

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 31, 2016**
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:

Title of each class	Name of each exchange on which registered
Common Stock, par value 1-2/3 cents per share	New York and Chicago Stock Exchanges
2.500% Senior Notes Due 2022	New York Stock Exchange
1.750% Senior Notes Due 2021	New York Stock Exchange
2.625% Senior Notes Due 2026	New York Stock Exchange
0.875% Senior Notes due 2028	New York Stock Exchange

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 ☒ 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 ☒

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ 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. ☒

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

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

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

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 10, 2016, the last day of business of our most recently completed second fiscal quarter, was \$148.7 billion (based on the closing sale price of PepsiCo, Inc.'s Common Stock on that date as reported on the New York Stock Exchange).

The number of shares of PepsiCo, Inc. Common Stock outstanding as of February 7, 2017 was 1,427,214,232.

Documents Incorporated by Reference

Portions of the Proxy Statement relating to PepsiCo, Inc.'s 2017 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 31, 2016

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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 enjoyable 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 and enjoyable 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.

Our segment net revenue (in millions) and contributions to consolidated net revenue for each of the last three fiscal years were as follows:

	Net Revenue			% of Total Net Revenue		
	2016 ^(a)	2015	2014	2016	2015	2014
FLNA	\$ 15,549	\$ 14,782	\$ 14,502	25%	23%	22%
QFNA	2,564	2,543	2,568	4	4	4
NAB	21,312	20,618	20,171	34	33	30
Latin America	6,820	8,228	9,425	11	13	14
ESSA	10,216	10,510	13,399	16	17	20
AMENA	6,338	6,375	6,618	10	10	10
	\$ 62,799	\$ 63,056	\$ 66,683	100%	100%	100%

(a) Our fiscal 2016 results include an extra week of results (53rd reporting week). The 53rd 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.

See Note 1 to our consolidated financial statements for financial information about our divisions and geographic areas. See also “Item 1A. Risk Factors” below for a discussion of certain risks associated with our operations, including outside the United States.

Frito-Lay North America

Either independently or in conjunction with third parties, FLNA makes, markets, distributes and sells branded snack foods. These foods include Lay’s potato chips, Doritos tortilla chips, Cheetos cheese-flavored snacks, Tostitos tortilla chips, branded dips, Fritos corn chips, Ruffles potato chips and Santitas 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 Quaker oatmeal, Aunt Jemima mixes and syrups, Quaker Chewy granola bars, Cap’n Crunch cereal, Quaker grits, Life cereal, Rice-A-Roni side dishes, Quaker rice cakes, Quaker simply granola and Quaker oat squares. These branded products are sold to independent distributors and retailers.

North America Beverages

Either independently or in conjunction with third parties, NAB makes, markets, distributes and sells beverage concentrates, fountain syrups and finished goods under various beverage brands including Pepsi, Gatorade, Mountain Dew, Aquafina, Diet Pepsi, Diet Mountain Dew, Tropicana Pure Premium, Mist Twst and Mug. NAB also, either independently or in conjunction with third parties, makes, markets 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 Dr Pepper Snapple Group, Inc. (DPSG), including Dr Pepper, Crush 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 Doritos, Cheetos, Marias Gamesa, Lay's, Ruffles, Emperador, Saladitas, Rosquinhas Mabel, Sabritas 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 Pepsi, 7UP, Gatorade, Toddy, Mirinda, Manzanita Sol, H2oh! and Diet Pepsi. 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 and sells ready-to-drink tea through an international joint venture with Unilever (under the Lipton brand name).

See Note 1 to our consolidated financial statements for information about the deconsolidation of our Venezuelan subsidiaries, which was effective as of the end of the third quarter of 2015.

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 Lay's, Walkers, Doritos, Cheetos and Ruffles, 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 Pepsi, Pepsi Max, 7UP, Mirinda, Diet Pepsi 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 and sells ready-to-drink tea products through an international joint venture with Unilever (under the Lipton brand name). In addition, ESSA makes, markets, sells and distributes a number of leading dairy products including Chudo, Agusha and Domik v Derevne.

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 Lay's, Kurkure, Chipsy, Cheetos, Doritos and Crunchy through consolidated businesses, as well as through noncontrolled affiliates. Further, either independently or in conjunction with third parties, AMENA makes, markets, distributes and sells many Quaker-branded cereals and snacks. AMENA also makes, markets, distributes and sells beverage concentrates, fountain syrups and finished goods under various beverage brands including Pepsi, Mirinda, 7UP, Aquafina, Mountain Dew, 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 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.

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 business 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 by developing 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 Agusha, Amp Energy, Aquafina, Aquafina Flavorsplash, Aunt Jemima, Cap'n Crunch, Cheetos, Chester's, Chippy, Chokis, Chudo, Cracker Jack, Crunchy, Diet Mist Twst, Diet Mountain Dew, Diet Mug, Diet Pepsi, Diet 7UP (outside the United States), Domik v Derevne, Doritos, Duyvis, Elma Chips, Emperador, Frito-Lay, Fritos, Fruktovy Sad, Frustyle, G Series, G2, Gatorade, Grandma's, H2oh!, Imunele, Izze, J-7 Tonus, Kas, KeVita, Kurkure, Lay's, Life, Lifewtr, Lifewater, Lubimy, Manzanita Sol, Marias Gamesa, Matutano, Mirinda, Miss Vickie's, Mist Twst, Mother's, Mountain Dew, Mountain Dew Code Red, Mountain Dew Kickstart, Mug, Munchies, Naked, Near East, O.N.E., Paso de los Toros, Pasta Roni, Pepsi, 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), Simba, Smartfood, Smith's, Snack a Jacks, SoBe, SoBe Lifewater, Sonric's, Stacy's, Sting, 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 DPSG 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, 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, and the current economic environment continue to increase the importance of major customers. In 2016, sales to Wal-Mart Stores, Inc. (Wal-Mart), including Sam's Club (Sam's), represented approximately 13% of our total net revenue. Our top five retail customers represented approximately 32% of our 2016 net revenue in North America, with Wal-Mart (including Sam's) representing approximately 18%. 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, 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, DPSG, Kellogg Company, The Kraft Heinz Company, Mondelēz International, Inc., Monster Beverage Corporation, Nestlé S.A., Red Bull GmbH and Snyder’s-Lance, Inc.

Many of our food and snack products hold significant leadership positions in the food and snack industry in the United States and worldwide. In 2016, we and The Coca-Cola Company represented approximately 24% 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. Success in this competitive environment is dependent on effective promotion of existing products, effective introduction of new products and 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, package design 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 sodium, saturated fat or added sugars, including through the use of sweetener alternatives and flavor modifiers and innovation in existing sweeteners, and by offering more products with positive nutrition including whole grains, fruits and vegetables, dairy, protein and hydration; 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, Mexico, Russia, the United Arab Emirates, 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 2016, 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 saturated fat and sodium 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; launching a state-of-the-art food and beverage healthy vending initiative to increase the availability of convenient, affordable and enjoyable nutrition; further expanding our portfolio of nutritious products by building on our important nutrition platforms and brands — Quaker (grains), Tropicana (fruits and vegetables), Gatorade (sports nutrition for athletes) and Naked Juice (juices and smoothies); 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 supplies especially in high water-risk areas (including conserving water within our operations and promoting the efficient use of water use in our agricultural supply chain), and by incorporating into our operations, improvements in the sustainability and resources of our agricultural supply chain; efforts to reduce waste generated by our operations and disposed of in landfills; efforts to support increased packaging recovery and recycling rates; 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 make our packaging increasingly recoverable or recyclable with lower environmental impact.

Research and development costs were \$760 million, \$754 million and \$718 million in 2016, 2015 and 2014, respectively, and are reported within selling, general and administrative expenses. Consumer research is excluded from such research and development costs and included in other marketing costs.

Regulatory Matters

The conduct of our businesses, including the production, storage, distribution, sale, display, advertising, marketing, labeling, content, quality, safety, transportation, disposal, recycling and use of our products, as well as our occupational health and safety practices, 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; and laws regulating the sale of certain of our products in schools. 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, occupational health and safety, competition, anti-corruption and data privacy. 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, sale or distribution 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.

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. Regulators may also restrict consumers' ability to use benefit programs, such as the Supplemental Nutrition Assistance Program in the United States, to purchase certain beverages and foods. In addition, legislation has been enacted in certain U.S. states and in certain other countries where our products are sold that requires collection and recycling of containers or that prohibits the sale of our beverages in certain non-refillable containers, unless a deposit, ecotax or other fee is charged. 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, the 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 on-site and sent to third-party owned and operated off-site 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 31, 2016, we and our consolidated subsidiaries employed approximately 264,000 people worldwide, including approximately 113,000 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 public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, 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), 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. 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. 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 common stock. 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, 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 or market 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 sell products that appeal to our customers and consumers. 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 sodium, added sugars and saturated fat); convenience

(including responding to changes in in-home and on-the-go consumption patterns); or the location of origin or source of the ingredients and products (including the environmental impact related to the production of our products).

Consumer preferences have been evolving, and are expected to continue to evolve, due to a variety of factors, including: the aging of the general population; consumer concerns or perceptions regarding the nutrition profile of certain of our 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, 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, such as with respect to the environmental sustainability or chemical makeup thereof; 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; 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 social media posts or other information disseminated by us or our employees and executives, agents, customers, suppliers, bottlers, distributors, joint venture partners or other third parties; perception of our employees, agents, customers, suppliers, bottlers, distributors, joint venture partners or other third parties or the business practices of such parties; 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 and erosion of 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; 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 (including to respond to applicable regulations); develop a broader portfolio of product choices and continue to increase non-carbonated beverage offerings and other alternatives to traditional carbonated beverage offerings; develop sweetener alternatives and innovation; improve the production, packaging and distribution of our products; respond to competitive product and pricing pressures and changes in distribution channels, including in the growing 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 and maintain successful new products or variants of existing products in a timely manner (including to correctly anticipate or effectively react 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 could decrease demand for our existing products by negatively affecting consumer perception of our existing brands and may result in inventory write-offs and other costs that could adversely affect our business, financial condition or results of operations.

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, disposal, recycling and use of our products, as well as our employment and occupational health and safety practices. 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 varying regulations and restrictions in jurisdictions in which our products are made, manufactured, distributed or sold. 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; 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 restricting the sale and advertising of certain of our products, including restrictions on the audience to whom products are marketed; 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, such as the Supplemental Nutrition Assistance Program in the United States, 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; regulatory initiatives, including the imposition or proposed imposition of new or increased taxes or other measures impacting the manufacture, sale or distribution 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, and competing regulations and standards, 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 by any jurisdiction in the United States or outside the United States of new laws, regulations or governmental policy and their related interpretations, or changes in any of the foregoing, including taxes, labeling, product or production 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 or commodities used in the production of our products, may continue to alter the environment 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 and the requirements or restrictions, or proposed requirements or restrictions, may also result in adverse publicity (whether or not valid). 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, sale or distribution 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 are underway by third parties to assess the health implications of consumption of certain ingredients or substances present in certain of our products, such as 4-Mel, acrylamide, caffeine, added sugars, saturated fat and sodium. Third parties, such as the World Health Organization, have also published documents or studies claiming that taxes can address consumer consumption of sugar-sweetened beverages and other 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 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. Violations of these laws or regulations could subject us to criminal or civil enforcement actions, including fines, penalties, disgorgement of profits or activity restrictions, any of which could result in adverse publicity or affect our business, 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, sale or distribution 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. For example, effective January 2017, the City of Philadelphia, Pennsylvania in the United States enacted a per-ounce surcharge on all sweetened beverages (including artificially and non-caloric sweetened beverages). By contrast, the U.K. has proposed a graduated tax, 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. These tax measures - whatever their scope or form - could increase the cost of our products, reduce overall consumption of our products, lead to negative publicity

(whether based in 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 any product that contains a substance listed by the State of California as having been found to cause cancer or birth defects, unless the level of such substance in the product is below a safe harbor level.

In addition, some jurisdictions, including Chile and Peru, have adopted labeling requirements or have begun to require color-coded labeling of certain food and beverage products where black, red, yellow and green are used to indicate various levels of a particular ingredient, such as sodium, saturated fat or sugar. In addition, a number of other jurisdictions both in and outside the United States are considering similar measures. 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 in 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.

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

Certain of our products are sold in packaging designed to be recoverable for recycling but not all packaging is recovered, whether due to low value, lack of infrastructure or otherwise. The United States and many other jurisdictions have imposed or are considering imposing regulations or policies designed to encourage recycling, including requiring that deposits or certain taxes or fees be charged in connection with the sale, distribution, marketing and use of certain packaging; extended producer responsibility policies which makes brand owners responsible for the costs of recycling products after consumers have used them; and adopting or extending product stewardship policies which could require brand owners to plan for and, if necessary, pay for the recycling or disposal of packaging after consumers have used them. Compliance with these laws and regulations could continue to affect our costs or require changes in our distribution model, which could adversely affect our business, financial condition or results of operations. Further, 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 packaging or disposal of our products.

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, 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, DPSG,

Kellogg Company, The Kraft Heinz Company, Mondelēz International, Inc., Monster Beverage Corporation, Nestlé S.A., Red Bull GmbH and Snyder's-Lance, Inc.

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. If we are unable to effectively promote our existing products or introduce new products, if our advertising or marketing campaigns are not effective or if we are otherwise unable to compete effectively (including in distributing our products effectively and cost efficiently through all existing and emerging channels of trade, including through e-commerce), 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.

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. For example, the decision by the United Kingdom to leave the European Union has created uncertainty regarding how the United Kingdom will interact with other European Union countries following its departure and during the time leading up to its departure. In addition, many of the markets in which our products are made, manufactured, distributed or sold, have recently held, or will hold in the near future, elections, the results of which could create uncertainty regarding how existing laws and regulations may change, including with respect to sanctions, climate change regulation, taxes, 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. 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, Brazil, the Middle East, 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; imposition of new or increased 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 operating in these markets; foreign ownership restrictions; nationalization of our assets or the assets of our suppliers, bottlers, 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, 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 Mexican peso, Russian ruble, Egyptian pound and the Argentine peso, or demonetization of currency, such as the withdrawal in India of 500 and 1,000 rupee notes; 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 the deconsolidation of our Venezuelan businesses effective as of 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 reputation, business, financial condition or results of operations could be adversely affected.

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 continue to experience unfavorable economic conditions, such as recessions or economic slowdowns. Our business or financial results may be adversely impacted by 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 credit worthiness 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 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, 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, 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; 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, 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 product delays, which could also have an adverse impact on our reputation, business, 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, 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 our facilities; to conduct research and development; to maintain financial accuracy and efficiency; 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 independent bottlers, contract manufacturers, distributors, joint ventures, suppliers and other third parties; and to communicate with our investors.

As with other global companies, we are regularly subject to cyberattacks. Cyberattacks and other cyber incidents are occurring more frequently, are constantly evolving in nature, are becoming more sophisticated and are being made by groups and individuals (including criminal hackers, hacktivists, state-sponsored institutions, terrorist organizations and individuals or groups participating in organized crime) with a wide range of expertise and motives (including monetization of corporate, payment or other internal or personal data, 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, social engineering, introduction of viruses or malware, such as ransomware through phishing emails, or password theft. To date, no cyberattack or other cyber incident has to our knowledge had a material adverse effect on our business, financial condition or results of operations. 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, 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, 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 delays in our financial reporting; damage to our reputation; litigation; regulatory enforcement actions or fines; violation of data privacy, security or other laws and regulations; and

remediation costs. Further, our information systems and the information stored therein could be compromised by, and we could experience similar adverse consequences due to, unauthorized outside parties accessing or extracting sensitive data or confidential information, corrupting information or disrupting business processes (or demonstrating an ability to do so) or by inadvertent or intentional actions by our employees, agents or third parties. We continue to devote significant resources to network security, backup and disaster recovery, and other security measures 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 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.

While we currently maintain insurance coverage that, subject to its terms and conditions, is intended to address 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 and other fruits, oats, oranges, 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 are in short supply when seasonal demand is at its peak. 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), disease or pests, agricultural uncertainty, health epidemics or pandemics, governmental incentives and controls, political uncertainties, governmental instability or currency exchange rates. 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 derivatives. 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 also 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, joint venture partners, distributors 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 disaster, 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; industrial accidents or other occupational health and safety issues; telecommunications failures; power or water shortages; strikes and other labor disputes; 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 and workplace 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 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, packaging, water, energy use and waste management; any failure to achieve our goals with respect to reducing our impact on the environment, or perception of a failure to act responsibly with respect to water use and the environment; the practices of our employees, agents, customers, distributors, suppliers, bottlers, 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 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, 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 our employees engage in improper activities, we may be subject to 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 controls 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 or advertising campaigns and marketing programs; our use of social media or of posts or other information disseminated by us or our employees, agents, customers, suppliers, bottlers, 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 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, 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; conforming standards, controls (including internal control over financial reporting, environmental compliance, health and safety compliance and compliance with other 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; 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 or resources 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 or integrated into our existing operations, or if a divestiture or refranchising is not successfully completed or managed 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 various components of our portfolio annually, during our third quarter, or more frequently, if circumstances indicate that the carrying value may not be recoverable or that an other-than-temporary impairment exists. Any changes in our estimates or underlying assumptions regarding the future performance of our divisions or in determining the fair value of any such division, 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 consistently 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. Our operations outside the United States generate a significant portion of our income and income tax associated with repatriation of foreign earnings to the United States could adversely affect our business, financial condition or results of operations. In addition, many of the countries in which our products are made, manufactured, distributed or sold, including countries in which we have significant operations, are actively considering changes to existing tax laws. Changes 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.

We are also subject to regular reviews, examinations and audits by the Internal Revenue Service (IRS) and other taxing authorities with respect to income and non-income based taxes both within and outside the United States. 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.

