of subsection (a) above, no more than 50 employees identified in the order of their annual compensation shall be treated as officers. For purposes of this Section, annual compensation means compensation as defined in Treasury Regulation section 1.415(c)-2(a), without regard to Treasury Regulation sections 1.415(c)-2(d), 1.415(c)-2(e), and 1.415(c)-2(g). The Plan Administrator shall determine who is a Key Employee in accordance with Code section 416(i) (provided, that Code section 416(i)(5) shall not apply in making such determination), and provided further that the applicable year shall be determined in accordance with Section 409A and that any modification or clarification of the foregoing definition that applies under Section 409A shall be taken into account (determined in accordance with Treasury Regulation section 1.419A-1(i), and giving effect to the default rules that apply under such regulation for determining the minimum number of a service recipient's specified employees).

(b) Applicable Year. The Plan Administrator shall determine Key Employees effective as of the last day of each calendar year, based on compensation for such year, and such designation shall be effective for purposes of this Plan for the twelve-month period commencing on April 1<sup>st</sup> of the next following calendar year

(e.g., the Key Employee determination by the Plan Administrator as of December 31, 2010 shall apply to the period from April 1, 2011 to March 31, 2012).

- (c) Rule of Administrative Convenience. Notwithstanding the foregoing, the Plan Administrator shall apply the following rule of administrative convenience for determining Key Employees for purposes of complying with the six-month payment delay that is required under Section 409A of the Code with respect to such employees:
- (1) From January 1, 2011 until March 31, 2011, an employee shall be a Key Employee (subject to paragraph (3) below) if he was classified as at least a Band 4 or its equivalent on December 31, 2009. For this purpose, an employee shall be considered to be at least a Band 4 or its equivalent as of a date if the employee is classified as one of the following types of employees in the PepsiCo Organization on that date: (i) a Band 4 employee or above in a PepsiCo Business, (ii) a Level E7 employee or above in a PBG Business, or (iii) a Salary Grade 19 employee or above at a PAS Business. For purposes of this paragraph, “PAS Business” means each employer, division of an employer or other organizational subdivision of an employer that the Company classifies as part of the PAS business; “PBG Business” means each employer, division of an employer or other organizational subdivision of an employer that the Company classifies as part of the PBG business; and “PepsiCo Business” means each employer, division of an employer or other organizational subdivision of an employer that the Company classifies as part of the PepsiCo business.
  - (2) For the twelve-month period that begins on April 1, 2011, and for each twelve-month period that begins on April 1 in subsequent years, an employee shall be a Key Employee (subject to paragraph (3) below) if the employee was an employee of the PepsiCo Organization who was

classified as Band 4 (or Leadership Group 6) or above on the December 31 that immediately precedes such April 1.

- (3) Notwithstanding paragraphs (1) and (2) above, an employee shall be a Key Employee for the 12-month period that begins on any April 1, if as of the preceding December 31 the employee would be a Key Employee under the provisions of subsection (a) above. If the preceding sentence and the methods for identifying Key Employees set forth in paragraph (1) or (2) above, taken together, would result in more than 200 individuals being counted as Key Employees as of any December 31 determination date, then the number of individuals treated as Key Employees pursuant to paragraph (1) or (2), who are not described in the first sentence of this paragraph (3), shall be reduced to 200 by eliminating from consideration those employees otherwise added by such subparagraph in order of their base compensation, from the lowest base compensation to the highest.

**Participant.**

An Employee (or former Employee) participating in the Plan in accordance with the provisions of Article III.

**PepsiCo Administration Committee or PAC.**

The committee that has the responsibility for the administration and operation of the Plan, as set forth in the Plan, as well as any other duties set forth therein (except that the PAC is not responsible for selecting or changing the phantom investment options available under the Plan which are the responsibility of the PIC). As of any time, the Chair of the PAC shall be the person who is then the Company's Senior Vice President, Total Rewards, but if such position is vacant or eliminated, the Chair shall be the person who is acting to fulfill the majority of the duties of the position (or plurality of the duties, if no one is fulfilling a majority), as such duties existed immediately prior to the vacancy or the position elimination. The Chair shall appoint the other members of the PAC, applying the principles set forth in Appendix B and acting promptly from time to time to ensure that there are four other members of the PAC, each of whom shall have experience and

expertise relevant to the responsibilities of the PAC. At least two times each year, the PAC shall prepare a written report of its significant activities that shall be available to any U.S.-based executive of the Company who is at least a senior vice president.

**PepsiCo Investment Committee or PIC.**

The committee that has the responsibility to select or change phantom investment options available under the Plan. As of any time, the Chair of the PIC shall be the person who is then the Company's Senior Vice President, Finance and Treasurer, but if such position is vacant or eliminated, the Chair shall be the person who is acting to fulfill the majority of the duties of the position (or plurality of the duties, if no one is fulfilling a majority), as such duties existed immediately prior to the vacancy or the position elimination. The Chair shall appoint the other members of the PIC, applying the principles set forth in Appendix B and acting promptly from time to time to ensure that there are four other members of the PIC, each of whom shall have experience relevant to the responsibilities of the PIC. At least two times each year, the PIC shall prepare a written report of its significant activities that shall be available to any U.S.-based executive of the Company who is at least a senior vice president.

**PepsiCo Organization.**

The controlled group of organizations of which the Company is a part, as defined by Code section 414(b) and (c) and the regulations issued thereunder. An entity shall be considered a member of the PepsiCo Organization only during the period it is one of the group of organizations described in the preceding sentence.

**Plan.**

The PepsiCo Automatic Retirement Contribution Equalization Plan, the plan set forth herein, as it may be amended and restated from time to time.

**Plan Administrator.**

The PAC, or its delegate or delegates. The Plan Administrator shall have authority to administer the Plan as provided in Article VII, except that the PIC shall have the authority

under Section 7.3(h) to select or change phantom investment options available under the Plan.

**Plan Year.**

The 12-consecutive month period beginning on January 1 and ending on the following December 31 of the same calendar year.

**Recordkeeper.**

For any designated period of time, the party that is delegated the responsibility, pursuant to the authority granted in the definition of Plan Administrator, to maintain the records of Participant Accounts, process Participant transactions and perform other duties in accordance with any procedures and rules established by the Plan Administrator.

**Savings Plan.**

The PepsiCo Savings Plan, as it may be amended from time to time.

**Section 409A.**

Section 409A of the Code.

**Separation from Service.**

A Participant's separation from service with the PepsiCo Organization, within the meaning of Section 409A(a)(2)(A)(i). The term may also be used as a verb (i.e., "Separates from Service") with no change in meaning. Notwithstanding the preceding sentence, a Participant's transfer to an entity owned 20% or more by the Company will not constitute a Separation of Service to the extent permitted by Section 409A. The following principles shall generally apply in determining when a Separation from Service occurs:

- (a) A Participant separates from service with the Company if the Employee has a termination of employment with the Company other than for death. Whether a termination of employment has occurred is determined based on whether the facts and circumstances indicate that the Company and the Employee reasonably anticipated that no further services would be performed after a certain date or that

the level of bona fide services the Employee would perform after such date (as an employee or independent contractor) would permanently decrease to no more than 20 percent of the average level of bona fide services performed over the immediately preceding 36-month period (or the full period in which the Employee provided services to the Company if the Employee has been providing services for less than 36 months).

- (b) An Employee will not be deemed to have experienced a Separation from Service if such Employee is on military leave, sick leave, or other bona fide leave of absence, to the extent such leave does not exceed a period of six months or, if longer, such longer period of time during which a right to re-employment is protected by either statute or contract. If the period of leave exceeds six months and the individual does not retain a right to re-employment under an applicable statute or by contract, the employment relationship is deemed to terminate on the first date immediately following such six-month period. Notwithstanding the foregoing, where a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months, where such impairment causes the Employee to be unable to perform the duties of his or her position of employment or any substantially similar position of employment, a 29-month period of absence shall be substituted for such six-month period. In the case of such a disability leave of absence, a Separation from Service shall occur on the earlier of the date that the Participant has reached 29 continuous months of disability leave of absence or the date that the Participant formally resigns his employment with the Employer and the PepsiCo Organization.
- (c) If an Employee provides services both as an employee and as a member of the Board of Directors of the Company, the services provided as a Director are generally not taken into account in determining whether the Employee has Separated from Service as an Employee for purposes of the Plan, in accordance with final regulations under Section 409A.

**United States.**

Any of the 50 states, the District of Columbia, and the U.S. Virgin Islands.

**Valuation Date.**

Each business day, as determined by the Recordkeeper, as of which Participant Accounts are valued in accordance with Plan procedures that are currently in effect. In accordance with procedures that may be adopted by the Plan Administrator, any current Valuation Date may be changed.

## ARTICLE III – ELIGIBILITY AND PARTICIPATION

### 3.1 Eligibility to Participate.

Subject to Section 3.4, an Employee shall be eligible to participate actively in the Plan as of any payroll date if he or she is an ARC Eligible Employee under the Savings Plan and his or her Automatic Retirement Contributions for such payroll date under the Savings Plan are: (i) reduced by application of a limitation set forth in either Code section 401(a)(17) or 415; (ii) otherwise reduced as a result of the Employee's deferrals under the EID Program; or (iii) affected as described in both (i) and (ii).

### 3.2 Commencement of Participation.

An Eligible Employee shall become a Participant in this Plan as of the first payroll date an Equalized Automatic Retirement Contribution is allocated to his or her Account as provided in Section 5.1.

### 3.3 Termination of Participation.

An Employee who becomes a Participant under the Plan shall cease to be a Participant on the date his or her Account is fully distributed as provided in Article VI.

### 3.4 Agreements Not to Participate.

The eligibility provisions of this Article III will be subject to any other documents that constitute part of an agreement between the Company and an Employee that limits or bars the Employee's participation in this Plan. An agreement that is otherwise described in the preceding sentence shall not limit or bar an Employee's participation in this Plan for the period before the earliest date such agreement may apply without violating the restrictions on elections under Section 409A.

## ARTICLE IV – CONTRIBUTIONS

### 4.1 Equalized Automatic Retirement Contributions.

As of each payroll date for which an Employee is an Eligible Employee, the Employer shall make an Equalized Automatic Retirement Contribution to the ARC Equalization Account of such Eligible Employee. Subject to Section 4.2 below, the amount of each Equalized Automatic Retirement Contribution shall equal –

- (a) The Eligible Employee's Total Automatic Retirement Contribution for such payroll date, reduced by
- (b) The amount of the Automatic Retirement Contribution to which the Eligible Employee is entitled under the Savings Plan for the same payroll date.

An Eligible Employee's "Total Automatic Retirement Contribution" is determined in the same way the Eligible Employee's Automatic Retirement Contribution is required to be determined as of such payroll date under the Savings Plan, but with the following modifications: (i) the limitation on compensation imposed by Code section 401(a)(17), as otherwise applied by the terms of the Savings Plan, shall be disregarded, (ii) the limitation on annual additions imposed by Code section 415, as otherwise applied by the terms of the Savings Plan, shall be disregarded, and (iii) any exclusion, which is then in effect of amounts deferred by the Eligible Employee under the EID Program from his or her Eligible Pay under the Savings Plan shall be disregarded. The three modifications in the preceding sentence shall be applied so that they do not result in any duplication (*e.g.*, the provisions of (iii) above shall not result in an amount of Total Automatic Retirement Contribution to the extent such amount is provided by (ii) above).

### 4.2 Maximum Equalized Automatic Retirement Contributions.

An Eligible Employee shall cease having Equalized Automatic Retirement Contributions made to his or her ARC Equalization Account during any Plan Year as necessary to ensure that the sum of his or her Equalized Automatic Retirement Contributions under this Plan and Automatic Retirement Contributions under the Savings Plan (collectively, the "Aggregate Employer Contributions") equal or do not exceed the Code section 401(a)

(17) limit in effect for such Plan Year. An Eligible Employee's Equalized Automatic Retirement Contribution for a payroll date shall be reduced to comply with this Section by taking into account all Aggregate Employer Contributions, payable for all prior payroll dates in the Plan Year, and Automatic Retirement Contributions under the Savings Plan payable for the current payroll date.

#### **4.3 Offsets.**

Notwithstanding an Eligible Employee's rights under Section 4.1 (or a Participant's rights under Articles V and VI), the Company may reduce the amount of any payment or benefit that is or would become payable to or on behalf of an Eligible Employee or Participant by the amount of any obligation of the Eligible Employee or Participant to the Company that is or becomes due and payable, provided that (a) the obligation of the Eligible Employee or Participant to the Company was incurred during the employment relationship, (b) the reduction may not exceed the amount allowed under Section 409A and Treasury Regulation section 1.409A-3(j)(4)(xiii), and (c) the reduction is made at the same time and in the same amount as the obligation otherwise would have been due and collectable from the Employee or Participant. Consistent with this, appropriate reductions may be made in (i) the Equalized Automatic Retirement Contributions that otherwise would be provided to the Eligible Employee under Section 4.1, (ii) the balance in the Participant's Account under Article V, or (iii) the Participant's distributions under Article VI. The application of this Section 4.2 is solely in the independent discretion of the Company.

## ARTICLE V – PARTICIPANT ACCOUNTS

### 5.1 Accounting for Participants' Interests.

Equalized Automatic Retirement Contributions shall be credited to a Participant's ARC Equalization Account at the same time that the Participant's Automatic Retirement Contributions under the Savings Plan are required to be allocated to the Participant's Profit-Sharing Account under the Savings Plan (or as soon as administratively practicable thereafter). A Participant's ARC Equalization Account is a bookkeeping device to track the notional value of the Participant's Equalized Automatic Retirement Contributions (and his or her Employer's liability therefor). No assets shall be reserved or segregated in connection with any ARC Equalization Account, and no ARC Equalization Account shall be funded, insured or otherwise secured.

### 5.2 Investment Earnings and Losses.

As of each Valuation Date, a Participant's ARC Equalization Account shall be credited with earnings and gains (and shall be debited for expenses and losses) determined as if the amounts credited to his or her ARC Equalization Account had actually been invested as directed by the Participant in accordance with this Article. The Plan provides only for "phantom investments," and therefore such earnings, gains, expenses and losses are hypothetical and not actual. However, they shall be applied to measure the value of a Participant's ARC Equalization Account and the amount of his or her Employer's liability to make deferred payments to or on behalf of the Participant.

### 5.3 Investment of Accounts.

- (a) In General. A Participant's Equalized Automatic Retirement Contributions shall be invested on a phantom basis among the investment options that are available for Automatic Retirement Contributions under the Savings Plan from time to time, unless otherwise determined by the PIC. The PIC may discontinue any phantom investment option with respect to some or all Accounts, and it may provide rules for transferring a Participant's phantom investment from the discontinued option to a specified replacement option (unless the Participant selects another

replacement option in accordance with procedures established by the Plan Administrator for this purpose).