Failure to realize anticipated benefits from our productivity initiatives or global 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. Our productivity initiatives help support our growth initiatives and contribute to our results of operations. We continue to implement strategic plans that we believe will position our business for future success and 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 global operating model to improve efficiency, decision making, innovation and brand management across the global PepsiCo organization to enable us to compete more effectively. Further, in order to continue to capitalize on our cost reduction efforts and our global 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 and global operating model 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.

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 reputation, business, financial condition or results of operations.

The loss of, or a significant reduction in sales to, any key customer or changes to the retail landscape 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, 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. The loss of any of our key customers or a significant reduction in sales to a key customer could adversely affect our business, financial condition or results of operations. In addition, our industry has been affected by changes to the retail landscape, including 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, or if we are unable to develop successful relationships with existing and new e-commerce retailers, the competitive advantages we derive from our go-to-market systems and brand equity may be eroded. In addition, failure to appropriately respond to any such actions, to offer effective sales incentives and marketing programs to our customers or to adapt to the rapidly changing retail and e-commerce landscapes 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. In addition, if we are unable to resolve a dispute with any of our key customers, or if there is a change in the business condition (financial or otherwise) of any of our key customers, even if unrelated to us, our business, financial condition or results of operations may be adversely affected.

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 might be negatively impacted.

We have entered into agreements with third-party service providers to utilize certain information technology support services and administrative functions, including payroll processing, health and benefit plan administration and certain finance and accounting functions, and may enter into agreements for shared services in other functions in the future to achieve cost savings and efficiencies. 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, we may not be able to achieve the expected cost savings or we may have to incur additional costs to correct errors made by such service providers and our reputation could be harmed. 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, effects on financial reporting, litigation or remediation costs, or damage to our reputation, which could have a negative impact on employee morale.

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. 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. 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.

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, Canada, Russia, 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 may 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, potatoes and various fruits. Natural disasters and extreme weather conditions may disrupt the productivity of our facilities or the operation of our supply chain and unfavorably impact the demand for, or our consumer's 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.

The continued increasing 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 perception (whether or not valid) of our failure 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 and water use. 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 belongs to 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, 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 reputation, business, 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, legal proceedings 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 legal claims, proceedings and investigations, including but not limited to litigation 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 and environmental, employment and insurance matters. We evaluate legal claims to assess the likelihood of unfavorable outcomes and estimate, if possible, the amount of potential losses and establish reserves as appropriate. Litigation is inherently uncertain and there is no guarantee that we will be successful in defending ourselves in litigation, 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 litigation. In the event that management's assessment of actual or potential claims and proceedings proves inaccurate or litigation that

is material arises in the future, there may be a material adverse effect on our business, financial condition or results of operations. Defending ourselves from claims, including non-meritorious claims, 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; 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 2016 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, 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 ^(a)
Plants ^(b)	35	5	70	55	100	50	5
Other Facilities ^(c)	1,675	3	465	575	365	360	35

(a) Shared properties are in addition to the other properties reported by our six divisions identified in this table. QFNA shares 13 warehouse and distribution centers with NAB and FLNA. QFNA also shares two warehouse and distribution centers and one research and development laboratory with NAB. FLNA shares one plant with Latin America. NAB, ESSA and AMENA share two plants. Latin America, NAB and AMENA share one concentrate plant. Latin America and AMENA share an additional concentrate plant. Approximately 20 offices support shared functions.

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

(c) Includes warehouses, distribution centers, 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 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 four snack plants in Mexico (two in Vallejo, one in Celaya and one in Monterrey) 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 food and snack research and development facility in Leicester, United Kingdom, 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 beverage plants in Sixth of October City and Tanta City, Egypt, Rayong, Thailand and Amman, Jordan, and its snack plants in Sixth of October City, Egypt and Queensland, Australia, all of which are owned; and Riyadh, Saudi Arabia, which is leased.
- Two concentrate plants in Cork, Ireland, which are shared by our NAB, ESSA and AMENA divisions, both of which are owned.
- Shared service centers in Winston-Salem, North Carolina, and Plano, Texas, which are primarily shared by our FLNA, QFNA and NAB divisions, 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 January 2011, Wojewodzka Inspekcja Ochrony Srodowiska, the Polish environmental control authority, began an audit of a bottling plant of our subsidiary, Pepsi-Cola General Bottlers Poland SP, z.o.o. (PCGB), in Michrow, Poland. In July 2013, Wojewodzka Inspekcja Ochrony Srodowiska alleged that the plant was not in compliance in 2009 with applicable regulations governing the taking of water samples for analysis of the plant’s waste and sought monetary sanctions of \$650,000 and, in August 2013, PCGB appealed this decision. In April 2015, the General Environmental Inspector for Environmental Protection upheld the sanctions against PCGB and, in May 2015, PCGB further appealed this decision. In October 2015, Viovodeship Administrative Court in Warsaw rejected our appeal and, in December 2015, PCGB filed an extraordinary appeal in the Supreme Administrative Court.

In addition, we and our subsidiaries are party to a variety of legal, administrative, regulatory and government proceedings, claims and inquiries arising in the normal course of business. While the results of these proceedings, claims and inquiries 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:

<u>Name</u>	<u>Age</u>	<u>Title</u>
Albert P. Carey	65	Chief Executive Officer, North America
Sanjeev Chadha	57	Chief Executive Officer, Asia, Middle East and North Africa
Marie T. Gallagher	57	Senior Vice President and Controller, PepsiCo
Hugh F. Johnston	55	Vice Chairman, PepsiCo; Executive Vice President and Chief Financial Officer, PepsiCo
Dr. Mehmood Khan	58	Vice Chairman, PepsiCo; Executive Vice President, PepsiCo Chief Scientific Officer, Global Research and Development
Ramon Laguarta	53	Chief Executive Officer, Europe Sub-Saharan Africa
Laxman Narasimhan	49	Chief Executive Officer, Latin America
Indra K. Nooyi	61	Chairman of the Board of Directors and Chief Executive Officer, PepsiCo
Vivek Sankaran	54	President and Chief Operating Officer, Frito-Lay North America
Kirk Tanner	48	President and Chief Operating Officer, North America Beverages
Cynthia M. Trudell	63	Executive Vice President, Human Resources and Chief Human Resources Officer, PepsiCo
Tony West	51	Executive Vice President, Government Affairs, General Counsel and Corporate Secretary, PepsiCo

Albert P. Carey, 65, was appointed Chief Executive Officer, North America, effective April 2016. Mr. Carey previously served as Chief Executive Officer, North America Beverages from July 2015 to April 2016, as Chief Executive Officer, PepsiCo Americas Beverages from 2011 to July 2015 and as President and Chief

Executive Officer of Frito-Lay North America from 2006 to 2011. Mr. Carey began his career with Frito-Lay in 1981 where he spent 20 years in a variety of roles. He served as President, PepsiCo Sales from 2003 until 2006. Prior to that, he served as Chief Operating Officer, PepsiCo Beverages and Foods North America from 2002 to 2003 and as PepsiCo's Senior Vice President, Sales and Retailer Strategies from 1998 to 2002.

Sanjeev Chadha, 57, was appointed Chief Executive Officer, Asia, Middle East and North Africa in July 2015. Mr. Chadha previously served as Chief Executive Officer, PepsiCo Asia, Middle East and Africa from 2013 to July 2015, as President of PepsiCo's Middle East and Africa region from 2011 to 2013 and as President of PepsiCo's India region from 2009 to 2010. Mr. Chadha joined PepsiCo in 1989 and has held a variety of senior positions with the Company. He served as Senior Vice President – Commercial, Asia Pacific, including China and India, Senior General Manager, Vietnam and the Philippines, and held other leadership roles in sales, marketing, innovation and franchise.

Marie T. Gallagher, 57, 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, 55, 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, 58, 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, 53, was appointed Chief Executive Officer, Europe Sub-Saharan Africa in July 2015. Mr. Laguarta previously served as Chief Executive Officer, PepsiCo Europe from January 2015 to July 2015, as President, Developing & Emerging Markets, PepsiCo Europe from 2012 to January 2015 and as President, PepsiCo Eastern Europe Region from 2008 to 2012. Mr. Laguarta joined PepsiCo in 1996 as a marketing vice president for Spain Snacks and served in a variety of positions, including as Commercial Vice President of PepsiCo Europe from 2006 to 2008, General Manager for Iberia Snacks and Juices from 2002 to 2006 and General Manager for Greece Snacks from 1999 to 2001. Prior to joining PepsiCo in 1996, Mr. Laguarta worked for Chupa Chups, S.A., where he worked in several international assignments in Europe and the United States.

Laxman Narasimhan, 49, was appointed Chief Executive Officer, Latin America in July 2015. Mr. Narasimhan previously served as Chief Executive Officer, PepsiCo Latin America Foods from 2014 to July 2015 and as 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.

Indra K. Nooyi, 61, has been PepsiCo's Chief Executive Officer since 2006 and assumed the role of Chairman of PepsiCo's Board of Directors in 2007. She was elected to PepsiCo's Board of Directors and became President and Chief Financial Officer in 2001, after serving as Senior Vice President and Chief Financial Officer since 2000. Ms. Nooyi also served as PepsiCo's Senior Vice President, Corporate Strategy and Development from 1996 until 2000, and as PepsiCo's Senior Vice President, Strategic Planning from 1994 until 1996. Prior to joining PepsiCo, Ms. Nooyi spent four years as Senior Vice President of Strategy, Planning and Strategic Marketing for Asea Brown Boveri, Inc. She was also Vice President and Director of Corporate Strategy and Planning at Motorola, Inc. Ms. Nooyi has served as a director of Schlumberger Ltd. since 2015.

Vivek Sankaran, 54 was appointed President and Chief Operating Officer, Frito-Lay North America, effective April 2016. Prior to that, Mr. Sankaran served as 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.

Kirk Tanner, 48, was appointed President and Chief Operating Officer, North America Beverages, effective April 2016. Prior to that, Mr. Tanner served as 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.

Cynthia M. Trudell, 63, has been Executive Vice President, Human Resources and Chief Human Resources Officer, PepsiCo since April 2011 and was PepsiCo's Senior Vice President, Chief Personnel Officer from 2007 until April 2011. Ms. Trudell served as a director of PepsiCo from 2000 until 2007. She was formerly Vice President of Brunswick Corporation and President of Sea Ray Group from 2001 until 2006. From 1999 until 2001, Ms. Trudell served as Vice President of General Motors (GM), and Chairman and President of Saturn Corporation, a wholly-owned subsidiary of GM. Ms. Trudell began her career with the Ford Motor Co. as a chemical process engineer. In 1981, she joined GM and held various engineering and manufacturing supervisory positions. In 1995, she became plant manager at GM's Wilmington Assembly Center in Delaware. In 1996, she became President of IBC Vehicles in Luton, England, a joint venture between General Motors and Isuzu.

Tony West, 51, has been PepsiCo's Executive Vice President, Government Affairs, General Counsel and Corporate Secretary since November 2014. Prior to joining PepsiCo, Mr. West served as Associate Attorney General of the United States from 2012 to 2014, after previously serving as the Assistant Attorney General for the Civil Division in the U.S. Department of Justice from 2009 to 2012. From 2001 to 2009, Mr. West

was a partner at Morrison & Foerster LLP. He also served as Special Assistant Attorney General at the California Department of Justice from 1999 to 2001 and, prior to that, as an Assistant United States Attorney in the Northern District of California.

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 New York Stock Exchange is the principal market for our common stock, which is also listed on the Chicago Stock Exchange and SIX Swiss Exchange.

Stock Prices – The quarterly composite high and low sales prices for PepsiCo common stock as reported on the New York Stock Exchange for each fiscal quarter of 2016 and 2015 are contained in “Item 6. Selected Financial Data.”

Shareholders – As of February 7, 2017, there were approximately 125,692 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 2, 2017, the Board of PepsiCo declared a quarterly dividend of \$0.7525 payable March 31, 2017, to shareholders of record on March 3, 2017. For the remainder of 2017, the dividend record dates for these payments are expected to be June 2, September 1 and December 1, 2017, subject to approval of the Board of Directors. Information with respect to the quarterly dividends declared in 2016 and 2015 is contained in “Item 6. Selected Financial Data.”

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 2016 is set forth in the table below.

Issuer Purchases of Common Stock				
<u>Period</u>	Total Number of Shares Repurchased ^(a)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs ^(b)
9/3/2016				\$ 8,240
9/4/2016 - 10/1/2016	2.2	\$ 106.31	2.2	(238)
				8,002
10/2/2016 - 10/29/2016	2.1	\$ 106.47	2.1	(220)
				7,782
10/30/2016 - 11/26/2016	2.4	\$ 104.18	2.4	(245)
				7,537
11/27/2016 - 12/31/2016	1.8	\$ 102.40	1.8	(185)
Total	8.5	\$ 104.92	8.5	\$ 7,352

(a) All shares were repurchased in open market transactions pursuant to publicly announced repurchase programs, other than 27 thousand shares of common stock which were repurchased pursuant to a privately negotiated block trade transaction.

(b) Includes shares authorized for repurchase under the \$12 billion repurchase program authorized by our Board of Directors and publicly announced on February 11, 2015, which commenced on July 1, 2015 and expires on June 30, 2018. Such shares may be repurchased in open market transactions, in privately negotiated transactions, in accelerated stock repurchase transactions or otherwise.

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 employee stock ownership plan (ESOP) fund established by Quaker. The preferences, limitations and relative rights of the shares of convertible preferred stock are set forth in Exhibit A to our amended and restated articles of incorporation. Quaker made the final award to the ESOP in June 2001. The Company does not have any authorized, but unissued, “blank check preferred stock.” PepsiCo repurchases shares of its convertible preferred stock from the ESOP in connection with share redemptions by ESOP participants.

The following table summarizes our convertible preferred share repurchases during the fourth quarter of 2016.

Issuer Purchases of Convertible Preferred Stock				
Period	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
9/4/2016 - 10/1/2016	—	\$ —	N/A	N/A
10/2/2016 - 10/29/2016	1,000	\$ 523.89	N/A	N/A
10/30/2016 - 11/26/2016	1,000	\$ 505.43	N/A	N/A
11/27/2016 - 12/31/2016	3,800	\$ 518.78	N/A	N/A
Total	<u>5,800</u>	\$ 517.36	N/A	N/A

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.

	2016	2015	2014	2013	2012
Net revenue ^(a)	\$ 62,799	\$ 63,056	\$ 66,683	\$ 66,415	\$ 65,492
Operating profit	\$ 9,785	\$ 8,353	\$ 9,581	\$ 9,705	\$ 9,112
Net income attributable to PepsiCo	\$ 6,329	\$ 5,452	\$ 6,513	\$ 6,740	\$ 6,178
Net income attributable to PepsiCo per common share – basic	\$ 4.39	\$ 3.71	\$ 4.31	\$ 4.37	\$ 3.96
Net income attributable to PepsiCo per common share – diluted	\$ 4.36	\$ 3.67	\$ 4.27	\$ 4.32	\$ 3.92
Cash dividends declared per common share	\$ 2.96	\$ 2.7625	\$ 2.5325	\$ 2.24	\$ 2.1275
Total assets	\$ 74,129	\$ 69,667	\$ 70,509	\$ 77,478	\$ 74,638
Long-term debt	\$ 30,053	\$ 29,213	\$ 23,821	\$ 24,333	\$ 23,544

(a) Our fiscal 2016 results include an extra week of results. The 53rd 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.

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

	2016					
	Operating profit	Interest expense	Provision for income taxes ^(b)	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 ^(c)	\$ 167	\$ —	\$ (56)	\$ —	\$ 111	\$ 0.08
Restructuring and impairment charges ^(d)	\$ (160)	\$ —	\$ 26	\$ 3	\$ (131)	\$ (0.09)
Charge related to the transaction with Tingyi ^(e)	\$ (373)	\$ —	\$ —	\$ —	\$ (373)	\$ (0.26)
Charge related to debt redemption ^(f)	\$ —	\$ (233)	\$ 77	\$ —	\$ (156)	\$ (0.11)
Pension-related settlement charge ^(g)	\$ (242)	\$ —	\$ 80	\$ —	\$ (162)	\$ (0.11)
53 rd reporting week ^(h)	\$ 126	\$ (19)	\$ (44)	\$ (1)	\$ 62	\$ 0.04

2015					
	Operating profit	Provision for income taxes ^(b)	Net income attributable to PepsiCo	Net income attributable to PepsiCo per common share – diluted	
Mark-to-market net impact ^(c)	\$ 11	\$ (3)	\$ 8	\$ —	
Restructuring and impairment charges ^(d)	\$ (230)	\$ 46	\$ (184)	\$ (0.12)	
Charge related to the transaction with Tingyi ^(e)	\$ (73)	\$ —	\$ (73)	\$ (0.05)	
Pension-related settlement benefits ^(g)	\$ 67	\$ (25)	\$ 42	\$ 0.03	
Venezuela impairment charges ⁽ⁱ⁾	\$ (1,359)	\$ —	\$ (1,359)	\$ (0.91)	
Tax benefit ^(l)	\$ —	\$ 230	\$ 230	\$ 0.15	
Müller Quaker Dairy (MQD) impairment ^(k)	\$ (76)	\$ 28	\$ (48)	\$ (0.03)	
Gain on beverage refranchising ^(l)	\$ 39	\$ (11)	\$ 28	\$ 0.02	
Other productivity initiatives ^(m)	\$ (90)	\$ 24	\$ (66)	\$ (0.04)	
Joint venture impairment charge ⁽ⁿ⁾	\$ (29)	\$ —	\$ (29)	\$ (0.02)	

2014					
	Operating profit	Provision for income taxes ^(b)	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 ^(c)	\$ (68)	\$ 24	\$ —	\$ (44)	\$ (0.03)
Restructuring and impairment charges ^(d)	\$ (418)	\$ 99	\$ 3	\$ (316)	\$ (0.21)
Pension-related settlement charge ^(g)	\$ (141)	\$ 53	\$ —	\$ (88)	\$ (0.06)
Venezuela remeasurement charge ^(o)	\$ (105)	\$ —	\$ —	\$ (105)	\$ (0.07)
Gain on sale of agricultural assets ^(p)	\$ 31	\$ 3	\$ —	\$ 34	\$ 0.02
Other productivity initiatives ^(m)	\$ (67)	\$ 13	\$ —	\$ (54)	\$ (0.04)

2013					
	Operating profit	Provision for income taxes ^(b)	Net income attributable to PepsiCo	Net income attributable to PepsiCo per common share – diluted	
Mark-to-market net impact ^(c)	\$ (72)	\$ 28	\$ (44)	\$ (0.03)	
Restructuring and impairment charges ^(d)	\$ (163)	\$ 34	\$ (129)	\$ (0.08)	
Tax benefit ⁽ⁱ⁾	\$ —	\$ 209	\$ 209	\$ 0.13	
Venezuela remeasurement charge ^(o)	\$ (111)	\$ —	\$ (111)	\$ (0.07)	
Merger and integration charges ^(q)	\$ (10)	\$ 2	\$ (8)	\$ (0.01)	
Gain on beverage refranchising ^(l)	\$ 137	\$ —	\$ 137	\$ 0.09	

	2012				
	Operating profit	Interest expense	Provision for income taxes ^(b)	Net income attributable to PepsiCo	Net income attributable to PepsiCo per common share – diluted
Mark-to-market net impact ^(c)	\$ 65	\$ —	\$ (24)	\$ 41	\$ 0.03
Restructuring and impairment charges ^(d)	\$ (279)	\$ —	\$ 64	\$ (215)	\$ (0.14)
Restructuring and other charges related to the transaction with Tingyi ^(e)	\$ (150)	\$ —	\$ (26)	\$ (176)	\$ (0.11)
Pension-related settlement charge ^(g)	\$ (195)	\$ —	\$ 64	\$ (131)	\$ (0.08)
Tax benefit ^(j)	\$ —	\$ —	\$ 217	\$ 217	\$ 0.14
Merger and integration charges ^(q)	\$ (11)	\$ (5)	\$ 4	\$ (12)	\$ (0.01)

(b) 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.