- (b) Investment and Reinvestment Elections. The Participant's Equalized Automatic Retirement Contribution for a payroll date shall be invested on a phantom basis in the investment options and in the proportions specified by the Participant in accordance with rules applied by the Plan Administrator. Such rules shall be based on those that apply for purposes of Automatic Retirement Contributions under the Savings Plan as of such payroll date, except as otherwise provided for by the Plan Administrator. To the extent a Participant does not specify an investment option for an Equalized Automatic Retirement Contribution, the rules for default investments that are in effect under the Savings Plan as of such payment date shall apply. In addition, a Participant shall have the same right to change the investment of the Participant's future Equalized Automatic Retirement Contributions and to reinvest the balance of his or her ARC Equalization Account as the Participant has for his or her Automatic Retirement Contributions and the account or subaccount that holds such contributions under the Savings Plan, except as otherwise provided for by the Plan Administrator.
- (c) Phantom Investment Options. The Plan's phantom investment options shall be described in materials provided to Participants from time to time. Any of these phantom investment options shall be administered under procedures implemented from time to time by the Plan Administrator. Unless otherwise specified in these materials or procedures, in the case of any such phantom investment option that is based on a unitized fund, an amount deferred or transferred into such option is converted to phantom units in the applicable fund of equivalent value by dividing such amount by the NAV of a unit in such fund on the Valuation Date as of which the amount is treated as invested in this option by the Plan Administrator. Thereafter, a Participant's interest in each such phantom option is valued as of a Valuation Date (or a Distribution Valuation Date) by multiplying the number of

phantom units credited to his or her ARC Equalization Account on such date by the NAV of a unit in such fund on such date.

#### **5.4 Vesting.**

A Participant shall be fully vested in, and have a nonforfeitable right to, the Participant's ARC Equalization Account at the time the Participant becomes fully vested in his or her ARC Account under the Savings Plan. Notwithstanding the foregoing, if a Participant's period of Service (as determined under the Savings Plan for purposes of vesting) would extend beyond the Participant's Separation from Service date because of a leave of absence, the Plan Administrator may provide for determining the Participant's nonforfeitable right to his or her ARC Equalization Account by projecting the benefit the Participant would have if all such Service were taken into account under this Plan.

#### **5.5 Prohibited Misconduct.**

- (a) Notwithstanding any other provision of this Plan to the contrary, if the Plan Administrator determines that a Participant has engaged in Prohibited Misconduct at any time prior to the second anniversary of his or her Separation from Service, the Participant shall forfeit all Equalized Automatic Retirement Contributions and any net earnings or gains (whether paid previously, being paid currently or payable in the future), and his or her ARC Equalization Account shall be adjusted to reflect such forfeiture and previously paid Equalized Automatic Retirement Contributions and net earnings or gains shall be recovered.
- (b) Any of the following activities engaged in, directly or indirectly, by a Participant shall constitute Prohibited Misconduct:
  - (1) The Participant accepting any employment, assignment, position or responsibility, or acquiring any ownership interest, which involves the Participant's "Participation" (as defined below) in a business entity that markets, sells, distributes or produces "Covered Products" (as defined below), unless such business entity makes retail sales or consumes

Covered Products without in any way competing with the PepsiCo Organization.

- (2) The Participant, directly or indirectly (including through someone else acting on the Participant's recommendation, suggestion, identification or advice), soliciting any PepsiCo Organization employee to leave the PepsiCo Organization's employment or to accept any position with any other entity.
- (3) The Participant using or disclosing to anyone any confidential information regarding the PepsiCo Organization other than as necessary in his or her position with the PepsiCo Organization. Such confidential information shall include all non-public information the Participant acquired as a result of his or her positions with the PepsiCo Organization. Examples of such confidential information include non-public information about the PepsiCo Organization's customers, suppliers, distributors and potential acquisition targets; its business operations and structure; its product lines, formulas and pricing; its processes, machines and inventions; its research and know-how; its financial data; and its plans and strategies.
- (4) The Participant engaging in any acts that are considered to be contrary to the PepsiCo Organization's best interests, including violating the Company's Code of Conduct, engaging in unlawful trading in the securities of the Company or of any other company based on information gained as a result of his or her employment with the PepsiCo Organization, or engaging in any other activity which constitutes gross misconduct.
- (5) The Participant engaging in any activity that constitutes fraud. Notwithstanding the foregoing and for the avoidance of doubt, nothing in this Plan shall prohibit the Participant from communicating with government authorities concerning any possible legal violations without notice to the Company, participating in government investigations, and/or

receiving any applicable award for providing information to government authorities. The Company nonetheless asserts and does not waive its attorney-client privilege over any information appropriately protected by the privilege. Further, pursuant to the Defend Trade Secrets Act, an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.

For purposes of this subsection, “Participation” shall be construed broadly to include: (i) serving as a director, officer, employee, consultant or contractor with respect to such a business entity; (ii) providing input, advice, guidance or suggestions to such a business entity; or (iii) providing a recommendation or testimonial on behalf of such a business entity or one or more products it produces. For purposes of this subsection, “Covered Products” shall mean any product that falls into one or more of the following categories, so long as the PepsiCo Organization is producing, marketing, selling or licensing such product anywhere in the world – beverages, including without limitation carbonated soft drinks, tea, water, juice drinks, sports drinks, coffee drinks, energy drinks, and value-added dairy drinks; juices and juice products; dairy products; snacks, including salty snacks, sweet snacks meat snacks, granola and cereal bars, and cookies; hot cereals; pancake mixes; value-added rice products; pancake syrups; value-added pasta products; ready-to-eat cereals; dry pasta products; or any

product or service that the Participant had reason to know was under development by the PepsiCo Organization during the Participant's employment with the PepsiCo Organization.

## ARTICLE VI – PAYMENT OF BENEFITS

### 6.1 Distribution Rules Generally.

A Participant's ARC Equalization Account shall be distributed based upon first to occur of a Participant's Separation from Service or death, as provided in Sections 6.2 and 6.3, respectively. If a Participant becomes re-employed and entitled to another distribution after the occurrence of one of the foregoing distribution events, the rules of this Article shall apply separately to the balance in the Participant's ARC Equalization Account that relates to the later period of employment. In no event shall any portion of a Participant's ARC Equalization Account be distributed earlier or later than is allowed under Section 409A. All distributions shall be made in a single lump sum cash payment.

### 6.2 Distributions Upon Separation from Service.

If a Participant's ARC Equalization Account becomes distributable based upon his or her Separation from Service, such distribution shall be made in a single lump sum payment on the first day of the month that immediately follows the Participant's Distribution Valuation Date, subject to Section 6.4 below (Delay for Key Employees).

### 6.3 Distributions Upon Death.

- (a) If a Participant's ARC Equalization Account becomes distributable based upon the Participant's death, such distribution shall be distributed in a single lump sum payment on the first day of the month that immediately follows the Participant's Distribution Valuation Date.
- (b) Amounts paid following a Participant's death shall be paid to the Participant's Beneficiary; provided, however, that if no designation is in effect at the time of a Participant's death (as determined by the Plan Administrator), or if all persons designated as Beneficiaries have predeceased the Participant, then the payments to be made pursuant to this Section shall be distributed to the Participant's Eligible Spouse or Eligible Domestic Partner (each as defined below), if living; otherwise in equal shares to any surviving children of the Participant; otherwise to the Participant's estate. The Plan Administrator shall determine a Participant's

“Eligible Spouse” based on the state or local law where the Participant has his or her primary residence at the time of death, and shall determine a Participant’s “Eligible Domestic Partner” under the definition and rules that apply to death benefits under the PepsiCo Savings Plan. The Plan Administrator is authorized to make any applicable inquiries and to request any documents, certificates or other information that it deems necessary or appropriate in order to make the above determinations.

- (c) A Participant may designate (in a manner authorized by the Plan Administrator) one or more Beneficiaries to receive payment, in the event of his or her death, of the amounts credited to his or her ARC Equalization Account; provided that, to be effective, any Beneficiary designation must be in writing, signed by the Participant, and must meet such other standards (including any requirement for spousal consent) that the Plan Administrator or Recordkeeper shall require from time to time. The Beneficiary designation must also be filed with the Recordkeeper prior to the Participant’s death, as determined by the Plan Administrator. An incomplete Beneficiary designation, as determined by the Recordkeeper or Plan Administrator, shall be void and of no effect. A Beneficiary designation of an individual by name remains in effect regardless of any change in the designated individual’s relationship to the Participant. Any Beneficiary designation submitted to the Recordkeeper that only specifies a Beneficiary by relationship shall not be considered an effective Beneficiary designation and shall be void and of no effect. If more than one Beneficiary is specified and the Participant fails to indicate the respective percentage applicable to two or more Beneficiaries, then each Beneficiary for whom a percentage is not designated will be entitled to an equal share of the portion of the ARC Equalization Account (if any) for which percentages have not been designated. At any time, a Participant may change a Beneficiary designation for his or her ARC Equalization Account in a writing that is signed by the Participant and filed with the Recordkeeper prior to the Participant’s death, and that meets such other standards as the Plan Administrator shall require from time to time. An individual who is otherwise a

Beneficiary with respect to a Participant's ARC Equalization Account ceases to be a Beneficiary when all payments have been made from the ARC Equalization Account.

- (d) Any claim to be paid any amounts standing to the credit of a Participant in connection with the Participant's death must be received by the Plan Administrator at least 14 days before any such amount is actually distributed by the Plan. Any claim received thereafter is untimely, and it shall be unenforceable against the Plan, the Company, the Plan Administrator or any other party acting for one or more of them.

#### **6.4 Delay for Key Employees.**

- (a) If the Participant is classified as a Key Employee at the time of the Participant's Separation from Service (or at such other time for determining Key Employee status as may apply under Section 409A), then the time of payment based on Separation from Service shall be determined under the provisions of Section 6.2 as if the Distribution Valuation Date were the Valuation Date that is six months after the Distribution Valuation Date that would otherwise apply.
- (b) Notwithstanding subsection (a) above, distribution in accordance with Section 6.3 or Section 6.4 shall be given priority over distribution in accordance with this Section if it would result in an earlier commencement date of the Participant's distribution.

#### **6.5 Valuation.**

In determining the amount of any individual distribution pursuant to this Article, the Participant's ARC Equalization Account shall continue to be credited with earnings and gains (and debited for expenses and losses) as specified in Article V until the Valuation Date that is used in determining the amount of the distribution under this Article.

#### **6.6 Actual Payment Date.**

An amount payable on a date specified in this Article VI shall be paid no later than the later of (a) the end of the calendar year in which the specified date occurs, or (b) the 15<sup>th</sup>

day of the third calendar month following such specified date. In no event shall the Participant (or Beneficiary) be permitted to designate the taxable year of the payment. The payment date may be delayed further in accordance with one or more applicable special rules under Section 409A that permit such later payment (for example, in the event of a bona fide dispute that meets the requirements of Treasury Regulation section 1.409A-3(g)).

## ARTICLE VII – PLAN ADMINISTRATION

### 7.1 Plan Administrator.

The Plan Administrator is responsible for the administration of the Plan. The Plan Administrator has the authority to name one or more delegates to carry out certain responsibilities hereunder, as specified in the definition of Plan Administrator.

Any such delegation shall state the scope of responsibilities being delegated and is subject to Section 7.06 below.

### 7.2 Action.

Action by the Plan Administrator may be taken in accordance with procedures that the Plan Administrator adopts from time to time or that the Company's Law Department determines are legally permissible.

### 7.3 Powers of the Plan Administrator.

The Plan Administrator shall administer and manage the Plan and shall have (and shall be permitted to delegate) all powers necessary to accomplish that purpose, including the following:

- (a) To exercise its discretionary authority to construe, interpret, and administer this Plan;
- (b) To exercise its discretionary authority to make all decisions regarding eligibility, participation and deferrals, to make allocations and determinations required by this Plan, and to maintain records regarding Participants' Accounts;
- (c) To compute and certify to the Employers the amount and kinds of payments to Participants or their Beneficiaries, and to determine the time and manner in which such payments are to be paid;
- (d) To authorize all disbursements by the Employer pursuant to this Plan;
- (e) To maintain (or cause to be maintained) all the necessary records for administration of this Plan;

- (f) To make and publish such rules for the regulation of this Plan as are not inconsistent with the terms hereof;
- (g) To delegate to other individuals or entities from time to time the performance of any of its duties or responsibilities hereunder;
- (h) To establish or to change the phantom investment options or arrangements under Article V;
- (i) To hire agents, accountants, actuaries, consultants and legal counsel to assist in operating and administering the Plan; and
- (j) Notwithstanding any other provision of this Plan except Section 7.6 (relating to compliance with Section 409A), the Plan Administrator or the Recordkeeper may take any action the Plan Administrator deems is necessary to assure compliance with any policy of the Company respecting insider trading as may be in effect from time to time. Such actions may include altering the effective date of intra-fund transfers or the distribution date of Participant's Accounts. Any such actions shall alter the normal operation of the Plan to the minimum extent necessary.

The Plan Administrator has the exclusive and discretionary authority to construe and to interpret the Plan, to decide all questions of eligibility for benefits, to determine the amount and manner of payment of such benefits and to make any determinations that are contemplated by (or permissible under) the terms of this Plan, and its decisions on such matters will be final and conclusive on all parties. Any such decision or determination shall be made in the absolute and unrestricted discretion of the Plan Administrator, even if (1) such discretion is not expressly granted by the Plan provisions in question, or (2) a determination is not expressly called for by the Plan provisions in question, and even though other Plan provisions expressly grant discretion or call for a determination. As a result, benefits under this Plan will be paid only if the Plan Administrator decides in its discretion that the applicant is entitled to them. In the event of a review by a court, arbitrator or any other tribunal, any exercise of the Plan Administrator's discretionary authority shall not be disturbed unless it is clearly shown to be arbitrary and capricious.

#### **7.4 Compensation, Indemnity and Liability.**

The Plan Administrator will serve without bond and without compensation for services hereunder. All expenses of the Plan and the Plan Administrator will be paid by the Employers. To the extent deemed appropriate by the Plan Administrator, any such expense may be charged against specific Participant Accounts, thereby reducing the obligation of the Employers. No member of the PAC (which serves as the Plan Administrator) or PIC, and no individual acting as the delegate of the PAC or PIC, shall be liable for any act or omission of any other member or individual, nor for any act or omission on his or her own part, excepting his or her own willful misconduct. The Employers (other than the Company) will indemnify and hold harmless each member of the PAC and PIC and any employee of the Company (or a Company affiliate, if recognized as an affiliate for this purpose by the Plan Administrator) acting as the delegate of the PAC or PIC against any and all expenses and liabilities, including reasonable legal fees and expenses, arising in connection with this Plan out of his or her membership on the PAC or PIC (or his or her serving as the delegate of the PAC or PIC), excepting only expenses and liabilities arising out of his or her own willful misconduct or bad faith.