(c) Mark-to-market net gains and losses on commodity hedges recorded in corporate unallocated expenses.

(d) Recorded charges related to the 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.

(e) In 2016, recorded an impairment charge in the AMENA segment to reduce the value of our 5% indirect equity interest in Tingyi-Asahi Beverages Holding Co. Ltd. (TAB) to its estimated fair value. In 2015, recorded a write-off in the AMENA segment of the value of a call option to increase our holding in TAB to 20%. In 2012, recorded restructuring and other charges related to the transaction with Tingyi. See Note 9 to our consolidated financial statements.

(f) In 2016, recorded a charge to 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.

(g) In 2016, recorded a pension settlement charge in corporate unallocated expenses related to the purchase of a group annuity contract. In 2015, recognized benefits in the NAB segment associated with the settlement of pension-related liabilities from previous acquisitions. In 2014 and 2012, recorded lump sum settlement charges in corporate unallocated expenses related to payments for pension liabilities to certain former employees who had vested benefits.

(h) Our fiscal 2016 results include the 53rd reporting week, the impact of which was fully offset by incremental investments in our business.

(i) In 2015, recorded 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. See Note 1 to our consolidated financial statements.

(j) In 2015, recognized a 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. In 2013, recognized a non-cash tax benefit associated with our agreement with the IRS resolving all open matters related to the audits for taxable years 2003 through 2009, which reduced our reserve for uncertain tax positions for the tax years 2003 through 2012. In 2012, recognized a non-cash tax benefit associated with a favorable tax court decision related to the classification of financial instruments.

(k) In 2015, recognized impairment charges in the QFNA segment associated with our MQD joint venture investment, including a charge related to ceasing its operations.

(l) In 2015, recognized a gain in the AMENA segment associated with refranchising a portion of our beverage businesses in India. In 2013, recognized a gain in connection with the refranchising of our beverage business in Vietnam, which was offset by incremental investments in our business.

(m) Recorded charges related to other productivity initiatives outside the scope of the 2014 and 2012 Productivity Plans. See Note 3 to our consolidated financial statements.

(n) In 2015, recorded an impairment charge in the AMENA segment associated with a joint venture in the Middle East.

(o) In 2014, recorded a net charge related to our remeasurement of the bolivar for certain net monetary assets of our Venezuelan businesses. \$126 million of this charge was recorded in corporate unallocated expenses, with the balance (equity income of \$21 million) recorded in our Latin America segment. In 2013, recorded a net charge related to the devaluation of the bolivar for our Venezuelan businesses. \$124 million of this charge was recorded in corporate unallocated expenses, with the balance (equity income of \$13 million) recorded in our Latin America segment.

(p) In 2014, recorded a gain in the ESSA segment associated with the sale of agricultural assets in Russia.

(q) In 2013 and 2012, incurred merger and integration charges in the ESSA segment related to our acquisition of Wimm-Bill-Dann Foods OJSC.

Selected Quarterly Financial Data

Selected financial data for 2016 and 2015 is summarized as follows and highlights certain items that impacted our quarterly results (in millions except per share amounts, unaudited):

	2016				2015			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<i>Net revenue ^(a)</i>	\$ 11,862	\$ 15,395	\$ 16,027	\$ 19,515	\$ 12,217	\$ 15,923	\$ 16,331	\$ 18,585
<i>Gross profit</i>	\$ 6,711	\$ 8,565	\$ 8,743	\$ 10,571	\$ 6,775	\$ 8,756	\$ 8,936	\$ 10,205
<i>Operating profit</i>	\$ 1,619	\$ 2,964	\$ 2,821	\$ 2,381	\$ 1,797	\$ 2,900	\$ 1,416	\$ 2,240
<i>Mark-to-market net gains/(losses) ^(b)</i>	\$ 46	\$ 100	\$ (39)	\$ 60	\$ (1)	\$ 39	\$ (28)	\$ 1
<i>Restructuring and impairment charges ^(c)</i>	\$ (30)	\$ (49)	\$ (27)	\$ (54)	\$ (36)	\$ (25)	\$ (52)	\$ (117)
<i>Charges related to the transaction with Tingyi ^(d)</i>	\$ (373)	—	—	—	—	—	\$ (73)	—
<i>Charge related to debt redemption ^(e)</i>	—	—	—	\$ (233)	—	—	—	—
<i>Pension-related settlement (charge)/benefits ^(f)</i>	—	—	—	\$ (242)	—	—	\$ 37	\$ 30
<i>53rd reporting week ^(g)</i>	—	—	—	\$ 126	—	—	—	—
<i>Other productivity initiatives ^(h)</i>	—	—	—	—	—	—	\$ (44)	\$ (46)
<i>Venezuela impairment charges ⁽ⁱ⁾</i>	—	—	—	—	—	—	\$ (1,359)	—
<i>Tax benefit ^(j)</i>	—	—	—	—	—	—	—	\$ 230
<i>MQD impairment ^(k)</i>	—	—	—	—	\$ (65)	—	—	\$ (11)
<i>Gain on beverage refranchising ^(l)</i>	—	—	—	—	\$ 39	—	—	—
<i>Joint venture impairment charge ^(m)</i>	—	—	—	—	—	—	\$ (29)	—
<i>Net income attributable to PepsiCo</i>	\$ 931	\$ 2,005	\$ 1,992	\$ 1,401	\$ 1,221	\$ 1,980	\$ 533	\$ 1,718
<i>Net income attributable to PepsiCo per common share</i>								
<i>Basic</i>	\$ 0.64	\$ 1.39	\$ 1.38	\$ 0.98	\$ 0.82	\$ 1.34	\$ 0.36	\$ 1.18
<i>Diluted</i>	\$ 0.64	\$ 1.38	\$ 1.37	\$ 0.97	\$ 0.81	\$ 1.33	\$ 0.36	\$ 1.17
<i>Cash dividends declared per common share</i>	\$ 0.7025	\$ 0.7525	\$ 0.7525	\$ 0.7525	\$ 0.655	\$ 0.7025	\$ 0.7025	\$ 0.7025
<i>Stock price per share ⁽ⁿ⁾</i>								
<i>High</i>	\$ 102.12	\$ 106.94	\$ 110.94	\$ 109.71	\$ 100.76	\$ 98.44	\$ 100.61	\$ 103.44
<i>Low</i>	\$ 93.25	\$ 100.00	\$ 101.30	\$ 98.50	\$ 92.24	\$ 92.72	\$ 76.48	\$ 90.43

- (a) Our fiscal 2016 results include 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.
- (b) Mark-to-market net gains and losses on commodity hedges recorded in corporate unallocated expenses.
- (c) Recorded charges related to the 2014 and 2012 Productivity Plans. See Note 3 to our consolidated financial statements.
- (d) In 2016, recorded an impairment charge in the AMENA segment to reduce the value of our 5% indirect equity interest in TAB to its estimated fair value. In 2015, recorded a write-off in the AMENA segment of the value of a call option to increase our holding in TAB to 20%. See Note 9 to our consolidated financial statements.
- (e) In 2016, recorded a charge to 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.
- (f) In 2016, recorded a pension settlement charge in corporate unallocated expenses related to the purchase of a group annuity contract. In 2015, recognized benefits in the NAB segment associated with the settlement of pension-related liabilities from previous acquisitions.
- (g) Our fiscal 2016 results include the 53rd reporting week, the impact of which was fully offset by incremental investments in our business.
- (h) Recorded charges related to other productivity initiatives outside the scope of the 2014 and 2012 Productivity Plans. There were no material charges in 2016. See Note 3 to our consolidated financial statements.
- (i) In 2015, recorded 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. See Note 1 to our consolidated financial statements.
- (j) In 2015, recognized a 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.
- (k) In 2015, recognized impairment charges in the QFNA segment associated with our MQD joint venture investment, including a charge related to ceasing its operations.

- (l) In 2015, recognized a gain in the AMENA segment associated with refranchising a portion of our beverage businesses in India.
- (m) In 2015, recorded an impairment charge in the AMENA segment associated with a joint venture in the Middle East.
- (n) Reflects the quarterly composite high and low sales prices for one share of PepsiCo common stock as reported on the New York Stock Exchange.

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 beginning on page 129. 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 enjoyable 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 and enjoyable beverages, foods and snacks, serving customers and consumers in more than 200 countries and territories.

Our management monitors a variety of key indicators to evaluate our business results and financial condition. These indicators include growth in volume, net revenue, organic revenue, operating profit (as reported and excluding certain items and the impact of foreign exchange translation), earnings per share (EPS) (as reported and excluding certain items and the impact of foreign exchange translation), retail sales, market share, safety, innovation, product and service quality, organizational health, brand equity, media viewership and engagement, employee diversity, net commodity inflation, productivity savings, net capital spending, free cash flow and free cash flow excluding certain items, cash returned to shareholders in the forms of share repurchases and dividends, advertising and marketing expenses, research and development expenditures, return on invested capital (ROIC) and net ROIC (excluding certain items), and gross and operating margins (as reported and excluding certain items).

At PepsiCo, we believe our performance is inextricably linked to the sustainability of the world in which we operate. We call this approach Performance with Purpose and it is embedded into our business and our strategy. Our commitment to Performance with Purpose enabled us to meet or exceed every financial goal we set for 2016. During 2016, we also continued our focus on productivity, prudent capital allocation, reducing our cash flow cycle, operating with a leaner cost structure and embracing innovation. For example, since 2012 our productivity agenda has delivered approximately \$1 billion in annual savings by pursuing cost-saving measures ranging from developing agricultural technologies to sourcing more of our foods and beverages locally. We continued to embrace automation across the Company, leveraging new tools that we believe will deliver higher rates of production in the United States and around the world. We also continued to focus on skills upgrading and job retraining, creating new opportunities for our workers which we believe will help us navigate continued geopolitical uncertainty and unrest.

As we look to 2017 and beyond, we believe our Performance with Purpose strategy will enable us to continue delivering strong financial results while positioning our Company for long-term sustainable growth. We recently announced new Performance with Purpose goals for the next ten years. We plan to continue to focus on making healthier foods and beverages for our consumers, generating healthy growth for our retail and foodservice partners; fostering a healthier planet by reducing our environmental impact and boosting our bottom line; creating a healthy workplace and culture for our associates; and promoting healthier communities wherever we operate.

Our strategies are also designed to address key challenges facing our Company, including: consumer demand for healthier products; taxes or other limitations on the manufacture, sale or distribution of our products in a changing regulatory environment; uncertain and volatile macroeconomic conditions, including currency

fluctuations; climate change and water scarcity; and political, economic and social instability. See also “Item 1A. Risk Factors” for additional information about risks and uncertainties that the Company faces. We believe that many of these challenges also create new opportunities for our Company and we intend to focus on the following areas to address and adapt to these challenges and capitalize on these opportunities:

Healthier products.

Consumer demand continues to shift towards healthier products, while the risk of regulation, including taxation of certain products, continues to intensify. Given these consumer and regulatory shifts, we continue to shift our portfolio toward more “good-for-you” and “better-for-you” products, through both organic innovation and strategic mergers and acquisitions. We have increased our investment in research and development by 45 percent since 2011, investing approximately \$3.5 billion on research and development cumulatively over the past five years.

Healthy retail growth.

Our success is dependent on the success of our retail partners. We continue to collaborate with our retail partners to sell our products faster, increase cash flow and engage consumers. We also intend to continue to invest in building the new capabilities we will need to succeed in the digital marketplace, including the evolving e-commerce landscape, and to focus on building and sustaining strong relationships with our retail partners.

A healthier planet.

As a global food and beverage manufacturer, our success depends on the availability of key natural resources required to make our products, including water. We believe that embracing environmentally responsible business practices, such as water conservation, water replenishment and energy efficiency will help sustain our business. We continue to take steps to reduce our environmental footprint, which also allows us to streamline costs and reinvest savings in our business. By improving our water and energy efficiency, reducing packaging materials, cutting waste and promoting sustainable farming practices around the world, we have saved over \$600 million over the past five years.

A healthy workplace.

Our associates are our most valuable asset. We believe that by engaging our associates with opportunities for personal development and promoting ethics in the workplace we can attract the best talent, enhance productivity, spur innovation and position our company to successfully navigate a constantly changing macroeconomic environment.

Healthier communities.

We are a global company, operating in more than 200 countries and territories, but we consider ourselves to be a member of every local community where we operate. By being responsible and responsive to the needs of our communities, we believe we strengthen our business , positioning the Company for long-term success.

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 2016 and 2015, 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, 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 on the manufacture, sale or distribution 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.

We sell a wide variety of beverages, foods and snack in more than 200 countries and territories and the profile of the products we sell, and the amount of revenue attributable to such products, varies by jurisdiction. Because of this, we cannot predict the scope or form potential taxes or other potential limitations on our products may take, and therefore cannot predict the impact of such taxes or limitations on our financial results. In addition, taxes and limitations may impact us and our competitors differently. We continue to monitor existing and proposed taxes 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 or limitations, including advocating alternative measures with respect to the imposition, form and scope of any such taxes or limitations.

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. 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. 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; and
- In 2017, the Board established a Public Policy and Sustainability Committee to assist 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 Department leads and coordinates 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 “Unfavorable economic conditions may have an adverse impact on our business, financial condition or results of operations.” and “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.” in “Item 1A. Risk Factors.” 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 \$0.8 billion as of December 31, 2016 and \$1.0 billion as of December 26, 2015. At the end of 2016, the potential change in fair value of commodity derivative instruments, assuming a 10% decrease in the underlying commodity price, would have decreased our net unrealized gains in 2016 by \$89 million.

Foreign Exchange

Our operations outside of the United States generated 42% of our net revenue in 2016, with Mexico, Canada, Russia, the United Kingdom and Brazil comprising approximately 19% of our net revenue in 2016. 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 2016, unfavorable foreign exchange negatively impacted net revenue performance by 3 percentage points, primarily due to the Mexican peso, Russian ruble, Pound sterling, Egyptian pound, Argentine peso and the Canadian dollar. 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 Brazil, China, Greece, 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 referendum in the United Kingdom to leave the European Union, and the potential impact, if any, for the ESSA segment and our other businesses.

Starting in 2014, Russia announced economic sanctions against the United States and other nations that include a ban on imports of certain ingredients and finished goods from specific countries. These sanctions have not had and are not expected to have a material impact on the results of our operations in Russia or our consolidated results or financial position, and we will continue to monitor the economic, operating and political environment in Russia closely. For the years ended December 31, 2016, December 26, 2015 and December 27, 2014, total net revenue generated by our operations in Russia represented 4%, 4% and 7% of our consolidated net revenue, respectively. As of December 31, 2016, our long-lived assets in Russia were \$4.4 billion.

Our foreign currency derivatives had a total notional value of \$1.6 billion as of December 31, 2016 and \$2.1 billion as of December 26, 2015. The total notional amount of our debt instruments designated as net investment hedges was \$0.8 billion as of December 31, 2016. At the end of 2016, we estimate that an unfavorable 10% change in the underlying exchange rates would have decreased our net unrealized gains in 2016 by \$122 million.

Conditions in Venezuela, including restrictive exchange control regulations and reduced access to U.S. dollars through official currency exchange markets, have resulted in an other-than-temporary lack of exchangeability between the Venezuelan bolivar and the U.S. dollar. The exchange restrictions and other conditions have significantly impacted our ability to effectively manage our businesses in Venezuela, including limiting our ability to import certain raw materials and to settle U.S. dollar-denominated obligations, and have restricted our ability to realize the earnings generated out of our Venezuelan businesses. We expect these conditions will continue for the foreseeable future.