#### **7.5 Withholding.**

The Employer shall withhold from amounts due under this Plan, any amount necessary to enable the Employer to remit to the appropriate government entity or entities on behalf of the Participant as may be required by the federal income tax provisions of the Code, by an applicable state's income tax provisions, and by an applicable city, county or municipality's earnings or income tax provisions. Further, the Employer shall withhold from the payroll of, or collect from, a Participant the amount necessary to remit on behalf of the Participant any Social Security or Medicare taxes which may be required with respect to amounts deferred or accrued by a Participant hereunder, as determined by the Employer. In addition, to the extent required by Section 409A, amounts deferred under this Plan shall be reported on each Participant's Form W-2 for the applicable tax year, and any amounts that become taxable hereunder shall be reported as taxable wages on the

Participant's Form W-2 for the applicable tax year. All such reporting and withholding shall be performed based on the rules and procedures of Section 409A.

**7.6 Conformance with Section 409A.**

At all times during each Plan Year, this Plan shall be operated in accordance with the requirements of Section 409A. In all cases, the provisions of this Section shall apply notwithstanding any contrary provision of the Plan that is not contained in this Section.

## ARTICLE VIII – CLAIMS PROCEDURE

### 8.1 Claims for Benefits.

If a Participant, Beneficiary or other person (hereafter, “Claimant”) does not receive timely payment of any benefits which he or she believes are due and payable under the Plan, he or she may make a claim for benefits to the Plan Administrator. The claim for benefits must be in writing and addressed to the Plan Administrator. If the claim for benefits is denied, the Plan Administrator will notify the Claimant within 90 days after the Plan Administrator initially received the benefit claim. However, if special circumstances require an extension of time for processing the claim, the Plan Administrator will furnish notice of the extension to the Claimant prior to the termination of the initial 90-day period and such extension may not exceed one additional, consecutive 90-day period. Any notice of a denial of benefits shall advise the Claimant of the basis for the denial, any additional material or information necessary for the Claimant to perfect his or her claim, and the steps which the Claimant must take to appeal his or her claim for benefits.

### 8.2 Appeals of Denied Claims.

Each Claimant whose claim for benefits has been denied may file a written appeal for a review of his or her claim by the Plan Administrator. The request for review must be filed by the Claimant within 60 days after he or she received the notice denying his or her claim. The decision of the Plan Administrator will be communicated to the Claimant within 60 days after receipt of a request for appeal. The notice shall set forth the basis for the Plan Administrator’s decision. However, if special circumstances require an extension of time for processing the appeal, the Plan Administrator will furnish notice of the extension to the Claimant prior to the termination of the initial 60-day period and such extension may not exceed one additional, consecutive 60-day period. In no event shall the Plan Administrator’s decision be rendered later than 120 days after receipt of a request for appeal.

### **8.3 Limitations on Actions.**

Any claim filed under this Article VIII and any action filed in state or federal court by or on behalf of a former or current Employee, Participant, Beneficiary or any other individual, person or entity (collectively, a “Petitioner”) for the alleged wrongful denial of Plan benefits or for the alleged interference with or violation of ERISA-protected rights must be brought within two years of the date the Petitioner’s cause of action first accrues. For purposes of this subsection, a cause of action with respect to a Petitioner’s benefits under the Plan shall be deemed to accrue not later than the earliest of (i) when the Petitioner has received the calculation of the benefits that are the subject of the claim or legal action (ii) the date identified to the Petitioner by the Plan Administrator on which payments shall commence, or (iii) when the Petitioner has actual or constructive knowledge of the facts that are the basis of his claim. For purposes of this subsection, a cause of action with respect to the alleged interference with ERISA-protected rights shall be deemed to accrue when the claimant has actual or constructive knowledge of the acts that are alleged to interfere with ERISA-protected rights. Failure to bring any such claim or cause of action within this two-year time frame shall preclude a Petitioner, or any representative of the Petitioner, from filing the claim or cause of action. Correspondence or other communications following the mandatory appeals process described in Section 8.2 shall have no effect on this two-year time frame.

### **8.4 Restriction on Venue.**

Any claim or action filed in court or any other tribunal in connection with the Plan by or on behalf of a Petitioner (as defined in Section 8.3 above) shall only be brought or filed in the United States District Court for the Southern District of New York.

## ARTICLE IX – AMENDMENT AND TERMINATION

### 9.1 Amendment to the Plan.

- (a) The Company, or its delegate, has the right in its sole discretion to amend this Plan in whole or in part at any time and in any manner, including the terms and conditions of Equalized Automatic Retirement Contributions, the terms on which distributions are made, and the form and timing of distributions. However, except for mere clarifying amendments necessary to avoid an inappropriate windfall, no Plan amendment shall reduce the balance of a Participant's ARC Equalization Account as of the date such amendment is adopted. In addition, the Company shall have the limited right to amend the Plan at any time, retroactively or otherwise, in such respects and to such extent as may be necessary to fully qualify it under existing and applicable laws and regulations, and if and to the extent necessary to accomplish such purpose, may by such amendment decrease or otherwise affect benefits to which Participants may have already become entitled, notwithstanding any provision herein to the contrary.
- (b) The Company's right to amend the Plan shall not be affected or limited in any way by a Participant's Separation from Service, death or disability. Prior practices by the Company or an Employer shall not diminish in any way the rights granted the Company under this Section. Also, it is expressly permissible for an amendment to affect less than all of the Participants covered by the Plan.
- (c) Any amendment shall be in writing and adopted by the Company or by any officer of the Company who has authority or who has been granted or delegated the authority to amend this Plan. An amendment or restatement of this Plan shall not affect the validity or scope of any grant or delegation of such authority, which shall instead be solely determined based upon the terms of the grant or delegation (as determined under applicable law). All Participants and Beneficiaries shall be bound by such amendment.

- (d) Any amendments made to the Plan shall be subject to any restrictions on amendment that are applicable to ensure continued compliance under Section 409A.

## **9.2 Termination of Plan.**

- (a) The Company expects to continue this Plan, but does not obligate itself to do so. The Company reserves the right to discontinue and terminate the Plan at any time, in whole or in part, for any reason (including a change, or an impending change, in the tax laws of the United States or any State within the United States). Termination of the Plan will be binding on all Participants (and a partial termination shall be binding upon all affected Participants) and their Beneficiaries, but in no event may such termination reduce the amounts credited at that time to any Participant's ARC Equalization Account. If this Plan is terminated (in whole or in part), the termination resolution shall provide for how amounts theretofore credited to affected Participants' ARC Equalization Accounts will be distributed.
- (b) This Section is subject to the same restrictions related to compliance with Section 409A that apply to Section 9.1. In accordance with these restrictions, the Company intends to have the maximum discretionary authority to terminate the Plan and make distributions in connection with a Change in Control (as defined in Section 409A), and the maximum flexibility with respect to how and to what extent to carry this out following a Change in Control (as defined in Section 409A) as is permissible under Section 409A. The previous sentence contains the exclusive terms under which a distribution may be made in connection with any Change in Control with respect to deferrals made under this 409A Program.

## ARTICLE X – MISCELLANEOUS

### 10.1 Limitation on Participant Rights.

Participation in this Plan does not give any Participant the right to be retained in the Employer's or Company's employ (or any right or interest in this Plan or any assets of the Company or Employer other than as herein provided). The Company and Employer reserve the right to terminate the employment of any Participant without any liability for any claim against the Company or Employer under this Plan, except for a claim for payment of benefits as provided herein.

### 10.2 Unfunded Obligation of Individual Employer.

The benefits provided by this Plan are unfunded. All amounts payable under this Plan to Participants are paid from the general assets of the Participant's individual Employer. Nothing contained in this Plan requires the Company or Employer to set aside or hold in trust any amounts or assets for the purpose of paying benefits to Participants. Neither a Participant, Beneficiary, nor any other person shall have any property interest, legal or equitable, in any specific Employer asset. This Plan creates only a contractual obligation on the part of a Participant's individual Employer, and the Participant has the status of a general unsecured creditor of his or her Employer with respect to benefits granted hereunder. Such a Participant shall not have any preference or priority over, the rights of any other unsecured general creditor of the Employer. No other Employer guarantees or shares such obligation, and no other Employer shall have any liability to the Participant or his or her Beneficiary. In the event a Participant transfers from the employment of one Employer to another, the former Employer shall transfer the liability for benefits made while the Participant was employed by that Employer to the new Employer (and the books of both Employers shall be adjusted appropriately).

### 10.3 Other Benefit Plans.

This Plan shall not affect the right of any Eligible Employee or Participant to participate in and receive benefits under and in accordance with the provisions of any other employee benefit plans which are now or hereafter maintained by any Employer, unless

the terms of such other employee benefit plan or plans specifically provide otherwise or it would cause such other plan to violate a requirement for tax-favored treatment.

#### **10.4 Receipt or Release.**

Any payment to a Participant or Beneficiary in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims against the Plan Administrator, the Employer and the Company, and the Plan Administrator may require such Participant or Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect.

#### **10.5 Governing Law.**

This Plan shall be construed, administered, and governed in all respects in accordance with ERISA and, to the extent not preempted by ERISA, in accordance with the laws of the State of New York. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

#### **10.6 Adoption of Plan by Related Employers.**

The Plan Administrator may select as an Employer any division of the Company, as well as any member of the PepsiCo Organization, and permit or cause such division or organization to adopt the Plan. The selection by the Plan Administrator shall govern the effective date of the adoption of the Plan by such related Employer. The requirements for Plan adoption are entirely within the discretion of the Plan Administrator and, in any case where the status of an entity as an Employer is at issue, the determination of the Plan Administrator shall be absolutely conclusive.

#### **10.7 Rules of Construction.**

The provisions of this Plan shall be construed according to the following rules:

- (a) Gender and Number. Whenever the context so indicates, the singular or plural number and the masculine, feminine, or neuter gender shall be deemed to include the other (or others).

- (b) Examples. Whenever an example is provided or the text uses the term “including” followed by a specific item or items, or there is a passage having a similar effect, such passage of the Plan shall be construed as if the phrase “without limitation” followed such example or term (or otherwise applied to such passage in a manner that avoids limitation on its breadth of application).
- (c) Compounds of the Word “Here”. The words "hereof", “herein”, "hereunder" and other similar compounds of the word "here" shall mean and refer to the entire Plan, not to any particular provision or section.
- (d) Effect of Specific References. Specific references in the Plan to the Plan Administrator’s discretion shall create no inference that the Plan Administrator’s discretion in any other respect, or in connection with any other provisions, is less complete or broad.
- (e) Subdivisions of the Plan Document. This Plan document is divided and subdivided using the following progression: articles, sections, subsections, paragraphs, subparagraphs and clauses. Articles are designated by capital roman numerals. Sections are designated by Arabic numerals containing a decimal point. Subsections are designated by lower-case letters in parentheses. Paragraphs are designated by Arabic numbers in parentheses. Subparagraphs are designated by lower-case roman numerals in parenthesis. Clauses are designated by upper-case letters in parentheses. Any reference in a section to a subsection (with no accompanying section reference) shall be read as a reference to the subsection with the specified designation contained in that same section. A similar reading shall apply with respect to paragraph references within a subsection and subparagraph references within a paragraph.
- (f) Invalid Provisions. If any provision of this Plan is, or is hereafter declared to be void, voidable, invalid or otherwise unlawful, the remainder of the Plan shall not be affected thereby.

#### **10.8 Successors and Assigns; Nonalienation of Benefits.**

This Plan inures to the benefit of and is binding upon the parties hereto and their successors, heirs and assigns; provided, however, that the amounts credited to the ARC Equalization Account of a Participant are not (except as provided in Sections 5.5) subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, either voluntary or involuntary, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of any right to any benefits payable hereunder, including, without limitation, any assignment or alienation in connection with a separation, divorce, child support or similar arrangement, will be null and void and not binding on the Plan or the Company or any Employer. Notwithstanding the foregoing, the Plan Administrator reserves the right to make payments in accordance with a divorce decree, judgment or other court order as and when cash payments are made in accordance with the terms of this Plan from the ARC Equalization Account of a Participant. Any such payment shall be charged against and reduce the Participant's ARC Equalization Account.

#### **10.9 Facility of Payment.**

Whenever, in the Plan Administrator's opinion, a Participant or Beneficiary entitled to receive any payment hereunder is under a legal disability or is incapacitated in any way so as to be unable to manage his or her financial affairs, the Plan Administrator may direct the Employer to make payments to such person or to the legal representative of such person for his or her benefit, or to apply the payment for the benefit of such person in such manner as the Plan Administrator considers advisable. Any payment in accordance with the provisions of this Section shall be a complete discharge of any liability for the making of such payment to the Participant or Beneficiary under the Plan.

## ARTICLE XI – ERISA PLAN STRUCTURE

This Plan document encompasses two separate plans within the meaning of ERISA, as set forth in Sections 11.1 and 11.2 below. These two plans are severable for any and all purposes as directed by the Company.

### **11.1 Excess Benefit Plan.**

An excess benefit plan within the meaning of ERISA section 3(36), maintained solely for the purpose of providing benefits for Savings Plan participants in excess of the limitations on benefits imposed by Code section 415.

### **11.2 Excess Compensation Top Hat Plan.**

A plan maintained by the Company primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees within the meaning of ERISA sections 201(2) and 401(a)(1). The plan provides benefits for Savings Plan participants in excess of the limitations imposed by Code section 401(a)(17) on benefits under the Savings Plan (after taking into account any benefits under the Excess Benefit Plan).

### **11.3 Allocation of Benefits Among Plans.**

Benefits under this Plan shall be allocated first to the Excess Benefit Plan, to the extent of benefits paid for the purpose indicated in Section 11.1 above, and then any remaining benefits shall be allocated to the Excess Compensation Top Hat Plan.

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**ARTICLE XII – SIGNATURE**

The PepsiCo Automatic Retirement Contribution Equalization Plan, as amended and restated, is hereby adopted as of this 5th day of December, 2018, to be effective as of January 1, 2019 or as otherwise stated herein.

PEPSICO, INC.

By: /s/ Ruth Fattori  
Ruth Fattori  
Executive Vice President and  
Chief Human Resources Officer

Date: December 5, 2018

Law Department Approval

By: /s/ Aline G. Haffner  
Aline G. Haffner  
Legal Director, Employee Benefits Counsel

Date: December 3, 2018

## APPENDIX A – MERGER OF PBG SUPPLEMENTAL SAVINGS PLAN

### A.1 Scope.

This Article sets forth special provisions applicable to amounts earned under the PBG Supplemental Savings Plan (“PBG Plan”) prior to the merger of that plan with and into this Plan. Amounts earned under the PBG Plan prior to the merger shall be credited to a subaccount of the Participant’s ARC Equalization Account (“PBG Plan Subaccount”). All other defined terms used herein shall have the meaning assigned to such term under Article II unless otherwise indicated.

### A.2 Provisions Applicable to Amounts Earned Under PBG Plan.

Except as otherwise set forth in this Section A.2, the terms and conditions applicable to a Participant’s PBG Plan Subaccount are governed by the prior document for the PBG Plan.

- (a) Investment Mapping. A Participant’s PBG Plan Subaccount shall be mapped to the phantom investment options that are available for Equalized Automatic Retirement Contributions under Article V of this Plan according to the same mapping method that will apply for purposes of transferring the Participants’ account balance under the PBG Savings Plan to the investment options available under the Savings Plan, except as otherwise provided by the Plan Administrator. Once the Participant’s PBG Plan Subaccount balance has been mapped as provided in the preceding sentence, the PBG Plan Subaccount shall be subject to the investment provisions set forth in Article V.
- (b) Phantom PepsiCo Common Stock Fund. Notwithstanding subsection (a) above, the portion of a Participant’s PBG Plan Subaccount that is invested in the phantom PepsiCo Common Stock Fund shall not be subject to mapping, but instead shall remain invested in the phantom PepsiCo Common Stock Fund until such time as the Participant makes a reinvestment election. Thereafter, such portion of the Participant’s PBG Plan Subaccount shall remain eligible for investment and reinvestment in the phantom PepsiCo Common Stock Fund

(notwithstanding any restrictions on investment in the phantom PepsiCo Common Stock Fund that may apply generally under Article V) in accordance with procedures established by the Plan Administrator for this purpose.

(c) Time and Form of Payment. A Participant's PBG Plan Subaccount shall be paid on the first day of the calendar month following the Distribution Valuation Date that next follows the earliest of the following:

- (1) The Participant's Separation from Service;
- (2) The Participant's death; or
- (3) A change in control of the Participant's Employer (other than the successor to the Pepsi Bottling Group, Inc.), as defined in Section 409A.

Distributions upon Separation from Service under this subsection shall be subject to Section 6.5 (Delay for Key Employees), except that no priority shall be given to Section 6.4.

(d) Phantom PepsiCo Common Stock Fund Restrictions. To the extent necessary to ensure compliance with Rule 16b-3(f) of the Securities Exchange Act of 1934 (the "Act"), the Company may arrange for tracking of any such transaction defined in Rule 16b-3(b)(1) of the Act involving the phantom PepsiCo Common Stock Fund and the Company may bar any such transaction to the extent it would not be exempt under Rule 16b-3(f). The Company will impose blackout periods pursuant to the requirements of the Sarbanes-Oxley Act of 2002 whenever the Company determines that circumstances warrant. Further, the Company may impose quarterly blackout periods on insider trading in the Phantom PepsiCo Common Stock Fund as need (as determined by the Company), timed to coincide with the release of the Company's quarterly earnings reports. The commencement and termination of these blackout periods in each quarter, the parties to which they apply and the activities they restrict shall be as set forth in the official insider trading policy promulgated by the Company from time to time.

(e) Impact of Securities Law on Distributions. The provisions of (d) above and this subparagraph (e), shall apply in determining whether a Participant's distribution shall be delayed beyond the date applicable under Article VI of the Plan.

(i) In General. This Plan is intended to be a formula plan for purposes of Section 16 of the Act. Accordingly, in the case of a deferral or other action under the Plan that constitutes a transaction that could be covered by Rule 16b-3(d) or (e) of the Act, if it were approved by the Company's Board of Directors or the Compensation Committee ("Board Approval"), it is intended that the Plan shall be administered by delegates of the Compensation Committee, in the case of a Participant who is subject to Section 16 of the Act, in a manner that will permit the Board Approval of the Plan to avoid any additional Board Approval of specific transactions to the maximum possible extent.

(ii) Approval of Distributions. This subsection shall govern the distribution of a deferral that (i) is wholly or partly invested in the Phantom PepsiCo Common Stock Fund at the time the deferral would be valued to determine the amount of cash to be distributed to a Participant, (ii) was not covered by an agreement, made at the time of the Participant's original phantom investment election, that any investments in the phantom PepsiCo Common Stock Fund would, once made, remain in that fund until distribution, (iii) is made to a Participant who is subject to Section 16 of the Act at the time the interest in the phantom PepsiCo Common Stock Fund would be liquidated in connection with the distribution, and (iv) if paid at the time the distribution would be made without regard to this subsection, could result in a violation of Section 16 of the Act because there is an opposite way transaction that would be matched with the liquidation of the Participant's interest in the phantom PepsiCo Common Stock Fund (either as a "discretionary transaction," within the meaning of Rule 16b-3(b)(1), or as a regular transaction, as applicable) (a "Covered Distribution"). In the case of a Covered Distribution, if the liquidation of the Participant's interest in the

phantom PepsiCo Common Stock Fund in connection with the distribution has not received Board Approval by the time the distribution would be made if it were not a Covered Distribution, or if it is a discretionary transaction, then the actual distribution to the Participant shall be delayed only until the earlier of:

(1) In the case of a transaction that is not a discretionary transaction, Board Approval of the liquidation of the Participant's interest in the phantom PepsiCo Common Stock Fund in connection with the distribution, and

(2) The date the distribution would no longer violate Section 16 of the Act, *e.g.*, when the Participant is no longer subject to Section 16 of the Act, when the balance related to the distribution is no longer invested in the phantom PepsiCo Common Stock Fund, or when the time between the liquidation and an opposite way transaction is sufficient.

## **APPENDIX B – GUIDING PRINCIPLES REGARDING BENEFIT PLAN**

### **COMMITTEE APPOINTMENTS**

#### **B.1 Scope.**

This Article B supplements the Plan document with respect to the appointment of the members of the PAC and PIC.

#### **B.2 General Guidelines.**

To be a member of the PAC or the PIC, an individual must:

- (a) Be an employee of the PepsiCo Organization at a Leadership Group 1 or above level,
- (b) Be able to give adequate time to committee duties, and
- (c) Have the character and temperament to act prudently and diligently in the exclusive interest of the Plan's participants and beneficiaries.

#### **B.3 PAC Guidelines.**

In addition to satisfying the requirements set forth in Section B.2, the following guidelines will also apply to the PAC membership:

- (a) Each member of the PAC should have experience with benefit plan administration or other experience that can readily translate to a role concerning ERISA plan administration,
- (b) The membership of the PAC as a whole should have experience and expertise with respect to the administration of ERISA health and welfare and retirement plans, and
- (c) Each member of the PAC should be capable of prudently evaluating the reasonableness of expenses that are charged to the Plan.

#### **B.4 PIC Guidelines.**

In addition to satisfying the requirements set forth in Section B.2, the following guidelines will also apply to the PIC membership:

- (a) Each member of the PIC should have experience in the areas of investment or finance, and
- (b) The membership of the PIC as a whole should have experience and expertise with respect to evaluating investment options for unfunded ERISA benefit plans.

#### **B.5 Additional Information.**

The Chairs of the PAC and PIC may seek information from Company personnel, including the Controller, CFO and CHRO, in connection with their identification of well qualified candidates for committee membership.

#### **B.6 Role of the Guidelines.**

The foregoing guidelines in this Article B are intended to guide the Chairs of the PIC and the PAC in the selection of committee members; however, they neither diminish nor enlarge the legal standard applicable under ERISA, as applicable.

## APPENDIX ARTICLE C - PIRP TRANSFER PARTICIPANTS

### C.1 Scope:

This Article provides special rules for calculating the benefit of an individual who is a “PIRP Transfer Participant” under Section C.2 below. The benefit of a PIRP Transfer Participant shall be determined under Section C.3 below. Once a benefit is determined for a PIRP Transfer Participant under this Article, such benefit shall be subject to the Plan’s normal conditions and shall be paid in accordance with the Plan’s normal terms. The provisions of this Article are effective January 1, 2016 (but they may take into account years that precede January 1, 2016).

### C.2 Definitions Related to PIRP Transfer Participants:

The following definitions apply for purposes of this Article.

- (a) “PIRP-DC” is the portion of the PepsiCo International Retirement Program that provides a program of defined contributions.
- (b) “PIRP-DC Employer” is the Company or an affiliate of the Company that is an “Employer” under the terms of PIRP-DC.
- (c) “PIRP-DC Salary” is compensation that qualifies as “Salary” under the terms of PIRP-DC.
- (d) “PIRP-DC Service” is service that qualifies as “Service” under the terms of PIRP-DC.
- (e) A “PIRP Transfer Participant” is an individual who is described in paragraph (1) or (2) below.
  - (1) Incoming PIRP Transfer Participant: An individual – (i) who is employed during a year (including a year preceding 2016) by a PIRP-DC Employer in a position that is eligible to accrue benefits

under PIRP-DC (or would be eligible if Section 9.14 of PIRP-DC did not apply), (ii) who is then transferred by the Company during the year from such position to a position that qualifies the individual to be an ARC Eligible Employee under the Savings Plan, (iii) whose PIRP-DC accrual for the Year of Transfer is blocked by Section 9.14 of PIRP-DC, (iv) who would otherwise be entitled to a PIRP-DC benefit enhancement for the Year of Transfer that relates to PIRP-DC Salary or PIRP-DC Service for the year of the transfer, and (v) whose PIRP-DC benefit was not already paid out by December 1, 2016 (but disregarding any such paid-out PIRP-DC benefit for this purpose that the PIRP-DC Vice President determines should be treated under this clause as if it had not been paid out).

- (2) Outgoing PIRP Transfer Participant: An individual – (i) who is employed during a year (including a year preceding 2016) by an Employer in a position that qualifies to be an ARC Eligible Employee under the Savings Plan, (ii) who is then transferred by the Company during the year from such position to a position that is eligible to accrue benefits under PIRP-DC (or would be eligible if Section 9.14 of PIRP-DC did not apply), (iii) whose PIRP-DC accrual for the Year of Transfer is blocked by Section 9.14 of PIRP-DC, (iv) who would otherwise be entitled to a PIRP-DC benefit enhancement for the Year of Transfer that relates to PIRP-DC Salary or PIRP-DC Service for the year of the transfer, and (v) whose PIRP-DC benefit was not already paid out by December 1, 2016 (but disregarding any such paid-out PIRP-DC benefit for this purpose that the PIRP-DC Vice President determines should be treated under this clause as if it had not been paid out).

- (f) The “PIRP-DC Vice President” is the Company executive who has the role of the “Vice President” under the terms of PIRP-DC.
- (g) A “U.S. Person” is an individual who is classified as a “U.S. Person” under the terms of PIRP-DC.
- (h) “Year of Transfer” is the year in which a transfer described in subsection (e) above occurs.

### **C.3 Benefit Formula for PIRP Transfer Participants:**

Except as provided in this Section C.3, a PIRP Transfer Participant’s benefit under the Plan shall be determined using a calculation methodology that is substantially similar to that which applies under Section 4.1 of the Plan.

- (a) Total Automatic Retirement Contribution for PIRP Transfer Participant: Notwithstanding the preceding sentence, a PIRP Transfer Participant’s “Total Automatic Retirement Contribution” (as defined in Section 4.1(a) of the Plan) shall be calculated as if he were an eligible employee under the Savings Plan for the entire Year of Transfer, and as if he received Years of Entitlement Service and Eligible Pay under the Savings Plan for the Year of Transfer equal to – (i) his actual Years of Entitlement Service and Eligible Pay under the Savings Plan for the Year of Transfer, increased by (ii) any other compensation and service for the Year of Transfer that would have been recognized as PIRP-DC Salary and PIRP DC Service, if Section 9.14 of PIRP-DC did not apply for the Year of Transfer. In determining Years of Entitlement Service and Eligible Pay under the prior sentence, no compensation or service shall be taken into account more than once.
- (b) Calculation of PIRP Transfer Participant’s Benefit: The PIRP Transfer Participant’s benefit under the Plan shall be calculated as of each relevant payroll date under the Savings Plan by reducing his Total Automatic Retirement Contribution as determined under subsection (a) above by the

reductions that are normally applicable under Article IV for such payroll date.

**PEPSICO, INC.**

**EXECUTIVE INCENTIVE COMPENSATION PLAN**

**(as amended and restated effective February 13, 2019)**

PEPSICO, INC.

EXECUTIVE INCENTIVE COMPENSATION PLAN  
(as amended and restated effective February 13, 2019)

1. Purpose.

The principal purposes of this PepsiCo, Inc. Executive Incentive Compensation Plan are to assist the Company in attracting, motivating and retaining participating eligible executives who have significant responsibility for the growth and long-term success of the Company by providing incentive awards that ensure a strong pay-for-performance linkage for such executives.

2. Definitions.

(a) "Award" means an amount calculated and awarded to a Participant pursuant to the Plan.

(b) "Board of Directors" means the Board of Directors of PepsiCo.

(c) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(d) "Committee" has the meaning set forth in Section 3(a).

(e) "Company" means PepsiCo and its subsidiaries and divisions.

(f) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

(g) "Eligible Executive" means an employee of the Company who is considered an executive officer of PepsiCo within the meaning of Section 16 of the Exchange Act, and the rules and regulations promulgated thereunder, and executives of the Company who are selected by the Committee as key executives for participation in the Plan.

(h) "Fiscal Year" means a fiscal year of the Company.

(i) "Key Employee" has the meaning ascribed to it from time to time in the PepsiCo Executive Income Deferral Program.

(j) "Misconduct" means (i) violating the Company's Code of Conduct, Insider Trading Policy or any other written policies of the Company, (ii) unlawfully trading in the securities of PepsiCo or of any other company based on information gained as a result of employment with the Company, or (iii) engaging in any activity which constitutes gross misconduct or (iv) engaging in any action which constitutes gross misconduct and that causes or contributes to the need for an accounting adjustment to PepsiCo's financial results.

(k) "Participant" means an Eligible Executive participating in the Plan for a Performance Period as provided in Section 4(b).

(l) "PepsiCo" means PepsiCo, Inc., a North Carolina corporation and its successors and assigns.

(m) "Performance Goals" has the meaning set forth in Section 5(b).

(n) "Performance Measures" has the meaning set forth in Section 5(c).

(o) "*Performance Period*" means a Fiscal Year or other period of time (which may be longer or shorter than a Fiscal Year) set by the Committee during which the achievement of the Performance Goals is to be measured.

(p) "*Plan*" means this PepsiCo, Inc. Executive Incentive Compensation Plan, as amended and restated herein, and as it may be amended from time to time.

(q) "*Section 409A*" means Section 409A of the Code and the applicable regulations and other guidance of general applicability that are issued thereunder.

(r) "*Separation from Service*" means separation from service as defined in Section 409A; provided that for purposes of determining whether a Separation from Service has occurred, the Plan has determined, based upon legitimate business criteria, to use the twenty percent (20%) test described in Treas. Reg. §1.409A-1(h)(3). In the event a Participant also provides services other than as an employee for the Company and its affiliates, as determined under the prior sentence, such other services shall not be taken into account in determining when a Separation from Service occurs to the extent permitted under Treas. Reg. § 1.409A-1(h)(5).

### **3. Administration of the Plan.**

(a) *Committee*. The Plan shall be administered by the Compensation Committee of the Board of Directors (the "Committee"). The Committee shall be appointed by the Board of Directors and shall consist of not less than two members of the Board who meet the definition of "non-employee director" under the provisions of the Exchange Act or the regulations or rules thereunder, and each of whom is "independent" as set forth in the applicable rules and regulations of the Securities and Exchange Commission and The Nasdaq Stock Market LLC.