As a result of these factors, we concluded that, effective as of the end of the third quarter of 2015, we did not meet the accounting criteria for control over our wholly-owned Venezuelan subsidiaries, and we no longer had significant influence over our beverage joint venture with our franchise bottler in Venezuela. Therefore, effective at the end of the third quarter of 2015, we deconsolidated our Venezuelan subsidiaries and began accounting for our investments in our Venezuelan subsidiaries and joint venture using the cost method of

accounting. We reduced the value of the cost method investments to their estimated fair values, resulting in a full impairment. The factors that led to our conclusions at the end of the third quarter of 2015 continued to exist through the end of 2016. For further information, please refer to Note 1 to our consolidated financial statements and “Items Affecting Comparability.”

Beginning in the fourth quarter of 2015, our financial results have not included the results of our Venezuelan businesses. We do not have any guarantees related to our Venezuelan entities, and our ongoing contractual commitments to our Venezuelan businesses are not material. We will recognize income from dividends and sales of inventory to our Venezuelan entities, which have not been and are not expected to be material, to the extent cash in U.S. dollars is received. We did not receive any cash in U.S. dollars from our Venezuelan entities during the fourth quarter of 2015 or fiscal year 2016. We will continue to monitor the conditions in Venezuela and their impact on our accounting and disclosures. In 2015, the results of our operations in Venezuela, which include the months of January through August, generated 2% of net revenue and 2% of operating profit, prior to the impairment charges of \$1.4 billion.

Interest Rates

Our interest rate derivatives had a total notional value of \$11.2 billion as of December 31, 2016 and \$12.5 billion as of December 26, 2015. Assuming year-end 2016 investment levels and variable rate debt, a 1-percentage-point increase in interest rates would have decreased our net interest expense in 2016 by \$20 million due to higher cash and cash equivalents and short-term investments levels as compared with our variable rate debt.

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. With the exception of our change in 2016 to the full yield approach to estimate the service and interest cost components for our pension and retiree medical plans as described below, 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

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 recognize revenue upon shipment or delivery to our customers 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. Based on our experience with this practice, we have reserved for anticipated damaged and out-of-date products.

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 merchandising 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. Costs incurred to obtain these arrangements are recognized over the shorter of the economic or contractual life, primarily as a reduction of revenue, and the remaining balances of \$291 million as of December 31, 2016 and \$321 million as of December 26, 2015 are included in prepaid expenses and other current assets and other assets on our balance sheet.

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. See Note 2 to our consolidated financial statements for additional information on our total marketplace spending. Our annual financial statements are not impacted by this interim allocation methodology.

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 in our income statement.

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 perpetual 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, with the balance 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 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.

The quantitative assessment 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 nonamortizable 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." See Note 2 to our consolidated financial statements for additional information on performing the quantitative assessment.

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.

We did not recognize any impairment charges for goodwill in each of the fiscal years ended December 31, 2016, December 26, 2015 and December 27, 2014. We recognized no material impairment charges for nonamortizable intangible assets in each of the fiscal years ended December 31, 2016, December 26, 2015 and December 27, 2014. As of December 31, 2016, 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 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 is no impairment as of December 31, 2016. However, there could be an impairment of the carrying value of certain brands in these countries if there is a further deterioration in these conditions, if future revenues and their contributions to the operating results 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.

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 "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." in "Item 1A. Risk Factors."

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 in 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.

In 2016, our annual tax rate was 25.4% compared to 26.1% in 2015, as discussed in "Other Consolidated Results." The tax rate decreased 0.7 percentage points compared to 2015 reflecting the impact of the 2015 Venezuela impairment charges, which had no corresponding tax benefit, partially offset by the 2015 favorable resolution with the IRS of substantially all open matters related to the audits for taxable years 2010 and 2011, as well as the 2016 impairment charge recorded to reduce the value of our 5% indirect equity interest in TAB to its estimated fair value, which had no corresponding tax benefit.

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 the PepsiCo Employees Retirement Plan A, or active plan, and the PepsiCo Employees Retirement Plan I, or inactive plan. 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 the active plan will continue to be amortized over the average remaining service life of the active participants (approximately 11 years beginning in 2017), while the actuarial gains and losses associated with the inactive plan will be amortized over the remaining life expectancy of the inactive participants (approximately 27 years beginning in 2017). As a result of these changes, benefit plan pre-tax expense is expected to decrease by approximately \$40 million in 2017, primarily impacting corporate unallocated. 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.

In 2014, we offered certain former employees who had vested benefits in our U.S. defined benefit pension plans the option of receiving a one-time lump sum payment equal to the present value of the participant's pension benefit (payable in cash or rolled over into a qualified retirement plan or Individual Retirement Account (IRA)). In 2014, we made a discretionary contribution of \$388 million to fund substantially all of these payments. As a result, we recorded a pre-tax pension lump sum settlement charge in corporate unallocated expenses of \$141 million (\$88 million after-tax or \$0.06 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 the present value of liabilities and, beginning in 2016, to determine service and interest costs.

Certain assumptions reflect our historical experience and management's best judgment regarding future expectations. 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.

Effective as of the beginning of 2016, we changed the method we use to estimate the service and interest cost components of net periodic benefit cost for our U.S. and the majority of our significant international pension and retiree medical plans. Historically, we estimated the service and interest cost components using a single weighted-average discount rate derived from the yield curve used to measure the projected benefit obligation (or accumulated post-retirement benefit obligation for the retiree medical plans) at the beginning of the period. We have now elected to use a full yield curve approach in the estimation of these components of benefit cost by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. We have made this change to improve the correlation between projected benefit cash flows and the corresponding yield curve spot rates, which we believe will result in a more precise measurement of service and interest costs. This change does not affect the measurement of our benefit obligation. We have accounted for this change in estimate on a prospective basis as of the beginning of 2016. The pre-tax reduction in net periodic benefit cost associated with this change was \$125 million (\$81 million after-tax or \$0.06 per share) for the full year 2016.

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 plan's 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:

	2017	2016	2015
<i>Pension</i>			
Service cost discount rate ^(a)	4.3%	4.5%	n/a
Interest cost discount rate ^(a)	3.5%	3.8%	n/a
Expense discount rate ^(a)	n/a	n/a	4.1%
Expected rate of return on plan assets	7.2%	7.2%	7.3%
Expected rate of salary increases	3.2%	3.2%	3.5%
<i>Retiree medical</i>			
Service cost discount rate ^(a)	4.0%	4.3%	n/a
Interest cost discount rate ^(a)	3.2%	3.3%	n/a
Expense discount rate ^(a)	n/a	n/a	3.8%
Expected rate of return on plan assets	7.5%	7.5%	7.5%
Current health care cost trend rate	5.9%	6.0%	6.2%

(a) In the first quarter of 2016, we changed the method we use to estimate the service and interest cost components of pension and retiree medical expense.

In general, lower discount rates increase the size of the projected benefit obligation and pension expense in the following year, while higher discount rates reduce the size of the projected benefit obligation and pension expense. Based on our assumptions, we expect our total pension and retiree medical expense to decrease in 2017 primarily driven by cost savings due to the recognition of prior experience gains on plan assets, the reorganization of the plans and the transfer of our obligation for certain retirees to an unrelated insurance company, partially offset by lower discount rates.

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. Under the full-yield-curve approach adopted at the beginning of 2016, a 25-basis-point decrease in each of the above discount rates and expected rate of return assumptions would increase the 2017 pension and retiree medical expense as follows:

Assumption	Amount
Discount rates used in the calculation of expense	\$37
Expected rate of return	\$36

See Note 7 to our consolidated financial statements for additional information about the sensitivity of our retiree medical cost assumptions.

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. See Note 7 to our consolidated financial statements for our past and expected contributions and estimated future benefit payments.

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. The impact of the structural change related to the deconsolidation of our Venezuelan businesses is presented separately.

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 further, 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 snacks 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 2016 and 2015, total servings increased 3% and 1% compared to 2015 and 2014, respectively. Excluding the impact of the 53rd reporting week, total servings in 2016 increased 2% compared to 2015. Servings growth reflects adjustments to the prior year results for divestitures and other structural changes, including the deconsolidation of our Venezuelan businesses effective as of the end of the third quarter of 2015.

Total Net Revenue and Operating Profit/(Loss)

	2016	2015	2014	Change	
				2016	2015
Total net revenue	\$ 62,799	\$ 63,056	\$ 66,683	— %	(5)%
Operating profit/(loss)					
FLNA	\$ 4,659	\$ 4,304	\$ 4,054	8 %	6 %
QFNA	653	560	621	16 %	(10)%
NAB	2,959	2,785	2,421	6 %	15 %
Latin America	887	(206)	1,636	n/m	(113)%
ESSA	1,108	1,081	1,389	2.5 %	(22)%
AMENA	619	941	985	(34)%	(4.5)%
Corporate Unallocated	(1,100)	(1,112)	(1,525)	(1)%	(27)%
Total operating profit	\$ 9,785	\$ 8,353	\$ 9,581	17 %	(13)%
Total operating profit margin	15.6%	13.2%	14.4%	2.3	(1.2)

n/m - Not meaningful due to the impact of impairment charges associated with a change in accounting for our Venezuela operations in 2015.

2016

Total operating profit increased 17% and operating margin increased 2.3 percentage points. Operating profit growth was driven by the benefit of actions associated with our productivity initiatives, which contributed more than \$1 billion in cost reductions across a number of expense categories throughout all of our segments, effective net pricing and volume growth. Additionally, the impact of recording an impairment charge in the prior year and ceasing the operations of our MQD joint venture contributed 1 percentage point to operating profit growth. These impacts were partially offset by certain operating cost increases, higher advertising and marketing expenses, unfavorable foreign exchange and higher commodity costs, as well as the deconsolidation of our Venezuelan businesses, which reduced operating profit growth by 2 percentage points. Items affecting comparability (see “Items Affecting Comparability”) contributed 13 percentage points to operating profit growth and increased total operating profit margin by 1.5 percentage points, primarily reflecting a 17-percentage-point contribution from the prior-year Venezuela impairment charges. Higher commodity inflation reduced operating profit growth by 1 percentage point, primarily attributable to inflation in the Latin America, ESSA and AMENA segments, partially offset by deflation in the NAB, FLNA and QFNA segments. The impact of our 53rd reporting week was fully offset by incremental investments we made in our business. Corporate unallocated expenses decreased 1%, driven by lower pension expense reflecting the change to the full yield curve approach, lower foreign exchange transaction losses and decreases in other corporate expenses, partially offset by increased contributions to The PepsiCo Foundation, Inc. to fund charitable and social programs and the net impact of items affecting comparability mentioned above included in corporate unallocated expenses.

2015

Total operating profit decreased 13% and operating margin decreased 1.2 percentage points. Operating profit performance was primarily driven by certain operating cost increases, unfavorable foreign exchange, higher commodity costs and increased advertising and marketing expenses. These impacts were partially offset by effective net pricing, the benefit of actions associated with our productivity initiatives, which contributed more than \$1 billion in cost reductions across a number of expense categories throughout all of our segments, and volume growth. Items affecting comparability (see “Items Affecting Comparability”) negatively impacted operating profit performance by 9 percentage points and decreased total operating profit margin by 1.4 percentage points, primarily reflecting the Venezuela impairment charges. Higher commodity inflation negatively impacted operating profit performance by 5 percentage points, primarily attributable to inflation

in the Latin America and ESSA segments, partially offset by deflation in the NAB, FLNA, AMENA and QFNA segments. Additionally, impairment charges in the QFNA segment associated with our MQD joint venture and the fourth quarter impact of our Venezuelan businesses (as a result of the deconsolidation) each negatively impacted reported operating profit performance by 1 percentage point. Corporate unallocated expenses decreased 27%, primarily reflecting the impact of items affecting comparability mentioned above included in corporate unallocated expenses and decreased pension expense, partially offset by increased research and development costs and charges associated with productivity initiatives outside the scope of the 2014 and 2012 Productivity Plans.

Other Consolidated Results

	2016	2015	2014	Change	
				2016	2015
Interest expense, net	\$ (1,232)	\$ (911)	\$ (824)	\$ (321)	\$ (87)
Annual tax rate	25.4%	26.1%	25.1%		
Net income attributable to PepsiCo	\$ 6,329	\$ 5,452	\$ 6,513	16%	(16)%
Net income attributable to PepsiCo per common share – diluted	\$ 4.36	\$ 3.67	\$ 4.27	19%	(14)%
Mark-to-market net (gains)/losses	(0.08)	—	0.03		
Restructuring and impairment charges	0.09	0.12	0.21		
Charges related to the transaction with Tingyi	0.26	0.05	—		
Charge related to debt redemption	0.11	—	—		
Pension-related settlement charges/(benefits)	0.11	(0.03)	0.06		
Venezuela impairment charges	—	0.91	—		
Tax benefit	—	(0.15)	—		
Venezuela remeasurement charge	—	—	0.07		
Net income attributable to PepsiCo per common share – diluted, excluding above items ^(a)	\$ 4.85	\$ 4.57	\$ 4.63 ^(b)	6%	(1)%
Impact of foreign exchange translation				3	11
Growth in net income attributable to PepsiCo per common share – diluted, excluding above items, on a constant currency basis ^(a)				9%	10 %

(a) See “Non-GAAP Measures.”

(b) Does not sum due to rounding.

2016

Net interest expense increased \$321 million reflecting a charge of \$233 million 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 increase also reflects higher average debt balances, partially offset by higher interest income due to higher average cash balances, as well as gains on the market value of investments used to economically hedge a portion of our deferred compensation costs.

The reported tax rate decreased 0.7 percentage points due to the impact of the 2015 Venezuela impairment charges, which had no corresponding tax benefit, partially offset by the 2015 favorable resolution with the IRS of substantially all open matters related to the audits for taxable years 2010 and 2011, as well as the 2016 impairment charge recorded to reduce the value of our 5% indirect equity interest in TAB to its estimated fair value, which had no corresponding tax benefit.

Net income attributable to PepsiCo increased 16% and net income attributable to PepsiCo per common share increased 19%. Items affecting comparability (see “Items Affecting Comparability”) positively contributed 12 percentage points to net income attributable to PepsiCo and 13 percentage points to net income attributable to PepsiCo per common share.

2015

Net interest expense increased \$87 million, reflecting higher rates on our debt balances and lower gains on the market value of investments used to economically hedge a portion of our deferred compensation costs.

The reported tax rate increased 1.0 percentage point reflecting the impact of the Venezuela impairment charges, which had no accompanying tax benefit, partially offset by the favorable resolution with the IRS of substantially all open matters related to the audits for taxable years 2010 and 2011.

Net income attributable to PepsiCo decreased 16% and net income attributable to PepsiCo per common share decreased 14%. Items affecting comparability (see “Items Affecting Comparability”) negatively impacted net income attributable to PepsiCo by 12 percentage points and net income attributable to PepsiCo per common share by 13 percentage points.

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); gains or losses associated with mergers, acquisitions, divestitures and other structural changes; charges related to restructuring programs; asset impairments (non-cash); amounts related to the resolution of tax positions; pension and retiree medical related items; debt redemptions; 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 2016 Form 10-K:

- operating profit/loss, 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;
- free cash flow; and
- ROIC and net ROIC, excluding items affecting comparability.

Operating Profit/Loss, 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

Operating profit/loss, adjusted for items affecting comparability, and net income attributable to PepsiCo per common share – diluted, adjusted for items affecting comparability, each excludes the net impact of mark-to-market gains and losses on centrally managed commodities that do not qualify for hedge accounting, restructuring and impairment charges related to our 2014 and 2012 Productivity Plans, charges related to the transaction with Tingyi, a charge related to debt redemption, pension-related settlements, Venezuela impairment charges, a tax benefit, and a Venezuela remeasurement charge (see “Items Affecting Comparability” for a detailed description of each of these items). We also evaluate performance on these measures on a constant currency basis, which measures 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.

Organic Revenue

We define organic revenue as net revenue adjusted for the impact of foreign exchange translation, as well as the impact from acquisitions, divestitures and other structural changes, including the Venezuela deconsolidation, for the comparable period. The Venezuela deconsolidation impact excludes the results of our Venezuelan businesses for the first three quarters of 2015 and the fourth quarter of 2014. In addition, our fiscal 2016 reported results include an extra week of results. Organic revenue excludes the impact of the 53rd reporting week in the fourth quarter of 2016. 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 “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 this 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:

	2016							
	Cost of sales	Gross profit	Selling, general and administrative expenses	Operating profit	Interest expense	Provision for income taxes ^(a)	Net income attributable to noncontrolling interests	Net income attributable to PepsiCo
Reported, GAAP Measure	\$ 28,209	\$ 34,590	\$ 24,735	\$ 9,785	\$ 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	—	—	(160)	160	—	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)	242	—	80	—	162
Core, Non-GAAP Measure	<u>\$ 28,287</u>	<u>\$ 34,512</u>	<u>\$ 24,049</u>	<u>\$ 10,393</u>	<u>\$ 1,109</u>	<u>\$ 2,301</u>	<u>\$ 53</u>	<u>\$ 7,040</u>
	2015							
	Cost of sales	Gross profit	Selling, general and administrative expenses	Venezuela impairment charges	Operating profit	Provision for income taxes ^(a)		Net income attributable to PepsiCo
Reported, GAAP Measure	\$ 28,731	\$ 34,325	\$ 24,538	\$ 1,359	\$ 8,353	\$ 1,941	\$	\$ 5,452
Items Affecting Comparability								
Mark-to-market net impact		(18)	18	29	—	(11)	(3)	(8)
Restructuring and impairment charges		—	—	(230)	—	230	46	184
Charge related to the transaction with Tingyi		—	—	(73)	—	73	—	73
Pension-related settlement benefits		—	—	67	—	(67)	(25)	(42)
Venezuela impairment charges		—	—	—	(1,359)	1,359	—	1,359
Tax benefit		—	—	—	—	—	230	(230)
Core, Non-GAAP Measure	<u>\$ 28,713</u>	<u>\$ 34,343</u>	<u>\$ 24,331</u>	<u>\$ —</u>	<u>\$ 9,937</u>	<u>\$ 2,189</u>	<u>\$</u>	<u>\$ 6,788</u>
	2014							
	Cost of sales	Gross profit	Selling, general and administrative expenses	Operating profit	Provision for income taxes ^(a)	Net income attributable to noncontrolling interests		Net income attributable to PepsiCo
Reported, GAAP Measure	\$ 31,238	\$ 35,445	\$ 25,772	\$ 9,581	\$ 2,199	\$ 45	\$	\$ 6,513
Items Affecting Comparability								
Mark-to-market net impact		33	(33)	(101)	68	24	—	44
Restructuring and impairment charges		—	—	(418)	418	99	3	316
Pension-related settlement charge		—	—	(141)	141	53	—	88
Venezuela remeasurement charge		—	—	(105)	105	—	—	105
Core, Non-GAAP Measure	<u>\$ 31,271</u>	<u>\$ 35,412</u>	<u>\$ 25,007</u>	<u>\$ 10,313</u>	<u>\$ 2,375</u>	<u>\$ 48</u>	<u>\$</u>	<u>\$ 7,066</u>

(a) 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.