(b) *Administration*. The Committee shall have all the powers vested in it by the terms of this Plan, such powers to include the authority (within the limitations described herein) to select the persons to be granted awards under the Plan, to determine the time when Awards will be granted, to determine whether objectives and conditions for earning Awards have been met, to determine whether Awards will be paid at the end of the Performance Period or deferred, consistent with Section 409A, and to determine whether an Award or payment of an Award should be reduced or eliminated. The Committee shall have full power and authority to administer and interpret the Plan and to adopt such rules, regulations, agreements, guidelines and instruments for the administration of the Plan and for the conduct of its business as the Committee deems necessary or advisable. The Committee's interpretations of the Plan, and all actions taken and determinations made by the Committee pursuant to the powers vested in it hereunder, shall be conclusive and binding for all purposes and on all parties, including the Company, its shareholders, its employees and any person receiving an Award under the Plan, as well as their respective successors in interest. There is no obligation of uniformity of treatment of Participants under the Plan. No member of the Committee shall be liable for any action taken or determination made in good faith with respect to the Plan or any Award.

(c) *Guidelines*. The Committee may adopt from time to time written policies or rules as it deems necessary or desirable for the Committee's implementation and administration of the Plan.

(d) *Delegation of Administrative Authority*. The Committee may delegate its responsibilities for administering the Plan to employees of the Company as it deems necessary or appropriate for the proper administration of the Plan.

### **4. Eligibility and Participation.**

(a) *Eligibility*. All Eligible Executives are eligible to participate in the Plan for any Performance Period.

(b) *Participation*. For each Performance Period, the Committee, in its discretion, shall select the Eligible Executives who shall participate in this Plan.

## 5. Awards.

(a) *Establishment of Basis for Awards*. In connection with the grant of each Award, the Committee shall (i) establish the Performance Goal(s) and the Performance Period applicable to such Award, (ii) establish the formula for determining the amounts payable based on achievement of the applicable Performance Goal(s), (iii) determine the consequences for the Award of the Participant's termination of employment for various reasons or the Participant's demotion or promotion during the Performance Period and (iv) establish such other terms and conditions for the Award as the Committee deems appropriate. The foregoing shall be accomplished within 90 days of the beginning of the Performance Period (or, if shorter, before 25% of the Performance Period has elapsed).

(b) *Performance Goals*. The "Performance Goals" means the performance goals established by the Committee for each Performance Period. The Performance Goals may, without limitation, be based upon the performance of the Company as a whole, a Participant, or a subsidiary, division, department, region, function or business unit of the Company, using one or more of the Performance Measures selected by the Committee. The Performance Goals may, without limitation, be absolute or may be relative to a peer group or index. Separate Performance Goals may be established by the Committee for the Company or subsidiary or division thereof or an individual thereof, and different Performance Measures may be given different weights.

(c) *Performance Measures*. The "Performance Measures" are one or more of the following criteria, or such other criteria as the Committee deems appropriate, on which Performance Goals may be based: stock price, market share, sales revenue, cash flow, sales volume, earnings per share, return on equity, return on assets, return on sales, return on invested capital, economic value added, net earnings, total shareholder return, gross margin, costs, productivity, brand contribution, product quality, portfolio transformation, productivity improvement, corporate value measures (such as compliance, safety, environmental and personnel matters), or goals related to corporate initiatives, such as acquisitions, dispositions or customer satisfaction.

(d) *Adjustments*. The Committee may appropriately adjust the Performance Goals or the manner in which performance will be measured against the Performance Goals based upon the occurrence of a qualifying criteria selected by the Committee in its discretion that occurs during the Performance Period. Without limitation, such criteria may include: acquisition-related charges; litigation, claim judgments, settlements or tax settlements; the effects of changes in tax law, changes in accounting principles or other such laws or provisions affecting reported results; accruals for reorganization and restructuring programs; gains or losses from discontinued operations; consolidated operating results attributable to acquisitions; and any extraordinary non-recurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operations appearing in the annual report to shareholders for the applicable year.

(e) *Certification of Awards*. After the end of the Performance Period and prior to payment of any Award, the Committee shall certify in writing the degree to which the Performance Goals

applicable to each Participant for the Performance Period were achieved or exceeded. Subject to Section 5(f), the Award for each Participant shall be determined by applying the applicable formula for the Performance Period based upon the level of achievement of the Performance Goals certified by the Committee.

(f) *Committee Discretion*. Notwithstanding anything to the contrary in the Plan, the Committee may, in its sole discretion, reduce or eliminate, but not increase, any Award payable to any Participant for any reason, including without limitation to reflect individual or business performance and/or unanticipated or subjective factors.

(g) *Maximum Awards.* No Participant may receive an aggregate Award of more than \$9 million under the Plan for any Performance Period (or in the case of a Performance Period other than a Fiscal Year, an amount that bears the same ratio to \$9 million as the length of the Performance Period bears to a Fiscal Year).

(h) *Timing of Payment.* Awards will be payable by the Company to Participants as soon as administratively practicable following the determination and written certification of the Committee for the Performance Period pursuant to Section 5(e) above. In the case of any Participant subject to U.S. federal income tax, the Company shall distribute amounts payable to Participants in the calendar year following the year in which the Performance Period ends and no later than March 15<sup>th</sup> of that year.

(i) *Form of Payment.* Awards will be paid in cash or cash equivalents. The Committee in its discretion may determine that all or a portion of an Award shall be paid in stock, restricted stock, stock options or other stock-based or stock denominated units which shall be issued pursuant to the PepsiCo, Inc. Long-Term Incentive Plan or a successor equity compensation plan in existence at the time of grant.

(j) *Deferral of Payment of Awards.* Notwithstanding Section 5(h), the Committee, in its discretion, may defer the payout or vesting of any Award and/or provide to Participants the opportunity to elect to defer the payment of any Award under the PepsiCo Executive Income Deferral Program or any other PepsiCo approved deferred compensation plan or arrangement. With respect to any Award (or portion thereof), including any Award under the Company's Premium Bonus Program, that constitutes deferred compensation subject to Section 409A and is not otherwise exempt from Section 409A, such Award (or portion thereof) shall not be paid earlier than the date that is six months after the Participant's Separation from Service if the payment is based on the Participant's Separation from Service (other than as a result of death) and the Participant is classified as a Key Employee at the time of his or her Separation from Service.

(k) *Certain Participants not Eligible.* To be eligible for payment of any Award, the Participant must (i) be employed by the Company on the last day of the Performance Period unless the Committee specifies otherwise, (ii) have performed the Participant's duties to the satisfaction of the Committee, and (iii) have not engaged in any acts that are considered by the Committee to constitute Misconduct. If the Committee determines following the date an Award is paid that the Participant, prior to the date of payment of such Award, engaged in any acts that are considered by the Committee to constitute Misconduct, the Participant shall be obligated, upon demand, to return the amount of such Award to the Company.

## **6. Miscellaneous Provisions.**

(a) *Effect on Benefit Plans.* Awards shall not be considered eligible pay under other plans, benefit arrangements or fringe benefit arrangements of the Company unless otherwise provided under the terms of such other plans.

(b) *Restriction on Transfer.* Awards (or interests therein) or amounts payable with respect to a Participant under the Plan are not subject to transfer, assignment or alienation, whether voluntary or involuntary.

(c) *Withholding Taxes.* PepsiCo or any subsidiary or division thereof, as appropriate, shall have the right to deduct from all payments hereunder any federal, state, local or foreign taxes or social contributions required by law to be withheld with respect to such awards. The Participant shall be solely responsible for the satisfaction of any federal, state, local or foreign taxes on payments under the Plan.

(d) *No Rights to Awards.* Except as set forth herein, no Company employee or other person shall have any claim or right to be granted an award under the Plan. Neither the Plan nor any action taken hereunder shall be construed as giving any employee any right to be retained in the employ of PepsiCo or

any of its subsidiaries, divisions or affiliates or to interfere with the ability of the Company to terminate any such employee's employment relationship at any time. At no time before the actual payment of an Award shall any Participant or other person accrue any vested interest or right whatsoever under the Plan, and the Company has no obligation to treat Participants identically under the Plan.

(e) *Costs and Expenses.* The cost and expenses of administering the Plan shall be borne by the Company and shall not be charged to any Award or to any Participant receiving an Award.

(f) *No Funding of Plan.* The Plan shall be unfunded, and the Awards shall be paid solely from the general assets of the Company. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any Award under the Plan. To the extent that any person acquires a right to receive payments under the Plan, the right is no greater than the right of any other unsecured general creditor.

(g) *Offset for Monies Owed.* Any payments made under the Plan will be offset for any monies that are owed to the Company to the extent permitted by applicable law, including Section 409A if such payment is subject to Section 409A.

(h) *Other Incentive Plans.* Nothing contained in the Plan shall prohibit the Company from granting other performance awards to employees of the Company (including Participants) under such other incentive arrangements, and in such form and manner, as it deems desirable.

(i) *Successors.* All obligations of PepsiCo under the Plan shall be binding on any successor to PepsiCo whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise of all or substantially all of the business or assets of PepsiCo.

(j) *Section 409A.* To the extent that any Award under the Plan is subject to Section 409A, the terms and administration of such Award shall comply with the provisions of Section 409A, and, to the extent necessary to achieve compliance, shall be modified at the discretion of the Committee. The Company makes no representation that any Award is exempt from or complies with Section 409A and makes no undertaking to preclude Section 409A from applying to Awards. The Company will have no liability to any Participant or to any other party if an Award that is intended to be exempt from or compliant with Section 409A is not so exempt or compliant or for any action taken by the Committee with respect thereto.

(k) *Severability.* If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, and the remainder of the Plan or Award shall remain in full force and effect.

(l) *Governing Law.* The Plan and all rights and awards hereunder shall be construed in accordance with and governed by the laws of the State of New York.

## **7. Effective Date, Amendments and Termination.**

(a) *Effective Date.* The Plan, as amended and restated by the Committee on February 13, 2019, shall be effective for Awards granted on or after such date.

(b) *Amendments.* The Committee may at any time terminate or from time to time amend the Plan in whole or in part, but no such action shall adversely affect any rights or obligations with respect to any Awards theretofore made under the Plan.

(c) *Termination.* The Plan shall continue in effect until terminated by the Committee.

**PEPSICO, INC. SUBSIDIARIES**

<b><u>NAME OF ENTITY</u></b>	<b><u>JURISDICTION</u></b>
Abechuko Inversiones, S.L.	Spain
Alikate Inversiones, S.L.	Spain
Alimentos del Istmo, S.A.	Panama
Alimentos Quaker Oats y Compania Limitada	Guatemala
Alimesa S.A.	Argentina
Amavale Agricola Ltda.	Brazil
Anderson Hill Insurance Limited	Bermuda
Aquafina Inversiones, S.L.	Spain
BAESA Capital Corporation Ltd.	Cayman Islands
Barrett Investments S.à r.l.	Luxembourg
Beaman Bottling Company	United States, Delaware
Beech Limited	Cayman Islands
Beimiguel Inversiones, S.L.	Spain
Bell Taco Funding Syndicate	Australia
Bendler Investments S.à r.l.	Luxembourg
Beverage Services Limited	Bermuda
Beverages, Foods & Service Industries, Inc.	United States, Delaware
Bishkeksut, OJSC	Kyrgyzstan
Blaue NC, S. de R.L. de C.V.	Mexico
Blind Brook Global Holdings Partnership	Canada
Blind Brook Global Holdings S.à r.l.	Luxembourg
Bluebird Foods Limited	New Zealand
Bolsherechensky Molkombinat, JSC	Russia
Boquitas Fiestas S.R.L.	Honduras
Boquitas Fiestas, LLC	United States, Delaware
Bottling Group Financing, LLC	United States, Delaware
Bottling Group Holdings, LLC	United States, Delaware
Bottling Group, LLC	United States, Delaware
Brading Holding S.à r.l.	Luxembourg
BUG de Mexico, S.A. de C.V.	Mexico
C & I Leasing, Inc.	United States, Maryland
Canguro Rojo Inversiones, S.L.	Spain
Caroni Investments, LLC	United States, Delaware
CEME Holdings, LLC	United States, Delaware
Centro-Mediterranea de Bebidas Carbonicas PepsiCo, S.L.	Spain
China Concentrate Holdings (Hong Kong) Limited	Hong Kong
Chipiga, S. de R.L. de C.V.	Mexico
Chipsy for Food Industries S.A.E.	Egypt
Chipsy International for Food Industries S.A.E.	Egypt
Cipa Industrial de Productos Alimentares Ltda.	Brazil
Cipa Nordeste Industrial de Productos Alimentares Ltda.	Brazil
CMC Investment Company	Bermuda
Cocina Autentica, Inc.	United States, Delaware
Comercializadora Nacional SAS Ltda.	Colombia

**NAME OF ENTITY**

Comercializadora PepsiCo Mexico, S de R.L. de C.V.  
Compania de Bebidas PepsiCo, S.L.  
Concentrate Holding Uruguay Pte. Ltd.  
Concentrate Manufacturing (Singapore) Pte. Ltd.  
Confiteria Alegre, S. de R.L. de C.V.  
Copper Beech International, LLC  
Corina Snacks Limited  
Corporativo Internacional Mexicano, S. de R.L. de C.V.  
Davlyn Realty Corporation  
Defosto Holdings Limited  
Desarrollo Inmobiliario Gamesa, S. de R.L. de C.V.  
Devon Holdings S.à r.l  
Dominion Investments S.à r.l  
Donon Holdings Limited  
Drinkfinity USA, Inc.  
Duo Juice Company  
Duo Juice Company B.V.  
Dutch Snacks Holding, S.A. de C.V.  
Duyvis Production B.V.  
Echo Bay Holdings, Inc.  
Egmont Holdings Luxembourg S.à r.l  
Elaboradora Argentina de Cereales S.R.L.  
Enfolg Inversiones, S.L.  
Enter Logistica, LLC  
Environ at Inverrary Partnership  
Environ of Inverrary, Inc.  
EPIC Enterprises, Inc.  
Eridanus Investments S.à r.l  
Essentuksky plant of mineral waters on KMV Ltd.  
Evercrisp Snack Productos de Chile S.A.  
Fabrica de Productos Alimenticios Rene y Cia S.C.A.  
Fabrica de Productos Rene LLC  
Fabrica PepsiCo Mexicali, S. de R.L. de C.V.  
Far East Bottlers (Hong Kong) Limited  
FL Transportation, Inc.  
FLI Andean, LLC  
FLI Colombia, LLC  
FLI Snacks Andean GP, LLC  
Food Production, CJSC  
Forest Akers Nederland B.V.  
Fovarosi Asvanyviz es Uditoipari Zartkoruen Mukodo Reszvenytarsasag  
Frito Lay (Hungary) Trading and Manufacturing Limited Liability Company  
Frito Lay de Guatemala y Compania Limitada  
Frito Lay Gida Sanayi Ve Ticaret Anonim Sirketi  
Frito Lay Sp. zo.o.  
Frito-Lay Australia Holdings Pty Limited  
Frito-Lay Dip Company, Inc.  
Frito-Lay Dominicana, S.A.  
Frito-Lay Global Investments B.V.

**JURISDICTION**

Mexico  
Spain  
Singapore  
Singapore  
Mexico  
United States, Delaware  
Cyprus  
Mexico  
United States, Delaware  
Cyprus  
Mexico  
Luxembourg  
Luxembourg  
Cyprus  
United States, Delaware  
United States, Delaware  
Netherlands  
Mexico  
Netherlands  
United States, Delaware  
Luxembourg  
Argentina  
Spain  
Russia  
United States, Florida  
United States, Florida  
United States, Massachusetts  
Luxembourg  
Russia  
Chile  
Guatemala  
United States, Delaware  
Mexico  
Hong Kong  
United States, Delaware  
United States, Delaware  
United States, Delaware  
United States, Delaware  
Russia  
Netherlands  
Hungary  
Hungary  
Guatemala  
Turkey  
Poland  
Australia  
United States, Delaware  
Dominican Republic  
Netherlands

**NAME OF ENTITY**

Frito-Lay Investments B.V.  
Frito-Lay Manufacturing LLC  
Frito-Lay Netherlands Holding B.V.  
Frito-Lay North America, Inc.  
Frito-Lay Poland Sp.z.o.o.  
Frito-Lay Sales, Inc.  
Frito-Lay Trading Company (Europe) GmbH  
Frito-Lay Trading Company (Poland) GmbH  
Frito-Lay Trading Company GmbH  
Frito-Lay Trinidad Unlimited  
Frito-Lay, Inc.  
Fruko Mesrubat Sanayi Limited Sirketi  
Fundacion Frito Lay de Guatemala  
Fundacion Frito Lay Dominicana  
Fundacion PepsiCo  
Fundacion PepsiCo de Argentina  
Fundacion PepsiCo Mexico, A.C.  
Gambrinus Investments Limited  
Gamesa LLC  
Gamesa, S. de R.L. de C.V.  
Gas Natural de Merida, S. A. de C. V.  
Gatika Inversiones, S.L.  
Gatorade Puerto Rico Company  
GB Czech, LLC  
GB International, Inc.  
GB Russia LLC  
GB Slovak, LLC  
General Bottlers of Hungary, Inc.  
Golden Grain Company  
Goveh S.R.L.  
Grayhawk Leasing, LLC  
Green Hemlock International, LLC  
Greip Inversiones, S.L.  
Grupo Frito Lay y Compania Limitada  
Grupo Gamesa, S. de R.L. de C.V.  
Grupo Sabritas, S. de R.L. de C.V.  
Gulkevichskiy Maslozavod, JSC  
Heathland, LP  
Helioscope Limited  
Hillbrook, Inc.  
Hillwood Bottling, LLC  
Holding Company "Opolie" JSC  
Homefinding Company of Texas  
Hudson Valley Insurance Company  
IC Equities, Inc.  
Inmobiliaria Interamericana, S.A. De C.V.  
Integrated Beverage Services (Bangladesh) Limited  
Integrated Foods & Beverages Pvt. Ltd.  
International Bottlers Management Co. LLC

**JURISDICTION**

Netherlands  
Russia  
Netherlands  
United States, Delaware  
Poland  
United States, Delaware  
Switzerland  
Switzerland  
Switzerland  
Trinidad And Tobago  
United States, Delaware  
Turkey  
Guatemala  
Dominican Republic  
Peru  
Argentina  
Mexico  
Cayman Islands  
United States, Delaware  
Mexico  
Mexico  
Spain  
United States, Delaware  
Peru  
United States, Delaware  
United States, Delaware  
Spain  
Guatemala  
Mexico  
Mexico  
Russia  
United States, Delaware  
Cyprus  
United States, Vermont  
United States, Delaware  
Russia  
United States, Texas  
United States, New York  
United States, Delaware  
Mexico  
Bangladesh  
Bangladesh  
United States, Delaware

**NAME OF ENTITY**

International Bottlers-Almaty Limited Liability Partnership  
International KAS Aktiengesellschaft  
International Refreshment (Thailand) Co., Ltd.  
Inversiones Borneo S.R.L.  
Inversiones PFI Chile Limitada  
Inviting Foods Holdings, Inc.  
Inviting Foods LLC  
IZZE Beverage Co.  
Jatabe Inversiones, S.L.  
Jugodesalud Inversiones, S.L.  
Jungla Mar del Sur, S.A.  
KAS Anorthosis S.à r.l  
KAS S.L.  
KeVita, Inc.  
KRJ Holdings, S. de R.L. de C.V.  
Kungursky Molkombinat, JSC  
Lacenix Cia. Ltda.  
Larragana Holdings 1, LLC  
Larragana Holdings 2, LLC  
Larragana Holdings 3, LLC  
Larragana Holdings 4, LLC  
Larragana Holdings 5, LLC  
Larragana Holdings 6, LLC  
Larragana Holdings 7, LLC  
Larragana S.L.  
Latin American Holdings Ltd.  
Latin American Snack Foods ApS  
Latin Foods International, LLC  
Latvian Snacks SIA  
Lebedyansky Holdings, LLC  
Lebedyansky, LLC  
Limited Liability Company "Sandora"  
Linkbay Limited  
Lithuanian Snacks UAB  
Lorencito Inversiones, S.L.  
Luxembourg SCS Holdings, LLC  
Maizoro, S. de R.L. de C.V.  
Manurga Inversiones, S.L.  
Marbo d.o.o. Laktasi  
Marbo Product d.o.o. Beograd  
Matudis - Comercio de Produtos Alimentares, Limitada  
Matutano - Sociedade de Produtos Alimentares, Lda.  
Mid-America Improvement Corporation  
Miglioni Inversiones, S.L.  
Mountainview Insurance Company, Inc.  
Nadamas Inversiones, S.L.  
Naked Juice Co.  
Naked Juice Co. of Glendora, Inc.  
NCJV, LLC

**JURISDICTION**

Kazakhstan  
Liechtenstein  
Thailand  
Peru  
Chile  
United States, Delaware  
United States, Delaware  
United States, Delaware  
Spain  
Spain  
Costa Rica  
Luxembourg  
Spain  
United States, California  
Mexico  
Russia  
Ecuador  
United States, Delaware  
Spain  
Cayman Islands  
Denmark  
United States, Delaware  
Latvia  
Russia  
Russia  
Ukraine  
Cyprus  
Lithuania  
Spain  
United States, Delaware  
Mexico  
Spain  
Bosnia and Herzegovina  
Serbia  
Portugal  
Portugal  
United States, Illinois  
Spain  
United States, Vermont  
Spain  
United States, Pennsylvania  
United States, California  
United States, Delaware

**NAME OF ENTITY**

New Bern Transport Corporation  
New Century Beverage Company, LLC  
Noble Leasing LLC  
Northeast Hot-Fill Co-op, Inc.  
Office at Solyanka LLC  
Onbiso Inversiones, S.L.  
One World Enterprises, LLC  
One World Investors, Inc.  
P.B.I. Fruit Juice Company BVBA  
P-A Barbados Bottling Company, LLC  
P-A Bottlers (Barbados) SRL  
P-Americas, LLC  
Panafota Holdings Unlimited Company  
Papas Chips S.A.  
PAS Beverages Ltd.  
PAS International Ltd.  
PAS Luxembourg, S.à r.l  
PAS Netherlands B.V.  
PBG Beverages Ireland Unlimited Company  
PBG Canada Holdings II, Inc.  
PBG Canada Holdings, Inc.  
PBG Cyprus Holdings Limited  
PBG International Holdings Luxembourg Jayhawk S.C.S.  
PBG International Holdings Partnership  
PBG Investment (Luxembourg) S.à r.l  
PBG Investment Partnership  
PBG Midwest Holdings S.à r.l  
PBG Mohegan Holdings Limited  
PBG Soda Can Holdings, S.à r.l  
PCBL, LLC  
PCNA Manufacturing, Inc.  
PCTI Puerto Rico, Inc.  
Pei N.V.  
Pep Trade LLC  
Pepsi B.V.  
Pepsi Beverages Holdings, Inc.  
Pepsi Bottling Group Global Finance, LLC  
Pepsi Bottling Group GmbH  
Pepsi Bottling Group Hoosiers B.V.  
Pepsi Bottling Holdings, Inc.  
Pepsi Bugshan Investments S.A.E.  
Pepsi Cola Colombia Ltda  
Pepsi Cola Egypt S.A.E.  
Pepsi Cola Servis Ve Dagitim Limited Sirketi  
Pepsi Cola Trading Ireland  
Pepsi Logistics Company, Inc.  
Pepsi Northwest Beverages LLC  
Pepsi Overseas (Investments) Partnership  
Pepsi Promotions, Inc.

**JURISDICTION**

United States, Delaware  
United States, Delaware  
United States, Delaware  
United States, Delaware  
Russia  
Spain  
United States, Delaware  
United States, Delaware  
Belgium  
United States, Delaware  
Barbados  
United States, Delaware  
Ireland  
Uruguay  
Bermuda  
Bermuda  
Luxembourg  
Netherlands  
Ireland  
United States, Delaware  
United States, Delaware  
Cyprus  
Luxembourg  
Bermuda  
Luxembourg  
Canada  
Luxembourg  
Gibraltar  
Luxembourg  
United States, Delaware  
United States, Delaware  
Puerto Rico  
Curacao  
Egypt  
Netherlands  
United States, Delaware  
United States, Delaware  
Germany  
Netherlands  
United States, Delaware  
Egypt  
Colombia  
Egypt  
Turkey  
Ireland  
United States, Delaware  
United States, Delaware  
Canada  
United States, Delaware

**NAME OF ENTITY**

PepsiAmericas Nemzetközi Szolgáltatás Korlátolt Felelősségű Társaság  
PepsiCo (China) Limited  
PepsiCo (Gibraltar) Limited  
PepsiCo (Ireland) Unlimited Company  
PepsiCo (Malaysia) Sdn. Bhd.  
PepsiCo Alimentos Colombia Ltda.  
PepsiCo Alimentos de Bolivia S.R.L.  
PepsiCo Alimentos Ecuador Cia. Ltda.  
PepsiCo Alimentos Z.F., Ltda.  
PepsiCo Amacoco Bebidas Do Brasil Ltda.  
PepsiCo Antilles Holdings N.V.  
PepsiCo ANZ Holdings Pty Ltd  
PepsiCo Armenia LLC  
PepsiCo Asia Research & Development Center Company Limited  
PepsiCo Australia Financing Pty Ltd  
PepsiCo Australia Holdings Pty Limited  
PepsiCo Australia International  
PepsiCo Austria Services GmbH  
PepsiCo Azerbaijan Limited Liability Company  
PepsiCo BeLux BVBA  
PepsiCo Beverage Singapore Pty Ltd  
PepsiCo Beverages (Hong Kong) Limited  
PepsiCo Beverages Bermuda Limited  
PepsiCo Beverages International Limited  
PepsiCo Beverages Italia Societa' A Responsabilita' Limitata  
PepsiCo Beverages Switzerland GmbH  
PepsiCo Canada (Holdings) ULC  
PepsiCo Canada Finance, LLC  
PepsiCo Canada Investment ULC  
PepsiCo Canada ULC  
PepsiCo Captive Holdings, Inc.  
PepsiCo Caribbean, Inc.  
PepsiCo Consulting Polska Sp. z o.o.  
PepsiCo CZ s.r.o.  
PepsiCo Dairy Beverages (Shanghai) Limited  
PepsiCo Dairy Management (Hong Kong) Limited  
PepsiCo de Argentina S.R.L.  
PepsiCo De Bolivia S.R.L.  
PepsiCo de Mexico S. de R.L. de C.V.  
PepsiCo Del Paraguay S.R.L.  
PepsiCo Deutschland GmbH  
PepsiCo do Brasil Indústria e Comércio de Alimentos Ltda.  
PepsiCo do Brasil Ltda.  
PepsiCo Eesti AS  
PepsiCo Euro Bermuda Limited  
PepsiCo Euro Finance Antilles B.V.  
PepsiCo Europe Support Center, S.L.  
PepsiCo Finance (Antilles A) N.V.  
PepsiCo Finance (Antilles A) N.V.

**JURISDICTION**

Hungary  
China  
Gibraltar  
Ireland  
Malaysia  
Colombia  
Bolivia  
Ecuador  
Colombia  
Brazil  
Curacao  
Australia  
Armenia  
China  
Australia  
Australia  
Australia  
Australia  
Austria  
Azerbaijan  
Belgium  
Australia  
Hong Kong  
Bermuda  
Nigeria  
Italy  
Switzerland  
Canada  
United States, Delaware  
Canada  
Canada  
United States, Delaware  
Puerto Rico  
Poland  
Czech Republic  
China  
Hong Kong  
Argentina  
Bolivia  
Mexico  
Paraguay  
Germany  
Brazil  
Brazil  
Estonia  
Bermuda  
Curacao  
Spain  
Curacao  
United States, Delaware

**NAME OF ENTITY**

PepsiCo Finance (Antilles B) N.V.  
PepsiCo Finance (South Africa) (Proprietary) Limited  
PepsiCo Finance Europe Limited  
PepsiCo Financial Shared Services, Inc.  
PepsiCo Food & Beverage Holdings Hong Kong Limited  
PepsiCo Foods (China) Company Limited  
PepsiCo Foods (Private) Limited  
PepsiCo Foods Group Pty Ltd  
PepsiCo Foods Taiwan Co., Ltd.  
PepsiCo Foods Vietnam Company  
PepsiCo Foods, A.I.E.  
PepsiCo France SNC  
PepsiCo Global Investments B.V.  
PepsiCo Global Investments S.à r.l  
PepsiCo Global Mobility, LLC  
PepsiCo Global Real Estate, Inc.  
PepsiCo Global Trading Solutions Unlimited Company  
PepsiCo Golden Holdings, Inc.  
PepsiCo Group Finance International B.V.  
PepsiCo Group Finance International S.à r.l.  
PepsiCo Group Holdings International B.V.  
PepsiCo Group Holdings International S.à r.l.  
PepsiCo Group Spotswood Holdings S.C.S.  
PepsiCo Group, Societe Cooperative  
PepsiCo Gulf International FZE  
PepsiCo Holding de Espana S.L.  
PepsiCo Holdings  
PepsiCo Holdings Hong Kong Limited  
PepsiCo Holdings Luxembourg S.à r.l  
PepsiCo Holdings, LLC  
PepsiCo Hong Kong, LLC  
PepsiCo Iberia Servicios Centrales, S.L.  
PepsiCo India Holdings Private Limited  
PepsiCo India Sales Private Limited  
PepsiCo Internacional México, S. de R. L. de C. V.  
PepsiCo International Limited  
PepsiCo International Pte Ltd.  
PepsiCo Investments (Europe) I B.V.  
PepsiCo Investments Ltd.  
PepsiCo Investments Luxembourg S.à r.l  
PepsiCo Ireland Food & Beverages Unlimited Company  
PepsiCo Japan Co., Ltd.  
PepsiCo Light B.V.  
PepsiCo Logistyka Sp. z.o.o.  
PepsiCo Management Services SAS  
PepsiCo Manufacturing, A.I.E.  
PepsiCo Max B.V.  
PepsiCo Mexico R&D Biscuits, S.C.  
PepsiCo Mexico R&D Savory, S.C.