Mark-to-Market Net Impact

We centrally manage commodity derivatives on behalf of our divisions. These commodity derivatives include agricultural products, energy 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

In connection with our 2014 Productivity Plan, we expect to incur pre-tax charges of approximately \$990 million, of which approximately \$705 million represents cash expenditures, summarized by year as follows:

	Charges	Cash Expenditures
2013	\$ 53	\$ —
2014	357	175 ^(b)
2015	169	165 ^(b)
2016	160	95
2017 (expected)	122	143
2018 (expected)	129	127
	<u>\$ 990 ^(a)</u>	<u>\$ 705</u>

(a) This total pre-tax charge is expected to consist of approximately \$495 million of severance and other employee-related costs, approximately \$150 million for asset impairments (all non-cash) resulting from plant closures and related actions, and approximately \$345 million for other costs associated with the implementation of our initiatives, including contract termination costs. This charge is expected to impact reportable segments and Corporate approximately as follows: FLNA 11%, QFNA 2%, NAB 30%, Latin America 20%, ESSA 25%, AMENA 5% and Corporate 7%.

(b) In 2015 and 2014, cash expenditures include \$2 million and \$10 million, respectively, reported on our cash flow statement in pension and retiree medical plan contributions.

See Note 3 to our consolidated financial statements for further information related to our 2014 and 2012 Productivity Plans.

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

Charges 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 TAB to its estimated fair value.

In 2015, we recorded a pre- and after-tax charge of \$73 million (\$0.05 per share) in the AMENA segment related to a write-off of the value of a call option to increase our holding in TAB to 20%.

See Note 9 to our consolidated financial statements for further information.

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 Settlements

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.

In 2015, we recorded pre-tax benefits of \$67 million (\$42 million after-tax or \$0.03 per share) in the NAB segment associated with the settlement of pension-related liabilities from previous acquisitions. These benefits were recognized in selling, general and administrative expenses.

In 2014, we recorded a pre-tax pension lump sum settlement charge in corporate unallocated expenses of \$141 million (\$88 million after-tax or \$0.06 per share) related to payments for pension liabilities to certain former employees who had vested benefits. See Note 7 to our consolidated financial statements.

Venezuela Impairment Charges

In 2015, we recorded pre- and after-tax charges of \$1.4 billion (\$0.91 per share) in the Latin America segment related to the impairment of investments in our wholly-owned Venezuelan subsidiaries and beverage joint venture.

For additional information on Venezuela, see Note 1 to our consolidated financial statements and “Our Business Risks.”

Tax Benefit

In 2015, we recognized a non-cash tax benefit of \$230 million (\$0.15 per share) 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 and 2011.

See Note 5 to our consolidated financial statements.

Venezuela Remeasurement Charge

In 2014, we recorded a \$105 million net charge related to our remeasurement of the bolivar for certain net monetary assets of our Venezuelan businesses. \$126 million of this charge was recorded in corporate unallocated expenses, with the balance (equity income of \$21 million) recorded in our Latin America segment. In total, this net charge had an after-tax impact of \$105 million or \$0.07 per share.

Results of Operations — Division Review

The results and discussions below are based on how our Chief Executive Officer monitors the performance of our divisions. Accordingly, volume growth measures for 2016 and 2015 reflect adjustments to the 2015 and 2014 results, respectively, for divestitures and other structural changes, including the deconsolidation of our Venezuelan businesses effective as of the end of the third quarter of 2015. 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.

	FLNA	QFNA	NAB	Latin America	ESSA	AMENA	Total
Net Revenue, 2016	\$ 15,549	\$ 2,564	\$ 21,312	\$ 6,820	\$ 10,216	\$ 6,338	\$ 62,799
Net Revenue, 2015	\$ 14,782	\$ 2,543	\$ 20,618	\$ 8,228	\$ 10,510	\$ 6,375	\$ 63,056
% Impact of:							
Volume ^(a)	2 %	— %	1 %	3 %	1.5 %	6 %	2 %
Effective net pricing ^(b)	2	(1)	1	7	2.5	(1)	2
Foreign exchange translation	—	—	—	(11)	(7)	(5)	(3)
Acquisitions and divestitures	—	—	—	(1)	—	—	—
Venezuela deconsolidation ^(c)	—	—	—	(14)	—	—	(2)
53 rd reporting week ^(d)	2	2	1.5	—	—	—	1
Reported growth ^(e)	5 %	1 %	3 %	(17)%	(3)%	(1)%	— %
	FLNA	QFNA	NAB	Latin America	ESSA	AMENA	Total
Net Revenue, 2015	\$ 14,782	\$ 2,543	\$ 20,618	\$ 8,228	\$ 10,510	\$ 6,375	\$ 63,056
Net Revenue, 2014	\$ 14,502	\$ 2,568	\$ 20,171	\$ 9,425	\$ 13,399	\$ 6,618	\$ 66,683
% Impact of:							
Volume ^(a)	1 %	1 %	0.5 %	1 %	(2)%	4 %	0.5 %
Effective net pricing ^(b)	2	—	3	19	4	0.5	5
Foreign exchange translation	(1)	(2)	(1)	(27)	(24)	(5)	(10)
Acquisitions and divestitures	—	—	—	—	—	(3)	—
Venezuela deconsolidation ^(c)	—	—	—	(6)	—	—	(1)
Reported growth ^(e)	2 %	(1)%	2 %	(13)%	(22)%	(4)%	(5)%

(a) 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 franchised-owned bottlers. Our net revenue excludes nonconsolidated joint venture volume, and, for our beverage businesses, is based on CSE.

(b) 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.

(c) For 2016 and 2015 reported growth, represents the impact of the exclusion of the 2015 and fourth quarter 2014 results of our Venezuelan businesses, respectively, which were deconsolidated effective as of the end of the third quarter of 2015.

(d) Our fiscal 2016 results include 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.

(e) Amounts may not sum due to rounding.

Organic Revenue Growth

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

2016	FLNA	QFNA	NAB	Latin America	ESSA	AMENA	Total
Reported Growth	5 %	1 %	3 %	(17)%	(3)%	(1)%	— %
% Impact of:							
Foreign exchange translation	—	—	—	11	7	5	3
Acquisitions and divestitures	—	—	—	1	—	—	—
Venezuela deconsolidation ^(a)	—	—	—	14	—	—	2
53 rd reporting week ^(b)	(2)	(2)	(1.5)	—	—	—	(1)
Organic Growth ^(c)	3.5 %	— %	2 %	9 %	4 %	5 %	4 %

2015	FLNA	QFNA	NAB	Latin America	ESSA	AMENA	Total
Reported Growth	2 %	(1)%	2 %	(13)%	(22)%	(4)%	(5)%
% Impact of:							
Foreign exchange translation	1	2	1	27	24	5	10
Acquisitions and divestitures	—	—	—	—	—	3	—
Venezuela deconsolidation ^(a)	—	—	—	6	—	—	1
Organic Growth ^(c)	3 %	1 %	3 %	20 %	2 %	4 %	5 %

(a) For 2016 and 2015 organic revenue growth, represents the impact of the exclusion of the 2015 and fourth quarter 2014 results of our Venezuelan businesses, respectively, which were deconsolidated effective as of the end of the third quarter of 2015.

(b) Our fiscal 2016 results include 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.

(c) Amounts may not sum due to rounding.

Frito-Lay North America

	2016	2015	2014	% Change	
				2016	2015
Net revenue	\$ 15,549	\$ 14,782	\$ 14,502	5	2
Impact of foreign exchange translation				—	1
Impact of 53 rd reporting week				(2)	—
Organic revenue growth ^(a)				3.5 ^(b)	3
Operating profit	\$ 4,659	\$ 4,304	\$ 4,054	8	6
Restructuring and impairment charges	13	26	48		
Operating profit excluding above item ^(a)	\$ 4,672	\$ 4,330	\$ 4,102	8	5.5
Impact of foreign exchange translation				—	1
Operating profit growth excluding above item, on a constant currency basis ^(a)				8	7 ^(b)

(a) See “Non-GAAP Measures.”

(b) Does not sum due to rounding.

2016

Net revenue grew 5%, driven by volume growth and effective net pricing. The 53rd reporting week contributed 2 percentage points to the net revenue growth.

Volume grew 3%, reflecting high-single-digit growth in variety packs, and mid-single-digit growth in trademark Doritos and Cheetos. These gains were partially offset by a mid-single-digit decline in our Sabra joint venture products. The 53rd reporting week contributed 2 percentage points to the volume growth.

Operating profit grew 8%, primarily reflecting the net revenue growth and planned cost reductions across a number of expense categories, as well as lower commodity costs, which contributed 3 percentage points to operating profit growth, primarily fuel and cooking oil. These impacts were partially offset by certain operating cost increases, including strategic initiatives, and higher advertising and marketing expenses. The 53rd reporting week contributed 2 percentage points to operating profit growth, partially offset by incremental investments in our business, which reduced operating profit growth by 1.5 percentage points.

2015

Net revenue grew 2% and volume grew 1%. The net revenue growth was driven by effective net pricing and the volume growth. The volume growth reflects mid-single-digit growth in variety packs and trademark Tostitos, double-digit growth in trademark Smartfood and low-single-digit growth in trademark Doritos. These increases were partially offset by a low-single-digit decline in trademark Lay’s.

Operating profit grew 6%, primarily reflecting the net revenue growth and planned cost reductions across a number of expense categories, as well as lower commodity costs, which contributed 5 percentage points to operating profit growth, primarily cooking oil and packaging. These impacts were partially offset by certain operating cost increases, including strategic initiatives, as well as higher advertising and marketing expenses.

Quaker Foods North America

		2016	2015	2014	% Change	
					2016	2015
Net revenue	\$	2,564	\$ 2,543	\$ 2,568	1	(1)
Impact of foreign exchange translation					—	2
Impact of 53 rd reporting week					(2)	—
Organic revenue growth ^(a)					— ^(b)	1
Operating profit	\$	653	\$ 560	\$ 621	16	(10)
Restructuring and impairment charges		1	3	14		
Operating profit excluding above item ^(a)	\$	654	\$ 563	\$ 635	16	(11)
Impact of foreign exchange translation					—	1
Operating profit growth excluding above item, on a constant currency basis ^(a)					16	(10)

(a) See “Non-GAAP Measures.”

(b) Does not sum due to rounding.

2016

Net revenue grew 1%, driven by the 53rd reporting week which contributed 2 percentage points to the net revenue growth, partially offset by unfavorable net pricing and mix and unfavorable foreign exchange.

Volume grew 2%, reflecting mid-single digit growth in Aunt Jemima syrup and mix and low-single-digit growth in ready-to-eat cereals, oatmeal, and bars. The 53rd reporting week contributed 2 percentage points to the volume growth.

Operating profit increased 16%, impacted by prior year impairment charges related to our dairy joint venture and ceasing its operations, which contributed 17 percentage points to operating profit growth. This increase also reflects planned cost reductions across a number of expense categories, as well as lower commodity costs, which contributed 6 percentage points to operating profit growth. These impacts were partially offset by higher advertising and marketing expenses, certain operating cost increases and the unfavorable net pricing and mix. The 53rd reporting week contributed 2 percentage points to operating profit growth, partially offset by incremental investments in our business, which reduced operating profit growth by 1.5 percentage points.

2015

Net revenue declined 1% and volume grew slightly. The net revenue decline reflects unfavorable foreign exchange, which negatively impacted net revenue performance by 2 percentage points, partially offset by the volume growth. The volume growth reflects mid-single digit growth in ready-to-eat cereals and Aunt Jemima syrup and mix, partially offset by a double-digit decline in MQD products and mid-single digit declines in both grits and bars.

Operating profit decreased 10%, reflecting impairment charges, including a fourth quarter charge related to ceasing operations of our dairy joint venture and the recognition of a gain associated with the divestiture of a cereal business in 2014, which negatively impacted operating profit performance by 12 and 3 percentage points, respectively. In addition, operating profit performance was also negatively impacted by certain operating cost increases and higher advertising and marketing expenses. These impacts were partially offset by planned cost reductions across a number of expense categories, favorable mix and the volume growth, as well as lower commodity costs, which positively contributed 3 percentage points to operating profit performance.

North America Beverages

	2016	2015	2014	% Change	
				2016	2015
Net revenue	\$ 21,312	\$ 20,618	\$ 20,171	3	2
Impact of foreign exchange translation				—	1
Impact of acquisitions and divestitures				—	—
Impact of 53 rd reporting week				(1.5)	—
Organic revenue growth ^(a)				2 ^(b)	3
Operating profit	\$ 2,959	\$ 2,785	\$ 2,421	6	15
Restructuring and impairment charges	35	33	179		
Pension-related settlement benefits	—	(67)	—		
Operating profit excluding above items ^(a)	\$ 2,994	\$ 2,751	\$ 2,600	9	6
Impact of foreign exchange translation				—	1
Operating profit growth excluding above items, on a constant currency basis ^(a)				9	7

(a) See “Non-GAAP Measures.”

(b) Does not sum due to rounding.

2016

Net revenue increased 3%, primarily reflecting effective net pricing and volume growth. The 53rd reporting week contributed 1.5 percentage points to the net revenue growth.

Volume increased 2%, driven by a 7% increase in non-carbonated beverage volume, partially offset by a 1% decline in CSD volume. The non-carbonated beverage volume increase primarily reflected a double-digit increase in our overall water portfolio, a mid-single-digit increase in Gatorade sports drinks, and a high-single-digit increase in Lipton ready-to-drink teas. The 53rd reporting week contributed 1.5 percentage points to the volume growth.

Operating profit increased 6%, primarily reflecting the net revenue growth and planned cost reductions across a number of expense categories, as well as lower commodity costs which contributed 6 percentage points to operating profit growth. These impacts were partially offset by certain operating cost increases and higher advertising and marketing expenses. The 53rd reporting week contributed 1.5 percentage points to the operating profit growth. This was partially offset by incremental investments in our business which reduced operating profit growth by 1 percentage point. Items affecting comparability in the above table (see “Items Affecting Comparability”) reduced operating profit growth by 3 percentage points.

2015

Net revenue increased 2%, primarily reflecting effective net pricing and volume growth. Unfavorable foreign exchange reduced net revenue growth by 1 percentage point.

Volume increased 1%, driven by a 6% increase in non-carbonated beverage volume, partially offset by a 2% decline in CSD volumes. The non-carbonated beverage volume increase primarily reflected a double-digit increase in our overall water portfolio, a mid-single-digit increase in Gatorade sports drinks, and a high-single-digit increase in Lipton ready-to-drink teas.

Operating profit increased 15%, reflecting the net revenue growth and planned cost reductions across a number of expense categories, as well as lower commodity costs, which contributed 8 percentage points to operating profit growth. These impacts were partially offset by certain operating cost increases and higher

advertising and marketing expenses, as well as the recording of favorable settlements of promotional spending accruals in 2014, which reduced operating profit growth by 2 percentage points. Unfavorable foreign exchange reduced operating profit growth by 1 percentage point. Items affecting comparability in the above table (see “Items Affecting Comparability”) increased operating profit growth by 9 percentage points.

Latin America

	2016	2015	2014	% Change	
				2016	2015
Net revenue	\$ 6,820	\$ 8,228	\$ 9,425	(17)	(13)
Impact of foreign exchange translation				11	27
Impact of acquisitions and divestitures				1	—
Impact of Venezuela deconsolidation				14	6
Organic revenue growth ^(a)				9	20
Operating profit/(loss)	\$ 887	\$ (206)	\$ 1,636	n/m	(113)
Restructuring and impairment charges	27	36	28		
Venezuela impairment charges	—	1,359	—		
Venezuela remeasurement	—	—	(21)		
Operating profit excluding above items ^(a)	\$ 914	\$ 1,189	\$ 1,643	(23)	(28)
Impact of foreign exchange translation				14	37
Operating profit growth excluding above items, on a constant currency basis ^(a)				(9)	9

(a) See “Non-GAAP Measures.”

n/m - Not meaningful due to the impact of impairment charges associated with a change in accounting for our Venezuela operations in 2015.

2016

Net revenue decreased 17%, reflecting the impact of the deconsolidation of our Venezuelan businesses, effective as of the end of the third quarter of 2015, and unfavorable foreign exchange, which negatively impacted net revenue performance by 14 percentage points and 11 percentage points, respectively. These impacts were partially offset by effective net pricing and net volume growth.

Snacks volume grew 3%, reflecting a mid-single-digit increase in Mexico. Additionally, Brazil experienced a slight increase.

Beverage volume decreased 2%, reflecting a double-digit decline in Argentina and a low-single-digit decline in Mexico and Honduras, partially offset by a low-single-digit increase in Brazil and a mid-single-digit increase in Guatemala.