**JURISDICTION**

Curacao  
South Africa  
United Kingdom  
United States, Delaware  
Hong Kong  
China  
Pakistan  
Australia  
Taiwan  
Vietnam  
Spain  
France  
Netherlands  
Luxembourg  
United States, Delaware  
United States, Delaware  
Ireland  
United States, Delaware  
Netherlands  
Luxembourg  
Netherlands  
Luxembourg  
Luxembourg  
Luxembourg  
United Arab Emirates  
Spain  
United Kingdom  
Hong Kong  
Luxembourg  
Russia  
United States, Delaware  
Spain  
India  
India  
Mexico  
United Kingdom  
Singapore  
Netherlands  
Mauritius  
Luxembourg  
Ireland  
Japan  
Netherlands  
Poland  
France  
Spain  
Netherlands  
Mexico  
Mexico

**NAME OF ENTITY**

PepsiCo Nederland B.V.  
PepsiCo Nordic Denmark ApS  
PepsiCo Nordic Finland Oy  
PepsiCo Nordic Norway AS  
PepsiCo Nutrition Trading DMCC  
PepsiCo One B.V.  
PepsiCo Overseas Corporation  
PepsiCo Pacific Trading Company, Limited  
PepsiCo Panimex Inc  
PepsiCo Products B.V.  
PepsiCo Products FLLC  
PepsiCo Puerto Rico, Inc.  
PepsiCo Sales, Inc.  
PepsiCo Sales, LLC  
PepsiCo Services Asia Ltd.  
PepsiCo Services, LLC  
PepsiCo Twist B.V.  
PepsiCo UK Pension Plan Trustee Limited  
PepsiCo Wave Holdings LLC  
PepsiCo World Trading Company, Inc.  
PepsiCo-IVI EPE  
Pepsi-Cola (Bermuda) Limited  
Pepsi-Cola (Thai) Trading Co., Ltd.  
Pepsi-Cola Advertising and Marketing, Inc.  
Pepsi-Cola Beverages (Thailand) Co., Ltd.  
Pepsi-Cola Bottlers Holding C.V.  
Pepsi-Cola Bottling Company of Ft. Lauderdale-Palm Beach, LLC  
Pepsi-Cola Bottling Company Of St. Louis, Inc.  
Pepsi-Cola Bottling Finance B.V.  
Pepsi-Cola Bottling Global B.V.  
Pepsi-Cola Company  
Pepsi-Cola de Honduras S.R.L.  
Pepsi-Cola Ecuador Cia. Ltda.  
Pepsi-Cola Far East Trade Development Co., Inc.  
Pepsi-Cola Finance, LLC  
Pepsi-Cola General Bottlers Poland SP, z.o.o.  
Pepsi-Cola Industrial da Amazonia Ltda.  
PepsiCola Interamericana de Guatemala S.A.  
Pepsi-Cola International (Cyprus) Limited  
Pepsi-Cola International (Private) Limited  
Pepsi-Cola International Limited  
Pepsi-Cola International Limited (U.S.A.)  
Pepsi-Cola International, Cork  
Pepsi-Cola Kft.  
Pepsi-Cola Korea Co., Ltd.  
Pepsi-Cola Maghreb  
Pepsi-Cola Management and Administrative Services, Inc.  
Pepsi-Cola Manufacturing (Ireland) Unlimited Company  
Pepsi-Cola Manufacturing (Mediterranean) Limited

**JURISDICTION**

Netherlands  
Denmark  
Finland  
Norway  
United Arab Emirates  
Netherlands  
United States, Delaware  
Hong Kong  
Mauritius  
Netherlands  
Belarus  
United States, Delaware  
United States, Delaware  
United States, Delaware  
Thailand  
United States, Delaware  
Netherlands  
United Kingdom  
United States, Delaware  
United States, Delaware  
Greece  
Bermuda  
Thailand  
United States, Delaware  
Thailand  
Netherlands  
United States, Florida  
United States, Missouri  
Netherlands  
Netherlands  
United States, Delaware  
Honduras  
Ecuador  
Philippines  
United States, Delaware  
Poland  
Brazil  
Guatemala  
Cyprus  
Pakistan  
Bermuda  
United States, Delaware  
Ireland  
Hungary  
Korea, Republic Of  
Morocco  
United States, Delaware  
Ireland  
Bermuda

**NAME OF ENTITY**

Pepsi-Cola Manufacturing Company Of Uruguay S.R.L.  
Pepsi-Cola Manufacturing International, Limited  
Pepsi-Cola Marketing Corp. Of P.R., Inc.  
Pepsi-Cola Mediterranean, Ltd.  
Pepsi-Cola Metropolitan Bottling Company, Inc.  
Pepsi-Cola Mexicana Holdings LLC  
Pepsi-Cola Mexicana, S. de R.L. de C.V.  
Pepsi-Cola National Marketing, LLC  
Pepsi-Cola of Corvallis, Inc.  
Pepsi-Cola Operating Company Of Chesapeake And Indianapolis  
Pepsi-Cola Panamericana S.R.L.  
Pepsi-Cola Sales and Distribution, Inc.  
Pepsi-Cola SR, s.r.o.  
Pepsi-Cola Technical Operations, Inc.  
Pepsi-Cola Ukraine LLC  
Pet Iberia S.L.  
Pete & Johnny Limited  
Pine International Limited  
Pine International, LLC  
Pinstripe Leasing, LLC  
PlayCo, Inc.  
Portfolio Concentrate Solutions Unlimited Company  
PR Beverages Bermuda Holding Ltd.  
PR Beverages Cyprus (Russia) Holding Limited  
PR Beverages Cyprus Holding Limited  
PRB Luxembourg International S.à r.l  
PRB Luxembourg S.à r.l  
Prestwick LLC  
Prev PepsiCo Sociedade Previdenciaria  
Productos S.A.S. C.V.  
Productos SAS Management B.V.  
PRS, Inc.  
PSAS Inversiones LLC  
PSE Logistica S.R.L.  
PT Quaker Indonesia  
Punch N.V.  
Punica Getranke GmbH  
Q O Puerto Rico, Inc.  
QBU Marketing Services, S. de R.L. de C.V.  
QBU Trading Company, S. de R.L. de C.V.  
QFL OHQ Sdn. Bhd.  
QTG Development, Inc.  
QTG Services, Inc.  
Quadrant - Amroq Beverages S.R.L.  
Quaker Development B.V.  
Quaker European Beverages, LLC  
Quaker European Investments B.V.  
Quaker Foods  
Quaker Global Investments B.V.

**JURISDICTION**

Uruguay  
Bermuda  
Puerto Rico  
United States, Wyoming  
United States, New Jersey  
United States, Delaware  
Mexico  
United States, Delaware  
United States, Oregon  
United States, Delaware  
Peru  
United States, Delaware  
Slovakia  
United States, Delaware  
Ukraine  
Spain  
United Kingdom  
Cayman Islands  
United States, Delaware  
United States, Delaware  
United States, Delaware  
Ireland  
Bermuda  
Cyprus  
Cyprus  
Luxembourg  
Luxembourg  
United States, Delaware  
Brazil  
Netherlands  
Netherlands  
United States, Delaware  
United States, Delaware  
Argentina  
Indonesia  
Curacao  
Germany  
Puerto Rico  
Mexico  
Mexico  
Malaysia  
United States, Delaware  
United States, Delaware  
Romania  
Netherlands  
United States, Delaware  
Netherlands  
United Kingdom  
Netherlands

**NAME OF ENTITY**

Quaker Holdings (UK) Limited  
Quaker Manufacturing, LLC  
Quaker Oats Asia, Inc.  
Quaker Oats Australia Pty Ltd  
Quaker Oats B.V.  
Quaker Oats Capital Corporation  
Quaker Oats Europe LLC  
Quaker Oats Europe, Inc.  
Quaker Oats Limited  
Quaker Sales & Distribution, Inc.  
Raptas Finance S.à r.l.  
Rare Fare Foods, LLC  
Rare Fare Holdings, Inc.  
Rasines Inversiones, S.L.  
Real Estate Holdings, LLC  
Rebujito Inversiones, S.L.  
Rolling Frito-Lay Sales, LP  
Ronkas Inversiones, S.L.  
S & T of Mississippi, Inc.  
Sabritas de Costa Rica, S. de R.L.  
Sabritas Snacks America Latina de Nicaragua y Cia, Ltda  
Sabritas y Cia. S en C de C.V.  
Sabritas, LLC  
Sabritas, S. de R.L. de C.V.  
Sakata Rice Snacks Australia Pty Ltd  
Sandora Holdings B.V.  
Saudi Snack Foods Company Limited  
SE "Sundance"  
Seepoint Holdings Ltd.  
Servicios Gamesa Puerto Rico, L.L.C.  
Servicios GBF, Sociedad de Responsabilidad Limitada  
Servicios GFLG y Compania Limitada  
Servicios SYC, S. de R.L. de C.V.  
Seven-Up Asia, Inc.  
Seven-Up Light B.V.  
Seven-Up Nederland B.V.  
Shanghai PepsiCo Snack Company Limited  
Shanghai YuHo Agricultural Development Co., Ltd  
Shoebill, LLC  
SIH International, LLC  
Simba (Proprietary) Limited  
Sitka Spruce  
Smartfoods, Inc.  
Smiths Crisps Limited  
Snack Food Investments GmbH  
Snack Food Investments II GmbH  
Snack Food Investments Limited  
Snack Food-Beverage Asia Products Limited  
Snacks America Latina S.R.L.

**JURISDICTION**

United Kingdom  
United States, Delaware  
United States, Delaware  
Australia  
Netherlands  
United States, Delaware  
United States, Delaware  
United States, Delaware  
United Kingdom  
United States, Delaware  
Luxembourg  
United States, Delaware  
United States, Delaware  
Spain  
Puerto Rico  
Spain  
United States, Delaware  
Spain  
United States, Mississippi  
Costa Rica  
Nicaragua  
El Salvador  
United States, Delaware  
Mexico  
Australia  
Netherlands  
Saudi Arabia  
Ukraine  
Cyprus  
Puerto Rico  
Honduras  
Guatemala  
El Salvador  
United States, Missouri  
Netherlands  
Netherlands  
China  
China  
United States, Delaware  
United States, Delaware  
South Africa  
South Africa  
United States, Delaware  
United Kingdom  
Switzerland  
Switzerland  
Bermuda  
Hong Kong  
Peru

**NAME OF ENTITY**

Snacks Guatemala, Ltd.  
South Beach Beverage Company, Inc.  
South Properties, Inc.  
Spruce Limited  
Stacy's Pita Chip Company, Incorporated  
Star Foods E.M. S.R.L.  
Stepplan Inversiones, S.L.  
Stokely-Van Camp, Inc.  
SVC Logistics, Inc.  
SVC Manufacturing, Inc.  
SVE Russia Holdings GmbH  
Tasman Finance S.à r.l  
Tasty Foods S.A.  
TFL Holdings, LLC  
The Concentrate Manufacturing Company Of Ireland  
The Gatorade Company  
The Gatorade Company of Australia Pty Limited  
The Original Pretzel Company Pty Limited  
The Pepsi Bottling Group (Canada), ULC  
The Quaker Oats Company  
The Radical Fruit Company New York  
The Smith's Snackfood Company Pty Limited  
Tobago Snack Holdings, LLC  
Tropicana Alvalle S.L.  
Tropicana Beverages Greater China Limited  
Tropicana Beverages Limited  
Tropicana Europe N.V.  
Tropicana Manufacturing Company, Inc.  
Tropicana Products Sales, Inc.  
Tropicana Products, Inc.  
Tropicana Services, Inc.  
Tropicana Transportation Corp.  
Tropicana United Kingdom Limited  
Troya-Ultra LLC  
United Foods Companies Restaurantes S.A.  
VentureCo (Israel) Ltd  
Veurne Snack Foods BVBA  
Vitamin Brands Ltd.  
Walkers Crisps Limited  
Walkers Group Limited  
Walkers Snack Foods Limited  
Walkers Snacks (Distribution) Limited  
Walkers Snacks Limited  
Wesellsoda Inversiones, S.L.  
Whitman Corporation  
Whitman Insurance Co. Ltd.  
Wimm-Bill-Dann Beverages, JSC  
Wimm-Bill-Dann Brands Co. Ltd.  
Wimm-Bill-Dann Central Asia-Almaty, LLP

**JURISDICTION**

Bermuda  
United States, Delaware  
United States, Illinois  
Cayman Islands  
United States, Massachusetts  
Romania  
Spain  
United States, Indiana  
United States, Delaware  
United States, Delaware  
Germany  
Luxembourg  
Greece  
United States, Delaware  
Ireland  
United States, Delaware  
Australia  
Australia  
Canada  
United States, New Jersey  
Ireland  
Australia  
United States, Delaware  
Spain  
Hong Kong  
Hong Kong  
Belgium  
United States, Delaware  
United States, Delaware  
United States, Delaware  
United States, Florida  
United States, Delaware  
United Kingdom  
Russia  
Brazil  
Israel  
Belgium  
United Kingdom  
Spain  
United States, Delaware  
United States, Vermont  
Russia  
Russia  
Kazakhstan

**NAME OF ENTITY**

Wimm-Bill-Dann Foods LLC

Wimm-Bill-Dann Georgia Ltd.

Wimm-Bill-Dann JSC

Wimm-Bill-Dann Ukraine, PJSC

**JURISDICTION**

Russia

Georgia

Russia

Ukraine

## Consent of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors  
PepsiCo, Inc.:

We consent to the incorporation by reference in the registration statements and Forms listed below of PepsiCo, Inc. and subsidiaries (“PepsiCo, Inc.”) of our report dated February 15, 2019, with respect to the Consolidated Balance Sheets of PepsiCo, Inc. as of December 29, 2018 and December 30, 2017, and the related Consolidated Statements of Income, Comprehensive Income, Cash Flows, and Equity for each of the fiscal years in the three-year period ended December 29, 2018, and the related notes (collectively, the “consolidated financial statements”), and the effectiveness of internal control over financial reporting as of December 29, 2018, which report appears in the December 29, 2018 annual report on Form 10-K of PepsiCo, Inc.