Operating profit improvement primarily reflected the prior year Venezuela impairment charges, included in items affecting comparability in the above table (see “Items Affecting Comparability”). This improvement also reflects the effective net pricing, planned cost reductions across a number of expense categories and the net volume growth. Additionally, the impact of prior-year charges associated with productivity initiatives outside the scope of the 2014 and 2012 Productivity Plans contributed 4 percentage points to operating profit growth. These impacts were partially offset by certain operating cost increases, as well as the deconsolidation of our Venezuelan businesses, which reduced operating profit growth by 19 percentage points. Additionally, higher commodity costs reduced operating profit growth by 22 percentage points, largely due to transaction-related foreign exchange on purchases of raw materials, driven by a strong U.S. dollar. Operating profit was also reduced by higher advertising and marketing expenses, as well as incremental investments in our business,

which reduced operating profit growth by 4 percentage points. Unfavorable foreign exchange translation reduced operating profit growth by 14 percentage points.

2015

Net revenue decreased 13%, primarily reflecting unfavorable foreign exchange, which negatively impacted net revenue performance by 27 percentage points, including 11 percentage points from Venezuela. In addition, the fourth quarter impact of the deconsolidation of our Venezuelan businesses negatively impacted net revenue performance by 6 percentage points. These impacts were partially offset by effective net pricing, including 14 percentage points of inflation-based pricing from Venezuela, and volume growth.

Snacks volume grew 1%, reflecting a low-single-digit increase in Mexico, partially offset by a high-single-digit decrease in Brazil.

Beverage volume increased slightly, reflecting a low-single-digit increase in Mexico, partially offset by a high-single-digit decrease in Brazil and a mid-single-digit decline in Argentina. The beverage volume growth included a one-half-percentage point positive contribution from certain of our bottler's brands related to our joint venture in Chile.

Operating profit decreased 113%, primarily reflecting the Venezuela impairment charges, included in items affecting comparability in the above table (see "Items Affecting Comparability"). This decrease also reflects certain operating cost increases, including strategic initiatives, as well as higher commodity costs, which negatively impacted operating profit performance by 39 percentage points, including transaction-related foreign exchange on purchases of raw materials driven by a strong U.S. dollar. Additionally, charges associated with productivity initiatives outside the scope of the 2014 and 2012 Productivity Plans negatively impacted operating profit performance by 2 percentage points. These impacts were partially offset by the effective net pricing, planned cost reductions across a number of expense categories and the volume growth. Unfavorable foreign exchange negatively impacted operating profit performance by 37 percentage points, including a 23-percentage-point impact from Venezuela. The results of our Venezuelan businesses negatively impacted operating profit performance by 94 percentage points, primarily related to the impairment charges, and included 4 percentage points from the fourth quarter impact of the deconsolidation. For additional information on Venezuela, see Note 1 to our consolidated financial statements and "Our Business Risks."

Europe Sub-Saharan Africa

	2016	2015	2014	% Change	
				2016	2015
Net revenue	\$ 10,216	\$ 10,510	\$ 13,399	(3)	(22)
Impact of foreign exchange translation				7	24
Impact of 53 rd reporting week				—	—
Organic revenue growth ^(a)				4	2
Operating profit	\$ 1,108	\$ 1,081	\$ 1,389	2.5	(22)
Restructuring and impairment charges	60	89	71		
Operating profit excluding above item ^(a)	\$ 1,168	\$ 1,170	\$ 1,460	—	(20)
Impact of foreign exchange translation				6	22
Operating profit growth excluding above item, on a constant currency basis ^(a)				6	2.5 ^(b)

(a) See “Non-GAAP Measures.”

(b) Does not sum due to rounding.

2016

Net revenue decreased 3%, primarily reflecting unfavorable foreign exchange, which negatively impacted net revenue performance by 7 percentage points. These impacts were partially offset by effective net pricing and volume growth.

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

Beverage volume grew 2%, primarily reflecting double-digit growth in Nigeria and high-single-digit growth in the United Kingdom and Poland, partially offset by a mid-single-digit decline in Russia and a low-single-digit decline in Germany. Additionally, Turkey and France each experienced low-single-digit growth.

Operating profit increased 2.5%, reflecting planned cost reductions across a number of expense categories, the effective net pricing and the volume growth. These impacts were partially offset by higher commodity costs, which reduced operating profit growth by 19 percentage points, largely due to transaction-related foreign exchange on purchases of raw materials led by a strong U.S. dollar. Additionally, certain operating cost increases and higher advertising and marketing expenses reduced operating profit growth. The impact of unfavorable foreign exchange translation and incremental investments in our business also reduced operating profit growth by 6 percentage points and 2 percentage points, respectively.

2015

Net revenue decreased 22%, primarily reflecting unfavorable foreign exchange, which negatively impacted net revenue performance by 24 percentage points, including 13 percentage points from Russia, as well as net volume declines. These impacts were partially offset by effective net pricing.

Snacks volume grew 1%, primarily reflecting mid-single-digit growth in Turkey and Spain, and low-single-digit growth in the United Kingdom, South Africa and the Netherlands, partially offset by a mid-single-digit decline in Russia.

Beverage volume declined 2%, primarily reflecting a double-digit decline in Russia, partially offset by mid-single-digit growth in Nigeria and low-single-digit growth in Turkey and the United Kingdom. Additionally, Germany experienced a slight decline.

Operating profit decreased 22%, reflecting higher commodity costs, which negatively impacted operating profit performance by 24 percentage points, primarily from transaction-related foreign exchange on purchases of raw materials driven by a strong U.S. dollar. Additionally, operating profit performance was negatively impacted by certain operating cost increases, the net volume declines and higher advertising and marketing expenses, as well as the recognition of a 2014 gain associated with the sale of agricultural assets in Russia, which negatively impacted operating profit performance by 2 percentage points. These impacts were partially offset by the effective net pricing and planned cost reductions across a number of expense categories, as well as lower charges in 2015 associated with productivity initiatives outside the scope of the 2014 and 2012 Productivity Plans, which positively impacted operating profit performance by 1.5 percentage points. In addition, the net impact of a 2014 impairment charge associated with a brand in Greece positively contributed 1 percentage point to operating profit performance. Unfavorable foreign exchange translation negatively impacted operating profit performance by 22 percentage points.

Asia, Middle East and North Africa

	2016	2015	2014	% Change	
				2016	2015
Net revenue	\$ 6,338	\$ 6,375	\$ 6,618	(1)	(4)
Impact of foreign exchange translation				5	5
Impact of acquisitions and divestitures				—	3
Organic revenue growth ^(a)				5 ^(b)	4
Operating profit	\$ 619	\$ 941	\$ 985	(34)	(4.5)
Restructuring and impairment charges	14	30	37		
Charges related to the transaction with Tingyi	373	73	—		
Operating profit excluding above items ^(a)	\$ 1,006	\$ 1,044	\$ 1,022	(4)	2
Impact of foreign exchange translation				2	3
Operating profit growth excluding above items, on a constant currency basis ^(a)				(1.5) ^(b)	5

(a) See “Non-GAAP Measures.”

(b) Does not sum due to rounding.

2016

Net revenue declined 1%, reflecting unfavorable foreign exchange, which negatively impacted net revenue performance by 5 percentage points, as well as unfavorable net pricing. These impacts were partially offset by volume growth.

Snacks volume grew 7%, reflecting double-digit growth in China and the Middle East and high-single-digit growth in Pakistan. Additionally, India experienced low-single-digit growth and Australia experienced mid-single-digit growth.

Beverage volume grew 4%, driven by high-single-digit growth in Pakistan, double-digit growth in the Philippines and mid-single-digit growth in China. Additionally, the Middle East experienced low-single-digit growth and India experienced mid-single-digit growth.

Operating profit decreased 34%, primarily reflecting the items affecting comparability in the above table (see “Items Affecting Comparability”). Additionally, operating profit performance was negatively impacted by certain operating cost increases, including strategic initiatives, higher advertising and marketing expenses and the unfavorable net pricing, partially offset by the volume growth and planned cost reductions across a number of expense categories. The impact from a prior-year gain related to the refranchising of a portion of our beverage business in India negatively impacted operating profit performance by 4 percentage points. This impact was partially offset by a prior-year impairment charge associated with a joint venture in the Middle East which positively contributed 3 percentage points to operating profit performance.

2015

Net revenue declined 4%, reflecting the impact of refranchising a portion of our beverage businesses in India and the Middle East, which negatively impacted net revenue performance by 3 percentage points. These impacts were offset by volume growth and effective net pricing. Unfavorable foreign exchange negatively impacted net revenue performance by 5 percentage points.

Snacks volume grew 4%, reflecting double-digit growth in China and Pakistan and mid-single-digit growth in the Middle East, partially offset by a high-single-digit decline in Thailand. Additionally, India volume was flat and Australia experienced low-single-digit growth.

Beverage volume grew 1%, driven by double-digit growth in Pakistan and mid-single-digit growth in the Middle East and Philippines, partially offset by high-single-digit declines in China and India.

Operating profit decreased 4.5%, primarily reflecting certain operating cost increases, including strategic initiatives, higher advertising and marketing expenses, and items affecting comparability in the above table (see “Items Affecting Comparability”). Additionally, an impairment charge associated with a joint venture in the Middle East negatively impacted operating profit performance by 3 percentage points. These impacts were partially offset by the volume growth, planned cost reductions across a number of expense categories and the effective net pricing. In addition, lower commodity costs positively contributed 6 percentage points to operating profit performance. The net impact of the refranchising of a portion of our beverage businesses in India and the Middle East had a slight positive impact on operating profit performance. This impact included a 4-percentage-point gain from the India refranchising, partially offset by a 1.5-percentage-point impact from recognizing the 2014 gain from the Middle East refranchising. Unfavorable foreign exchange negatively impacted operating profit performance by 3 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 and scheduled debt maturities, include cash from operations and proceeds obtained from issuances of commercial paper and long-term debt. 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 “Our Business Risks” and “Unfavorable economic conditions may have an adverse impact on our business, financial condition or results of operations.” in “Item 1A. Risk Factors.”

As of December 31, 2016, we had cash, cash equivalents and short-term investments in our consolidated subsidiaries of \$15.2 billion outside the United States. As of December 31, 2016, cash, cash equivalents and short-term investments in our consolidated subsidiaries subject to currency controls or currency exchange restrictions were not material. To the extent foreign earnings are repatriated, such amounts would be subject to income tax liabilities, both in the United States and in various applicable foreign jurisdictions.

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:

	2016	2015	2014
Net cash provided by operating activities	\$ 10,404	\$ 10,580	\$ 10,506
Net cash used for investing activities	\$ (7,148)	\$ (3,569)	\$ (4,937)
Net cash used for financing activities	\$ (2,942)	\$ (3,828)	\$ (8,264)

Operating Activities

During 2016, net cash provided by operating activities was \$10.4 billion, compared to \$10.6 billion in the prior year. The operating cash flow performance reflects discretionary pension contributions of \$459 million. In addition, working capital (comprised of changes in accounts and notes receivable, inventories, prepaid expenses and other current assets, and accounts payable and other current liabilities, each adjusted for the effects of currency translation) reflects unfavorable comparisons to the prior year. These decreases were partially offset by lower net cash tax payments in the current year.

During 2015, net cash provided by operating activities was \$10.6 billion, compared to \$10.5 billion in the prior year. The operating cash flow performance in part reflects lapping the impact of prior-year discretionary pension and retiree medical contributions, pertaining to the lump sum settlement payments, in the United States of \$388 million (\$261 million after-tax). In addition, working capital (comprised of changes in accounts and notes receivable, inventories, prepaid expenses and other current assets, and accounts payable and other current liabilities, each adjusted for the effects of currency translation and the Venezuela deconsolidation) reflects favorable comparisons to the prior year. These increases were partially offset by unfavorable operating profit performance.

Investing Activities

During 2016, net cash used for investing activities was \$7.1 billion, primarily reflecting net purchases of debt securities with maturities greater than three months of \$4.1 billion and net capital spending of \$2.9 billion.

During 2015, net cash used for investing activities was \$3.6 billion, primarily reflecting net capital spending of \$2.7 billion, a reduction of cash of \$568 million due to the deconsolidation of our Venezuelan subsidiaries and net purchases of debt securities with maturities greater than three months of \$317 million.

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

We expect 2017 net capital spending to be approximately \$3 billion, within our long-term capital spending target of less than or equal to 5% of net revenue.

Financing Activities

During 2016, net cash used for financing activities was \$2.9 billion, primarily reflecting the return of operating cash flow to our shareholders through dividend payments and share repurchases of \$7.2 billion and debt redemptions of \$2.5 billion, partially offset by net proceeds from long-term debt of \$4.7 billion, net proceeds from short-term borrowings of \$1.5 billion, and proceeds from exercises of stock options of \$0.5 billion.

During 2015, net cash used for financing activities was \$3.8 billion, primarily reflecting the return of operating cash flow to our shareholders through dividend payments and share repurchases of \$9.0 billion, partially offset by net proceeds from long-term debt of \$4.6 billion and proceeds from exercises of stock options of \$0.5 billion.

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 commencing from July 1, 2015 and expiring on June 30, 2018. In addition, on February 15, 2017, we announced a 7.0% increase in our annualized dividend to \$3.22 per share from \$3.01 per share, effective with the dividend that is expected to be paid in June 2017. We expect to return a total of approximately \$6.5 billion to shareholders in 2017 through share repurchases of approximately \$2.0 billion and dividends of approximately \$4.5 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.

	2016	2015	2014	% Change	
				2016	2015
Net cash provided by operating activities	\$ 10,404	\$ 10,580	\$ 10,506	(2)	1
Capital spending	(3,040)	(2,758)	(2,859)		
Sales of property, plant and equipment	99	86	115		
Free cash flow ^(a)	\$ 7,463	\$ 7,908	\$ 7,762	(6)	2

(a) See “Non-GAAP Measures.” In addition, when evaluating free cash flow, we also consider the following items impacting comparability: net cash received related to interest rate swaps of \$5 million in 2016; net cash tax benefit related to debt redemption charge of \$83 million in 2016; \$459 million and \$407 million in discretionary pension contributions and associated net cash tax benefits of \$151 million and \$133 million in 2016 and 2014, respectively; \$88 million in pension-related settlements in 2015, and associated net cash tax benefits of \$31 million; \$125 million, \$214 million and \$276 million of payments related to restructuring charges and associated net cash tax benefits of \$22 million, \$51 million and \$61 million in 2016, 2015 and 2014, respectively; and \$8 million in net capital investments related to our restructuring plans in 2014.

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 ensure appropriate financial flexibility and ready access to global capital and credit markets at favorable interest rates. However, see “Our borrowing costs and access to capital and credit markets may be adversely affected by a downgrade or potential downgrade of our credit ratings.” in “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 “Our borrowing costs and access to capital and credit markets may be adversely affected by a downgrade or potential downgrade of our credit ratings.” in “Item 1A. Risk Factors,” “Our Business Risks” and Note 8 to our consolidated financial statements.

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 ^(a)				
	Total	2017	2018 – 2019	2020 – 2021	2022 and beyond
Long-term debt obligations ^(b)	\$ 29,908	\$ —	\$ 5,361	\$ 6,115	\$ 18,432
Interest on debt obligations ^(c)	12,676	992	1,787	1,556	8,341
Operating leases ^(d)	1,780	423	663	344	350
Purchasing commitments ^(e)	3,314	1,090	1,490	568	166
Marketing commitments ^(e)	1,949	432	760	591	166
	<u>\$ 49,627</u>	<u>\$ 2,937</u>	<u>\$ 10,061</u>	<u>\$ 9,174</u>	<u>\$ 27,455</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.

(b) Excludes \$4,401 million related to current maturities of debt, \$145 million related to the fair value adjustments for debt acquired in acquisitions and interest rate swaps and payments of \$142 million related to unamortized net discount.

(c) Interest payments on floating-rate debt are estimated using interest rates effective as of December 31, 2016.

(d) See Note 13 to our consolidated financial statements for additional information on operating leases.

(e) Primarily reflects non-cancelable commitments as of December 31, 2016.

Long-term contractual commitments, except for our long-term debt obligations, 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, these transactions 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 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.”

	2016	2015
Net income attributable to PepsiCo ^(a)	\$ 6,329	\$ 5,452
Interest expense	1,342	970
Tax on interest expense	(483)	(349)
	\$ 7,188	\$ 6,073
Average debt obligations ^(b)	\$ 35,308	\$ 31,169
Average common shareholders' equity ^(c)	11,943	15,147
Average invested capital	\$ 47,251	\$ 46,316
Return on invested capital ^(a)	15.2 %	13.1 %

(a) Reflects the impact of the Venezuela impairment charges of \$1.4 billion in 2015.

(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.

	2016	2015
ROIC	15.2 %	13.1 %
Impact of:		
Average cash, cash equivalents and short-term investments	6.0	4.1
Interest income	(0.2)	(0.1)
Tax on interest income	0.1	—
Commodity mark-to-market net impact	(0.2)	—
Restructuring and impairment charges	0.1	0.2
Charges related to the transaction with Tingyi	0.6	0.1
Pension-related settlement charge/(benefits)	0.3	(0.1)
Venezuela impairment charges	(0.5)	2.7
Tax benefits	0.1	(0.4)
Net ROIC, excluding items affecting comparability	21.5 %	19.6 %

Consolidated Statement of Income

PepsiCo, Inc. and Subsidiaries

Fiscal years ended December 31, 2016, December 26, 2015 and December 27, 2014

(in millions except per share amounts)

	2016	2015	2014
Net Revenue	\$ 62,799	\$ 63,056	\$ 66,683
Cost of sales	28,209	28,731	31,238
Gross profit	34,590	34,325	35,445
Selling, general and administrative expenses	24,735	24,538	25,772
Venezuela impairment charges	—	1,359	—
Amortization of intangible assets	70	75	92
Operating Profit	9,785	8,353	9,581
Interest expense	(1,342)	(970)	(909)
Interest income and other	110	59	85
Income before income taxes	8,553	7,442	8,757
Provision for income taxes	2,174	1,941	2,199
Net income	6,379	5,501	6,558
Less: Net income attributable to noncontrolling interests	50	49	45
Net Income Attributable to PepsiCo	\$ 6,329	\$ 5,452	\$ 6,513
Net Income Attributable to PepsiCo per Common Share			
Basic	\$ 4.39	\$ 3.71	\$ 4.31
Diluted	\$ 4.36	\$ 3.67	\$ 4.27
Weighted-average common shares outstanding			
Basic	1,439	1,469	1,509
Diluted	1,452	1,485	1,527
Cash dividends declared per common share	\$ 2.96	\$ 2.7625	\$ 2.5325

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

PepsiCo, Inc. and Subsidiaries

Fiscal years ended December 31, 2016, December 26, 2015 and December 27, 2014

(in millions)

	2016	
	Pre-tax amounts	Tax amounts
Net income		\$ 6,379
Other comprehensive loss		
Currency translation adjustment	\$ (309)	\$ 7
Cash flow hedges:		
Reclassification of net losses to net income	150	(63)
Net derivative losses	(74)	33
Pension and retiree medical:		
Reclassification of net losses to net income	407	(144)
Remeasurement of net liabilities and translation	(750)	171
Unrealized losses on securities	(43)	19
Total other comprehensive loss	\$ (619)	\$ 23
Comprehensive income		5,783
Comprehensive income attributable to noncontrolling interests		(54)
Comprehensive Income Attributable to PepsiCo		\$ 5,729
	2015	
	Pre-tax amounts	Tax amounts
Net income		\$ 5,501
Other comprehensive loss		
Currency translation:		
Currency translation adjustment	\$ (2,938)	\$ —
Reclassification associated with Venezuelan entities	111	—
Cash flow hedges:		
Reclassification of net losses to net income	97	(47)
Net derivative losses	(95)	48
Pension and retiree medical:		
Reclassification of net losses to net income	246	(74)
Reclassification associated with Venezuelan entities	20	(4)
Remeasurement of net liabilities and translation	(88)	71
Unrealized gains on securities	3	(2)
Total other comprehensive loss	\$ (2,644)	\$ (8)
Comprehensive income		2,849
Comprehensive income attributable to noncontrolling interests		(47)
Comprehensive Income Attributable to PepsiCo		\$ 2,802
	2014	
	Pre-tax amounts	Tax amounts
Net income		\$ 6,558
Other comprehensive loss		
Currency translation adjustment	\$ (5,010)	\$ —
Cash flow hedges:		
Reclassification of net losses to net income	249	(95)
Net derivative losses	(88)	44
Pension and retiree medical:		
Reclassification of net losses to net income	369	(122)
Remeasurement of net liabilities and translation	(1,323)	437
Unrealized losses on securities	(11)	5
Other	1	—
Total other comprehensive loss	\$ (5,813)	\$ 269
Comprehensive income		1,014
Comprehensive income attributable to noncontrolling interests		(43)
Comprehensive Income Attributable to PepsiCo		\$ 971

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

PepsiCo, Inc. and Subsidiaries

Fiscal years ended December 31, 2016, December 26, 2015 and December 27, 2014

(in millions)

	2016	2015	2014
Operating Activities			
Net income	\$ 6,379	\$ 5,501	\$ 6,558
Depreciation and amortization	2,368	2,416	2,625
Share-based compensation expense	284	295	297
Restructuring and impairment charges	160	230	418
Cash payments for restructuring charges	(125)	(208)	(266)
Charges related to the transaction with Tingyi	373	73	—
Venezuela impairment charges	—	1,359	—
Venezuela remeasurement charge	—	—	105
Excess tax benefits from share-based payment arrangements	(139)	(133)	(114)
Pension and retiree medical plan expenses	501	467	667
Pension and retiree medical plan contributions	(695)	(205)	(655)
Deferred income taxes and other tax charges and credits	452	78	(19)
Change in assets and liabilities:			
Accounts and notes receivable	(349)	(461)	(343)
Inventories	(75)	(244)	(111)
Prepaid expenses and other current assets	10	(50)	80
Accounts payable and other current liabilities	997	1,692	1,162
Income taxes payable	329	55	371
Other, net	(66)	(285)	(269)
Net Cash Provided by Operating Activities	10,404	10,580	10,506
Investing Activities			
Capital spending	(3,040)	(2,758)	(2,859)
Sales of property, plant and equipment	99	86	115
Acquisitions and investments in noncontrolled affiliates	(212)	(86)	(88)
Reduction of cash due to Venezuela deconsolidation	—	(568)	—
Divestitures	85	76	203
Short-term investments, by original maturity:			
More than three months - purchases	(12,504)	(4,428)	(6,305)
More than three months - maturities	8,399	4,111	3,891
Three months or less, net	16	3	116
Other investing, net	9	(5)	(10)
Net Cash Used for Investing Activities	(7,148)	(3,569)	(4,937)
Financing Activities			
Proceeds from issuances of long-term debt	7,818	8,702	3,855
Payments of long-term debt	(3,105)	(4,095)	(2,189)
Debt redemptions	(2,504)	—	—
Short-term borrowings, by original maturity:			
More than three months - proceeds	59	15	50
More than three months - payments	(27)	(43)	(10)
Three months or less, net	1,505	53	(2,037)
Cash dividends paid	(4,227)	(4,040)	(3,730)
Share repurchases - common	(3,000)	(5,000)	(5,012)
Share repurchases - preferred	(7)	(5)	(10)
Proceeds from exercises of stock options	465	504	755
Excess tax benefits from share-based payment arrangements	139	133	114
Other financing	(58)	(52)	(50)
Net Cash Used for Financing Activities	(2,942)	(3,828)	(8,264)
Effect of exchange rate changes on cash and cash equivalents	(252)	(221)	(546)
Net Increase/(Decrease) in Cash and Cash Equivalents	62	2,962	(3,241)
Cash and Cash Equivalents, Beginning of Year	9,096	6,134	9,375
Cash and Cash Equivalents, End of Year	\$ 9,158	\$ 9,096	\$ 6,134

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheet

PepsiCo, Inc. and Subsidiaries

December 31, 2016 and December 26, 2015

(in millions except per share amounts)

	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 9,158	\$ 9,096
Short-term investments	6,967	2,913
Accounts and notes receivable, net	6,694	6,437
Inventories	2,723	2,720
Prepaid expenses and other current assets	1,547	1,865
Total Current Assets	27,089	23,031
Property, Plant and Equipment, net	16,591	16,317
Amortizable Intangible Assets, net	1,237	1,270
Goodwill	14,430	14,177
Other nonamortizable intangible assets	12,196	11,811
Nonamortizable Intangible Assets	26,626	25,988
Investments in Noncontrolled Affiliates	1,950	2,311
Other Assets	636	750
Total Assets	\$ 74,129	\$ 69,667
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt obligations	\$ 6,892	\$ 4,071
Accounts payable and other current liabilities	14,243	13,507
Total Current Liabilities	21,135	17,578
Long-Term Debt Obligations	30,053	29,213
Other Liabilities	6,669	5,887
Deferred Income Taxes	5,073	4,959
Total Liabilities	62,930	57,637
Commitments and contingencies		
Preferred Stock, no par value	41	41
Repurchased Preferred Stock	(192)	(186)
PepsiCo Common Shareholders' Equity		
Common stock, par value 1 ² / ₃ ¢ per share (authorized 3,600 shares, issued, net of repurchased common stock at par value: 1,428 and 1,448 shares, respectively)	24	24
Capital in excess of par value	4,091	4,076
Retained earnings	52,518	50,472
Accumulated other comprehensive loss	(13,919)	(13,319)
Repurchased common stock, in excess of par value (438 and 418 shares, respectively)	(31,468)	(29,185)
Total PepsiCo Common Shareholders' Equity	11,246	12,068
Noncontrolling interests	104	107
Total Equity	11,199	12,030
Total Liabilities and Equity	\$ 74,129	\$ 69,667

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Equity

PepsiCo, Inc. and Subsidiaries

Fiscal years ended December 31, 2016, December 26, 2015 and December 27, 2014

(in millions)

	2016		2015		2014	
	Shares	Amount	Shares	Amount	Shares	Amount
Preferred Stock	0.8	\$ 41	0.8	\$ 41	0.8	\$ 41
Repurchased Preferred Stock						
Balance, beginning of year	(0.7)	(186)	(0.7)	(181)	(0.6)	(171)
Redemptions	—	(6)	—	(5)	(0.1)	(10)
Balance, end of year	(0.7)	(192)	(0.7)	(186)	(0.7)	(181)
Common Stock						
Balance, beginning of year	1,448	24	1,488	25	1,529	25
Repurchased common stock	(20)	—	(40)	(1)	(41)	—
Balance, end of year	1,428	24	1,448	24	1,488	25
Capital in Excess of Par Value						
Balance, beginning of year		4,076		4,115		4,095
Share-based compensation expense		289		299		294
Stock option exercises, RSUs, PSUs and PEPunits converted ^(a)		(138)		(182)		(200)
Withholding tax on RSUs, PSUs and PEPunits converted		(130)		(151)		(91)
Other		(6)		(5)		17
Balance, end of year		4,091		4,076		4,115
Retained Earnings						
Balance, beginning of year		50,472		49,092		46,420
Net income attributable to PepsiCo		6,329		5,452		6,513
Cash dividends declared - common		(4,282)		(4,071)		(3,840)
Cash dividends declared - preferred		(1)		(1)		(1)
Balance, end of year		52,518		50,472		49,092
Accumulated Other Comprehensive Loss						
Balance, beginning of year		(13,319)		(10,669)		(5,127)
Other comprehensive loss attributable to PepsiCo		(600)		(2,650)		(5,542)
Balance, end of year		(13,919)		(13,319)		(10,669)
Repurchased Common Stock						
Balance, beginning of year	(418)	(29,185)	(378)	(24,985)	(337)	(21,004)
Share repurchases	(29)	(3,000)	(52)	(4,999)	(57)	(5,012)
Stock option exercises, RSUs, PSUs and PEPunits converted	9	712	12	794	15	1,030
Other	—	5	—	5	1	1
Balance, end of year	(438)	(31,468)	(418)	(29,185)	(378)	(24,985)
Total PepsiCo Common Shareholders' Equity		11,246		12,068		17,578
Noncontrolling Interests						
Balance, beginning of year		107		110		110
Net income attributable to noncontrolling interests		50		49		45
Distributions to noncontrolling interests		(55)		(48)		(41)
Currency translation adjustment		4		(2)		(2)
Other, net		(2)		(2)		(2)
Balance, end of year		104		107		110
Total Equity		\$ 11,199		\$ 12,030		\$ 17,548

(a) Includes total tax benefits of \$110 million in 2016, \$107 million in 2015 and \$74 million in 2014.

See accompanying notes to the consolidated financial statements.

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.

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 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.

Effective as of the end of the third quarter of 2015, we deconsolidated our Venezuelan subsidiaries from our consolidated financial statements and began accounting for our investments in our wholly-owned Venezuelan subsidiaries and joint venture using the cost method of accounting. See subsequent discussion of “Venezuela.”

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 include 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 for 2016, reflecting the extra week in the fourth quarter:

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	17 weeks	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 noted, and are based on unrounded amounts. Reclassifications were made to prior years’ amounts to conform to the current year presentation, including

the presentation of certain functional support costs associated with the manufacturing and production of our products within cost of sales. These costs were previously included in selling, general and administrative expenses. For the years ended December 26, 2015 and December 27, 2014, these reclassifications resulted in an increase in cost of sales of \$347 million and \$354 million, respectively, with a corresponding reduction to gross profit and selling, general and administrative expenses in the same years. These reclassifications reflect changes in how we are classifying costs of certain support functions as a result of ongoing productivity and efficiency initiatives. These reclassifications had no impact on our consolidated net revenue, operating profit, net interest expense, provision for income taxes, net income or EPS.

Our Divisions

Through our operations, authorized bottlers, contract manufacturers and other third parties, we make, market, distribute and sell a wide variety of convenient and enjoyable 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 in 2016 was approximately 14% to FLNA, 2% to QFNA, 22% to NAB, 7% to Latin America, 11% to ESSA, 10% to AMENA and 34% to corporate unallocated expenses. We had similar allocations of share-based compensation expense to our divisions in 2015 and 2014. 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, as well as amortization of costs related to certain pension plan amendments and gains and losses due to demographics (including mortality assumptions and salary experience) are reflected in division results for North American employees. Division results also include interest costs, measured at fixed discount rates, for retiree medical plans. Interest costs for the pension plans, pension asset returns and the impact of pension funding, and gains and losses other than those due to demographics, are all reflected in corporate unallocated expenses. In addition, for our North American plans, corporate unallocated expenses include the difference between the service costs measured at a fixed discount rate (included in division results as noted above) and the total service costs determined using the plans’ discount rates as disclosed in Note 7.

Derivatives

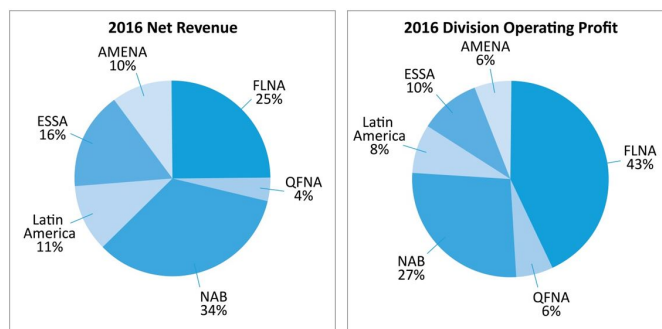
We centrally manage commodity derivatives on behalf of our divisions. These commodity derivatives include agricultural products, energy and metals. Commodity derivatives that do not qualify for hedge accounting treatment are marked to market each period with the resulting gains and losses recorded in 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/(loss) of each division are as follows:

	Net Revenue			Operating Profit/(Loss) ^(a)		
	2016	2015	2014	2016	2015	2014
FLNA	\$ 15,549	\$ 14,782	\$ 14,502	\$ 4,659	\$ 4,304	\$ 4,054
QFNA	2,564	2,543	2,568	653	560	621
NAB	21,312	20,618	20,171	2,959	2,785	2,421
Latin America	6,820	8,228	9,425	887	(206)	1,636
ESSA	10,216	10,510	13,399	1,108	1,081	1,389
AMENA	6,338	6,375	6,618	619	941	985
Total division	62,799	63,056	66,683	10,885	9,465	11,106
Corporate Unallocated	—	—	—	(1,100)	(1,112)	(1,525)
	\$ 62,799	\$ 63,056	\$ 66,683	\$ 9,785	\$ 8,353	\$ 9,581

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



Corporate Unallocated

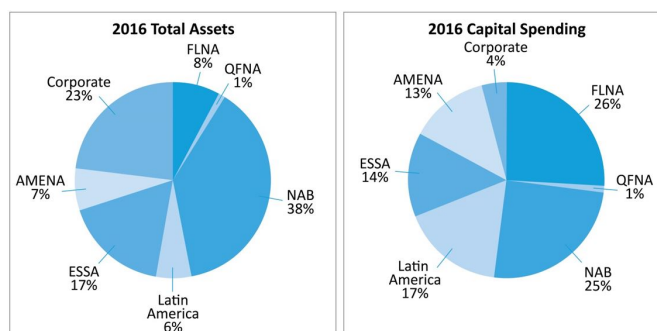
Corporate unallocated includes costs of our corporate headquarters, centrally managed initiatives such as research and development projects, unallocated insurance and benefit programs, foreign exchange transaction gains and losses, commodity derivative gains and losses, our ongoing business transformation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

Other Division Information

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

	Total Assets		Capital Spending		
	2016	2015	2016	2015	2014
FLNA	\$ 5,759	\$ 5,375	\$ 801	\$ 608	\$ 519
QFNA	826	872	41	40	58
NAB	28,452	28,128	769	695	708
Latin America	4,640	4,284	507	368	379
ESSA	12,406	12,225	439	404	502
AMENA	5,303	5,901	381	441	517
Total division	57,386	56,785	2,938	2,556	2,683
Corporate ^(a)	16,743	12,882	102	202	176
	\$ 74,129	\$ 69,667	\$ 3,040	\$ 2,758	\$ 2,859

(a) Corporate assets consist principally of certain cash and cash equivalents, short-term investments, derivative instruments, property, plant and equipment, pension and tax assets. In 2016, the change in total Corporate assets was primarily due to an increase in short-term investments.



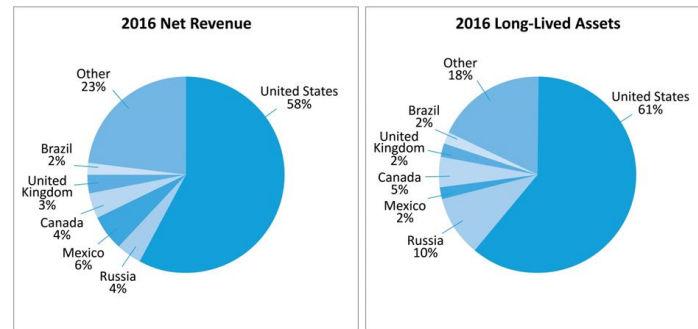
Amortization of intangible assets and depreciation and other amortization of each division are as follows:

	Amortization of Intangible Assets			Depreciation and Other Amortization		
	2016	2015	2014	2016	2015	2014
FLNA	\$ 7	\$ 7	\$ 7	\$ 435	\$ 427	\$ 424
QFNA	—	—	—	50	51	51
NAB	37	38	43	809	813	837
Latin America	5	7	10	211	238	273
ESSA	18	20	28	321	353	471
AMENA	3	3	4	294	293	313
Total division	70	75	92	2,120	2,175	2,369
Corporate	—	—	—	178	166	164
	\$ 70	\$ 75	\$ 92	\$ 2,298	\$ 2,341	\$ 2,533

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

	Net Revenue			Long-Lived Assets ^(a)	
	2016	2015	2014	2016	2015
United States	\$ 36,732	\$ 35,266	\$ 34,219	\$ 28,382	\$ 27,876
Mexico	3,431	3,687	4,113	998	994
Canada	2,692	2,677	3,022	2,499	2,386
Russia ^(b)	2,648	2,797	4,414	4,373	3,614
United Kingdom	1,737	1,966	2,174	852	1,107
Brazil	1,305	1,289	1,790	796	649
All other countries ^(c)	14,254	15,374	16,951	8,504	9,260
	\$ 62,799	\$ 63,056	\$ 66,683	\$ 46,404	\$ 45,886

- (a) Long-lived assets represent property, plant and equipment, nonamortizable 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 long-lived assets in 2016 primarily reflects appreciation of the Russian ruble. Change in net revenue in 2015 primarily reflects the depreciation of the Russian ruble.
- (c) Included in long-lived assets in all other countries as of December 31, 2016 and December 26, 2015 are \$166 million and \$538 million, respectively, related to our 5% indirect equity interest in TAB.