Our report dated February 15, 2019, on the effectiveness of internal control over financial reporting as of December 29, 2018, contains an explanatory paragraph that states the scope of management’s assessment of the effectiveness of internal control over financial reporting excluded SodaStream International Ltd. and its subsidiaries (“SodaStream”), which the Company acquired in December 2018. SodaStream’s total assets and net revenue represented approximately 5% and 1%, respectively, of the consolidated total assets and net revenue of PepsiCo, Inc. as of and for the year ended December 29, 2018. Our audit of internal control over financial reporting of PepsiCo, Inc. also excluded an evaluation of the internal control over financial reporting of SodaStream.

### Description, Registration Statement Number

#### Form S-3

- PepsiCo Automatic Shelf Registration Statement, 333-216082
- PepsiCo Automatic Shelf Registration Statement, 333-197640
- PepsiCo Automatic Shelf Registration Statement, 333-177307
- PepsiCo Automatic Shelf Registration Statement, 333-154314
- PepsiCo Automatic Shelf Registration Statement, 333-133735
- PepsiAmericas, Inc. 2000 Stock Incentive Plan, 333-165176
- PBG 2004 Long Term Incentive Plan, PBG 2002 Long Term Incentive Plan, PBG Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan and PBG Stock Incentive Plan, 333-165177

#### Form S-8

- The PepsiCo 401(k) Plan for Hourly Employees, 333-76204 and 333-150868
- The PepsiCo 401(k) Plan for Salaried Employees, 333-76196 and 333-150867
- PepsiCo, Inc. 2007 Long-Term Incentive Plan, 333-142811 and 333-166740
- PepsiCo, Inc. 2003 Long-Term Incentive Plan, 333-109509
- PepsiCo SharePower Stock Option Plan, 33-29037, 33-35602, 33-42058, 33-51496, 33-54731, 33-66150 and 333-109513
- Director Stock Plan, 33-22970 and 333-110030
- 1979 Incentive Plan and the 1987 Incentive Plan, 33-19539
- 1994 Long-Term Incentive Plan, 33-54733
- PepsiCo, Inc. 1995 Stock Option Incentive Plan, 33-61731, 333-09363 and 333-109514
- 1979 Incentive Plan, 2-65410
- PepsiCo, Inc. Long Term Savings Program, 2-82645, 33-51514 and 33-60965

- PepsiCo 401(k) Plan, 333-89265
- Retirement Savings and Investment Plan for Union Employees of Tropicana Products, Inc. and Affiliates (Teamster Local Union #173) and the Retirement Savings and Investment Plan for Union Employees of Tropicana Products, Inc. and Affiliates, 333-65992
- The Quaker Long Term Incentive Plan of 1990, The Quaker Long Term Incentive Plan of 1999 and The Quaker Oats Company Stock Option Plan for Outside Directors, 333-66632
- The Quaker 401(k) Plan for Salaried Employees and The Quaker 401(k) Plan for Hourly Employees, 333-66634
- The PepsiCo Share Award Plan, 333-87526
- PBG 401(k) Savings Program, PBG 401(k) Program, PepsiAmericas, Inc. Salaried 401(k) Plan and PepsiAmericas, Inc. Hourly 401 (k) Plan, 333-165106
- PBG 2004 Long Term Incentive Plan, PBG 2002 Long Term Incentive Plan, PBG Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan, PBG Directors' Stock Plan, PBG Stock Incentive Plan and PepsiAmericas, Inc. 2000 Stock Incentive Plan, 333-165107

/s/ KPMG LLP

New York, New York  
February 15, 2019

## POWER OF ATTORNEY

**KNOW ALL BY THESE PRESENTS**, that PepsiCo, Inc. (“PepsiCo”) and each other undersigned, an officer or director, or both, of PepsiCo, do hereby appoint David Yawman, Cynthia A. Nastanski and Heather A. Hammond, and each of them severally, its, his or her true and lawful attorney-in-fact to execute on behalf of PepsiCo and the undersigned the following documents and any and all amendments thereto (including post-effective amendments) deemed necessary or appropriate by any such attorney-in-fact:

- (i) Automatic Shelf Registration Statement No. 333-133735 relating to the offer and sale of PepsiCo Common Stock, Debt Securities, Warrants and Units, the Automatic Shelf Registration Statement No. 333-154314 relating to the offer and sale of PepsiCo Common Stock, Debt Securities, Guarantees of Debt Securities, Warrants and Units, the Automatic Shelf Registration Statement No. 333-177307 relating to the offer and sale of PepsiCo Common Stock, Debt Securities, Warrants and Units, the Automatic Shelf Registration Statement No. 333-197640 relating to the offer and sale of PepsiCo Common Stock, Debt Securities, Warrants and Units, and the Automatic Shelf Registration Statement No. 333-216082 relating to the offer and sale of PepsiCo Common Stock, Debt Securities, Warrants and Units;
- (ii) Registration Statements No. 33-53232, 33-64243, 333-102035 and 333-228466 relating to the offer and sale of PepsiCo’s Debt Securities, Warrants and/or Guarantees;
- (iii) Registration Statements No. 33-4635, 33-21607, 33-30372, 33-31844, 33-37271, 33-37978, 33-47314, 33-47527, 333-53436 and 333-56302 all relating to the primary and/or secondary offer and sale of PepsiCo Common Stock issued or exchanged in connection with acquisition transactions;
- (iv) Registration Statements No. 33-29037, 33-35602, 33-42058, 33-51496, 33-54731, 33-42121, 33-50685, 33-66150 and 333-109513 relating to the offer and sale of PepsiCo Common Stock under the PepsiCo SharePower Stock Option Plan;
- (v) Registration Statements No. 2-82645, 33-51514, 33-60965 and 333-89265 relating to the offer and sale of PepsiCo Common Stock under the PepsiCo Long-Term Savings Program or the PepsiCo 401(k) Plan; Registration Statement No. 333-65992 relating to the offer and sale of PepsiCo Common Stock under the Retirement Savings and Investment Plan for Union Employees of Tropicana Products, Inc. and Affiliates (Teamster Local Union #173), the Retirement Savings and Investment Plan for Union Employees of Tropicana Products, Inc. and Affiliates; Registration Statement No. 333-66634 relating to the offer and sale of PepsiCo Common Stock under The Quaker 401(k) Plan for Salaried Employees and The Quaker 401(k) Plan for Hourly Employees; Registration Statements Numbers 333-76196 and 333-150867 each relating to the offer and sale of PepsiCo Common Stock under The PepsiCo 401(k) Plan for Salaried Employees; and Registration Statements Numbers 333-76204 and 333-150868 each relating to the offer and sale of PepsiCo Common Stock under The PepsiCo 401(k) Plan for Hourly Employees;
- (vi) Registration Statements No. 33-61731, 333-09363 and 333-109514 relating to the offer and sale of PepsiCo Common Stock under The PepsiCo, Inc. 1995 Stock Option Incentive Plan; Registration Statement No. 33-54733 relating to the offer and sale of PepsiCo Common Stock

- under The PepsiCo, Inc. 1994 Long-Term Incentive Plan and resales of such shares by executive officers of PepsiCo; Registration Statement No. 33-19539 relating to the offer and sale of PepsiCo Common Stock under PepsiCo's 1987 Incentive Plan and resales of such shares by executive officers of PepsiCo; Registration Statement No. 2-65410 relating to the offer and sale of PepsiCo Common Stock under PepsiCo's 1979 Incentive Plan and 1972 Performance Share Plan, as amended; Registration Statement No. 333-66632 relating to the offer and sale of PepsiCo Common Stock under The Quaker Long Term Incentive Plan of 1990, The Quaker Long Term Incentive Plan of 1999, and The Quaker Oats Company Stock Option Plan for Outside Directors; Registration Statement No. 333-109509 relating to the offer and sale of PepsiCo Common Stock under the PepsiCo, Inc. 2003 Long-Term Incentive Plan and resales of such shares by executive officers and directors of PepsiCo; and Registration Statements Nos. 333-142811 and 333-166740 relating to the offer and sale of PepsiCo Common Stock under the PepsiCo, Inc. 2007 Long-Term Incentive Plan;
- (vii) Registration Statements No. 33-22970 and 333-110030 relating to the offer and sale of PepsiCo Common Stock under PepsiCo's Director Stock Plan and resales of such shares by Directors of PepsiCo;
  - (viii) Registration Statement No. 333-162261 relating to the issuance of shares of PepsiCo Common Stock to stockholders of The Pepsi Bottling Group, Inc. pursuant to the Agreement and Plan of Merger dated as of August 3, 2009, as may be amended from time to time, among PepsiCo, PBG and Pepsi-Cola Metropolitan Bottling Company, Inc. ("Metro");
  - (ix) Registration Statement No. 333-162260 relating to the issuance of shares of PepsiCo Common Stock to stockholders of PAS pursuant to the Agreement and Plan of Merger dated as of August 3, 2009, as may be amended from time to time, among PepsiCo, PAS and Metro;
  - (x) Schedule 13E-3 relating to the Agreement and Plan of Merger dated as of August 3, 2009, as may be amended from time to time, among PepsiCo, PBG and Metro;
  - (xi) Schedule 13E-3 relating to the Agreement and Plan of Merger dated as of August 3, 2009, as may be amended from time to time, among PepsiCo, PAS and Metro;
  - (xii) Registration Statement No. 333-87526 relating to the offer and sale of PepsiCo Common Stock under The PepsiCo Share Award Plan;
  - (xiii) Registration Statement No. 333-165106 relating to the offer and sale of PepsiCo Common Stock under the PBG 401(k) Savings Program, the PBG 401(k) Program, the PepsiAmericas, Inc. Salaried 401(k) Plan and the PepsiAmericas, Inc. Hourly 401(k) Plan;
  - (xiv) Registration Statement No. 333-165107 relating to the offer and sale of PepsiCo Common Stock under the PBG 2004 Long Term Incentive Plan, the PBG 2002 Long Term Incentive Plan, the PBG Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan, the PBG Directors' Stock Plan, the PBG Stock Incentive Plan and the PepsiAmericas, Inc. 2000 Stock Incentive Plan;
  - (xv) Registration Statement No. 333-165176 relating to the offer and sale of PepsiCo Common Stock under the PepsiAmericas, Inc. 2000 Stock Incentive Plan;
  - (xvi) Registration Statement No. 333-165177 relating to the offer and sale of PepsiCo Common Stock under the PBG 2004 Long Term Incentive Plan, the PBG 2002 Long Term Incentive

Plan, the PBG Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan and the PBG Stock Incentive Plan; and

- (xvii) the Annual Report on Form 10-K for the fiscal year ended December 29, 2018 and all other applications, reports, registrations, information, documents and instruments filed or required to be filed by PepsiCo with the Securities and Exchange Commission (the "SEC"), including, but not limited to the Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K or any amendment or supplement thereto, any stock exchanges or any governmental official or agency in connection with the listing, registration or approval of PepsiCo Common Stock, PepsiCo debt securities or warrants, other securities or PepsiCo guarantees of its subsidiaries' or third party debt securities or warrants, or the offer and sale thereof, or in order to meet PepsiCo's reporting requirements to such entities or persons;

and to file the same with the SEC, any stock exchange or any governmental official or agency, with all exhibits thereto and other documents in connection therewith, and each of such attorneys-in-fact shall have the power to act hereunder with or without any other.

\* \* \*

Each of the undersigned hereby grants to each such attorney-in-fact full power and authority to do and perform any and every act and thing whatsoever requisite, necessary, or proper to be done in the exercise of any of the rights and powers herein granted, as fully to all intents and purposes as the undersigned might or could do if personally present, with full power of substitution or revocation, hereby ratifying and confirming all that such attorney-in-fact, or such attorney-in-fact's substitute or substitutes, shall lawfully do or cause to be done by virtue of this Power of Attorney and the rights and powers herein granted.

This Power of Attorney may be executed in counterparts and all such duly executed counterparts shall together constitute the same instrument. This Power of Attorney shall not revoke any powers of attorney previously executed by the undersigned. This Power of Attorney shall not be revoked by any subsequent power of attorney that the undersigned may execute, unless such subsequent power of attorney specifically provides that it revokes this Power of Attorney by referring to the date of the undersigned's execution of this Power of Attorney. This Power of Attorney, unless earlier revoked by the undersigned in the manner set forth above, will be valid as to each attorney-in-fact until such time as such attorney-in-fact ceases to be an employee of PepsiCo.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

IN WITNESS WHEREOF, each of the undersigned has executed this instrument on the date indicated opposite its, his or her name.

**PepsiCo, Inc.**

February 15, 2019

By: /s/ Ramon L. Laguarta  
Ramon L. Laguarta  
Chairman of the Board of Directors and  
Chief Executive Officer

/s/ Ramon L. Laguarta Chairman of the Board of Directors and February 15, 2019  
Ramon L. Laguarta Chief Executive Officer

/s/ Hugh F. Johnston Vice Chairman, February 15, 2019  
Hugh F. Johnston Executive Vice President and Chief Financial  
Officer

/s/ Marie T. Gallagher Senior Vice President and Controller February 15, 2019  
Marie T. Gallagher (Principal Accounting Officer)

/s/ Shona L. Brown Director February 15, 2019  
Shona L. Brown

/s/ George W. Buckley Director February 15, 2019  
George W. Buckley

/s/ Cesar Conde Director February 15, 2019  
Cesar Conde

/s/ Ian M. Cook Director February 15, 2019  
Ian M. Cook

/s/ Dina Dublon Director February 15, 2019  
Dina Dublon

/s/ Richard W. Fisher Director February 15, 2019  
Richard W. Fisher

/s/ William R. Johnson Director February 15, 2019  
William R. Johnson

/s/ David C. Page Director February 15, 2019  
David C. Page

/s/ Robert C. Pohlاد Director February 15, 2019  
Robert C. Pohlاد

/s/ Daniel Vasella Director February 15, 2019  
Daniel Vasella

/s/ Darren Walker Director February 15, 2019  
Darren Walker

/s/ Alberto Weisser Director February 15, 2019  
Alberto Weisser

## CERTIFICATION

I, **Ramon L. Laguarta**, certify that:

1. I have reviewed this annual report on Form 10-K of PepsiCo, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 15, 2019

/s/ Ramon L. Laguarta

Ramon L. Laguarta

Chairman of the Board of Directors and  
Chief Executive Officer

## CERTIFICATION

I, **Hugh F. Johnston**, certify that:

1. I have reviewed this annual report on Form 10-K of PepsiCo, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 15, 2019

/s/ Hugh F. Johnston

Hugh F. Johnston

Chief Financial Officer

CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of PepsiCo, Inc. (the "Corporation") on Form 10-K for the fiscal year ended December 29, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ramon L. Laguarta, Chairman of the Board of Directors and Chief Executive Officer of the Corporation, certify to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: February 15, 2019

/s/ Ramon L. Laguarta

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Ramon L. Laguarta

Chairman of the Board of Directors and  
Chief Executive Officer

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CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of PepsiCo, Inc. (the "Corporation") on Form 10-K for the fiscal year ended December 29, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Hugh F. Johnston, Chief Financial Officer of the Corporation, certify to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: February 15, 2019

/s/ Hugh F. Johnston

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Hugh F. Johnston

Chief Financial Officer