Venezuela

Prior to the end of the third quarter of 2015, the financial position and results of operations of our Venezuelan snack and beverage businesses, which consist of our wholly-owned subsidiaries and our beverage joint venture with our franchise bottler in Venezuela, were included in our consolidated financial statements and reported under highly-inflationary accounting, with the functional currency of the U.S. dollar.

Conditions in Venezuela, including restrictive exchange control regulations and reduced access to U.S. dollars through official currency exchange markets, have resulted in an other-than-temporary lack of exchangeability between the Venezuelan bolivar and the U.S. dollar. The exchange restrictions and other conditions have significantly impacted our ability to effectively manage our businesses in Venezuela, including limiting our ability to import certain raw materials and to settle U.S. dollar-denominated obligations, and have restricted our ability to realize the earnings generated out of our Venezuelan businesses. We expect these conditions will continue for the foreseeable future.

As a result of these factors, we concluded that, effective as of the end of the third quarter of 2015, we did not meet the accounting criteria for control over our wholly-owned Venezuelan subsidiaries, and we no longer had significant influence over our beverage joint venture with our franchise bottler in Venezuela. Therefore, effective at the end of the third quarter of 2015, we deconsolidated our Venezuelan subsidiaries and began accounting for our investments in our Venezuelan subsidiaries and joint venture using the cost method of accounting. We recorded pre- and after-tax charges of \$1.4 billion in our income statement to reduce the

value of the cost method investments to their estimated fair values, resulting in a full impairment. The impairment charges primarily included approximately \$1.2 billion related to our investments in previously consolidated Venezuelan subsidiaries and our joint venture and \$111 million related to the reclassification of cumulative translation losses. The estimated fair value of the investments in our Venezuelan entities was derived using discounted cash flow analyses, including U.S. dollar exchange and discount rate assumptions that reflected the inflation and economic uncertainty in Venezuela, and are considered non-recurring Level 3 measurements within the fair value hierarchy. The factors that led to the above-mentioned conclusions at the end of the third quarter of 2015 continued to exist through the end of 2016.

As of the end of 2016, consistent with the end of the third quarter of 2015, we did not consolidate the assets and liabilities of our Venezuelan subsidiaries in our balance sheet. Beginning in the fourth quarter of 2015, our financial results have not included the results of our Venezuelan businesses. We do not have any guarantees related to our Venezuelan entities, and our ongoing contractual commitments to our Venezuelan businesses are not material. We will recognize income from dividends and sales of inventory to our Venezuelan entities, which have not been and are not expected to be material, to the extent cash in U.S. dollars is received. We did not receive any cash in U.S. dollars from our Venezuelan entities during the fourth quarter of 2015 or fiscal year 2016. We will continue to monitor the conditions in Venezuela and their impact on our accounting and disclosures. For further unaudited information, see “Our Business Risks” and “Our Liquidity and Capital Resources” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Note 2 — Our Significant Accounting Policies

Revenue Recognition

We recognize revenue upon shipment or delivery to our customers 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. Based on our experience with this practice, we have reserved for anticipated damaged and out-of-date products. For additional unaudited information on our revenue recognition and related policies, including our policy on bad debts, see “Our Critical Accounting Policies” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

We are exposed to concentration of credit risk from our major customers, including Wal-Mart. In 2016, sales to Wal-Mart (including Sam’s) represented approximately 13% of our total net revenue, including concentrate sales to our independent bottlers, which are used in finished goods sold by them to Wal-Mart. 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 merchandising 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. It also includes support provided to our independent bottlers through funding of advertising and other marketing activities. While most of these incentive arrangements have terms of no more than one year, certain arrangements, such as fountain pouring rights, may extend beyond one year. Costs incurred to obtain these arrangements are recognized over the shorter of the economic or contractual life, primarily as a reduction of revenue, and the remaining balances of \$291 million as of December 31, 2016 and \$321 million as of December 26, 2015 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 Critical Accounting Policies” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Advertising and other marketing activities, reported as selling, general and administrative expenses, totaled \$4.2 billion in 2016 and \$3.9 billion in both 2015 and 2014, including advertising expenses of \$2.5 billion in 2016, \$2.4 billion in 2015 and \$2.3 billion in 2014. 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 \$32 million and \$40 million as of December 31, 2016 and December 26, 2015, 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, are reported as selling, general and administrative expenses. Shipping and handling expenses were \$9.7 billion in 2016, \$9.4 billion in 2015 and \$9.7 billion in 2014.

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 only (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 \$214 million in 2016, \$202 million in 2015 and \$208 million in 2014. Net capitalized software and development costs were \$791 million and \$863 million as of December 31, 2016 and December 26, 2015, 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 \$760 million, \$754 million and \$718 million in 2016, 2015 and 2014, 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 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, if the carrying amount of the indefinite-lived intangible asset exceeds its estimated fair value, as determined by its discounted cash flows, an impairment loss is recognized in an amount equal to that excess. Quantitative assessment of goodwill is performed using a two-step impairment test at the reporting unit level. A reporting unit can be a division or business within a division. The first step compares the carrying value of a reporting unit, including goodwill, with its estimated fair value, as determined by its discounted cash flows. If the carrying value of a reporting unit exceeds its estimated fair value, we complete the second step to determine the amount of goodwill impairment loss that we should record, if any. In the second step, we determine an implied fair value of the reporting unit's goodwill by allocating the estimated fair value of the reporting unit to all of the assets and liabilities other than goodwill (including any unrecognized intangible assets). The amount of impairment loss is equal to the excess of the carrying value of the goodwill over the implied fair value of that goodwill. The quantitative assessment, described above 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 nonamortizable 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.

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 - Basis of Presentation for 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 13. Inventories are valued at the lower of cost or net realizable value. Cost is determined using the average; first-in, first-out (FIFO) or 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 2016, the Financial Accounting Standards Board (FASB) issued guidance to clarify how certain cash receipts and payments should be presented in the cash flow statement. The guidance is effective in 2018 with early adoption permitted. We early adopted the provisions of this guidance retrospectively during our fourth quarter of 2016, including in connection with the debt redemption discussed in Note 8; the adoption did not have a material impact on our financial statements.

In 2015, the FASB issued guidance that changes the subsequent measurement for certain inventory methods from the lower of cost or market to the lower of cost and net realizable value. We adopted the provisions of this guidance during our fourth quarter of 2016; the adoption did not have a material impact on our financial statements.

Recently Issued Accounting Pronouncements - Not Yet Adopted

In 2016, the FASB issued guidance to clarify how restricted cash should be presented in the cash flow statement. The guidance is effective in 2018 with early adoption permitted. The guidance is not expected to have a material impact on our financial statements. We are currently evaluating the timing of adoption of this guidance.

In 2016, the FASB issued guidance that changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking expected loss model that will replace today’s incurred loss model and generally will result in earlier recognition of allowances for losses. For available-for-sale debt securities with unrealized losses, entities will measure credit losses in a manner similar to current practice, except that the losses will be recognized as an allowance. The guidance is effective in 2020 with early adoption permitted in 2019. We are currently evaluating the impact of this guidance on our financial statements and the timing of adoption.

In 2016, the FASB issued guidance that changes the accounting for certain aspects of share-based payments to employees. The guidance requires the recognition in the income statement of the income tax effects of vested or settled awards on a prospective basis. Additionally, within the cash flow statement, the guidance requires the excess tax benefits from share-based payment arrangements to be presented within operating activities and withholding tax payments upon vesting of restricted stock units (RSUs), performance stock units (PSUs) and PepsiCo equity performance units (PEPunits) to be presented within financing activities. We will apply the change in the presentation on the cash flow statement retrospectively. The guidance also allows for the employer to repurchase more of an employee's shares for tax withholding purposes and not classify the award as a liability that requires valuation on a mark-to-market basis. In addition, the guidance allows for a policy election to account for forfeitures as they occur. We will continue to apply our policy of estimating forfeiture rates. We will adopt this guidance beginning in the first quarter of 2017 and the impact on our financial statements will be dependent on the timing of award vesting or exercises, our tax rate and the intrinsic value when awards vest or are exercised. For the years 2016 and 2015, our excess tax benefits recognized were \$110 million and \$107 million, respectively. If we had applied this standard in 2016 and 2015, the impact would have been a \$0.07 increase to EPS in both years. For the years 2016 and 2015, the impact to our operating cash flow was an increase of \$269 million and \$284 million, respectively.

In 2016, the FASB issued guidance that eliminates the requirement that an investor retrospectively apply equity method accounting for an investment originally accounted for by another method. The guidance requires that an equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the ability to exercise significant influence is achieved. The guidance is effective and we will adopt prospectively beginning in the first quarter of 2017.

In 2016, the FASB issued guidance that requires lessees to recognize most leases on their balance sheets, but record expenses on their income statements 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 guidance is effective in 2019 with early adoption permitted. We expect this adoption will result in an increase in the assets and liabilities on our balance sheet. We commenced our assessment of the impact of the guidance on our current lease portfolio from both a lessor and lessee perspective. See Note 13 for our minimum lease payments under non-cancelable operating leases.

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. The guidance is effective in 2018 and early adoption is not permitted. We are currently evaluating the impact of this guidance on our financial statements, including the impact on certain of our investments in noncontrolled affiliates and our available-for-sale securities. See Note 9 for further information on our available-for-sale securities.

In 2015, the FASB issued guidance that requires companies to classify all deferred tax assets and liabilities as noncurrent on the balance sheet. The guidance is effective and we will adopt retrospectively beginning in the first quarter of 2017. The impact of the guidance to our 2016 balance sheet is a reclassification of \$639 million of assets from current to non-current on our balance sheet. See Note 5 for further information on deferred taxes.

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 to guidance on collectability, 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). The guidance is effective in 2018, with early adoption permitted.

We are utilizing 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 and variable consideration. We continue to make significant progress on our contract reviews and are also in the process of evaluating the impact, if any, on changes to our business processes, systems and controls to support recognition and disclosure under the new guidance and, based on the foregoing, we do not currently expect this guidance to have a material impact on our financial statements. We are continuing with our implementation plan and currently expect to adopt the new guidance beginning in 2018 using the cumulative effect approach.

Note 3 — Restructuring and Impairment Charges

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

	2016	2015	2014
2014 Productivity Plan	\$ 160	\$ 169	\$ 357
2012 Productivity Plan	—	61	61
Total restructuring and impairment charges	160	230	418
Other productivity initiatives	12	90	67
Total restructuring and impairment charges and other productivity initiatives	\$ 172	\$ 320	\$ 485

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 food, snack and beverage 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. The 2014 Productivity Plan is in addition to the 2012 Productivity Plan and is expected to continue the benefits of that plan.

In 2016, 2015 and 2014, we incurred restructuring charges of \$160 million (\$131 million after-tax or \$0.09 per share), \$169 million (\$134 million after-tax or \$0.09 per share) and \$357 million (\$262 million after-tax or \$0.17 per share), respectively, in conjunction with our 2014 Productivity Plan. All of these charges were recorded in selling, general and administrative expenses and primarily relate to severance and other employee-related costs, asset impairments (all non-cash), and other costs associated with the implementation of our initiatives, including contract termination costs. Substantially all of the restructuring accrual at December 31, 2016 is expected to be paid by the end of 2017.

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

	2016				2015				2014			
	Severance and Other Employee Costs	Asset Impairments	Other Costs	Total	Severance and Other Employee Costs	Asset Impairments	Other Costs	Total	Severance and Other Employee Costs	Asset Impairments	Other Costs	Total
FLNA ^(a)	\$ 10	\$ —	\$ 3	\$ 13	\$ 18	\$ (1)	\$ 9	\$ 26	\$ 25	\$ 10	\$ 11	\$ 46
QFNA	—	—	1	1	—	—	3	3	12	—	2	14
NAB	18	8	9	35	10	4	17	31	60	56	56	172
Latin America ^(a)	29	—	(2)	27	2	10	16	28	15	3	10	28
ESSA	21	22	17	60	26	11	25	62	24	4	14	42
AMENA	4	6	4	14	2	—	8	10	14	—	8	22
Corporate ^(a)	6	—	4	10	1	—	8	9	(2)	—	35	33
	<u>\$ 88</u>	<u>\$ 36</u>	<u>\$ 36</u>	<u>\$ 160</u>	<u>\$ 59</u>	<u>\$ 24</u>	<u>\$ 86</u>	<u>\$ 169</u>	<u>\$ 148</u>	<u>\$ 73</u>	<u>\$ 136</u>	<u>\$ 357</u>

(a) Income amounts represent adjustments of previously recorded amounts.

Since the inception of the 2014 Productivity Plan, we incurred restructuring charges of \$739 million:

	2014 Productivity Plan Costs to Date			
	Severance and Other Employee Costs	Asset Impairments	Other Costs	Total
FLNA	\$ 64	\$ 9	\$ 23	\$ 96
QFNA	15	—	6	21
NAB	97	68	82	247
Latin America	52	13	24	89
ESSA	81	37	56	174
AMENA	21	6	20	47
Corporate	17	—	48	65
	<u>\$ 347</u>	<u>\$ 133</u>	<u>\$ 259</u>	<u>\$ 739</u>

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 28, 2013	\$ 30	\$ —	\$ 1	\$ 31
2014 restructuring charges	148	73	136	357
Cash payments	(56)	—	(109)	(165)
Non-cash charges and translation	(33)	(73)	(4)	(110)
Liability as of December 27, 2014	89	—	24	113
2015 restructuring charges	59	24	86	169
Cash payments	(76)	—	(87)	(163)
Non-cash charges and translation	(11)	(24)	(3)	(38)
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	<u>\$ 88</u>	<u>\$ —</u>	<u>\$ 8</u>	<u>\$ 96</u>

2012 Multi-Year Productivity Plan

The 2012 Productivity Plan, publicly announced on February 9, 2012, included actions in every aspect of our business that we believe would strengthen our complementary food, snack and beverage businesses by: leveraging new technologies and processes across PepsiCo's operations, go-to-market and information systems; heightening the focus on best practice sharing across the globe; consolidating manufacturing, warehouse and sales facilities; and implementing simplified organization structures, with wider spans of control and fewer layers of management. The 2012 Productivity Plan has enhanced PepsiCo's cost-competitiveness and provided a source of funding for future brand-building and innovation initiatives.

In 2015 and 2014, we incurred restructuring charges of \$61 million (\$50 million after-tax or \$0.03 per share) and \$61 million (\$54 million after-tax or \$0.04 per share), respectively, in conjunction with our 2012 Productivity Plan. All of these charges were recorded in selling, general and administrative expenses and primarily related to severance and other employee-related costs, asset impairments (all non-cash), and contract termination costs. The 2012 Productivity Plan was completed in 2016 and all cash payments were paid by the end of 2016.

A summary of our 2012 Productivity Plan charges is as follows:

	2015				2014			
	Severance and Other Employee Costs	Asset Impairments	Other Costs	Total	Severance and Other Employee Costs	Asset Impairments	Other Costs	Total
FLNA ^(a)	\$ —	\$ —	\$ —	\$ —	\$ (1)	\$ —	\$ 3	\$ 2
QFNA	—	—	—	—	—	—	—	—
NAB ^(a)	—	—	2	2	(3)	1	9	7
Latin America ^(a)	6	1	1	8	19	—	(19)	—
ESSA	15	—	12	27	6	5	18	29
AMENA	15	3	2	20	12	—	3	15
Corporate ^(a)	3	—	1	4	(2)	—	10	8
	<u>\$ 39</u>	<u>\$ 4</u>	<u>\$ 18</u>	<u>\$ 61</u>	<u>\$ 31</u>	<u>\$ 6</u>	<u>\$ 24</u>	<u>\$ 61</u>

(a) Income amounts represent adjustments of previously recorded amounts.

Since the inception of the 2012 Productivity Plan, we incurred restructuring charges of \$894 million:

	2012 Productivity Plan Costs to Date			
	Severance and Other Employee Costs	Asset Impairments	Other Costs	Total
FLNA	\$ 91	\$ 8	\$ 25	\$ 124
QFNA	18	—	10	28
NAB	107	44	48	199
Latin America	98	11	18	127
ESSA	136	23	66	225
AMENA	75	5	17	97
Corporate	35	—	59	94
	<u>\$ 560</u>	<u>\$ 91</u>	<u>\$ 243</u>	<u>\$ 894</u>

A summary of our 2012 Productivity Plan activity is as follows:

	Severance and Other Employee Costs	Asset Impairments	Other Costs	Total
Liability as of December 28, 2013	\$ 68	\$ —	\$ 17	\$ 85
2014 restructuring charges	31	6	24	61
Cash payments	(65)	—	(36)	(101)
Non-cash charges and translation	(6)	(6)	—	(12)
Liability as of December 27, 2014	28	—	5	33
2015 restructuring charges	39	4	18	61
Cash payments	(24)	—	(21)	(45)
Non-cash charges and translation	(8)	(4)	1	(11)
Liability as of December 26, 2015	35	—	3	38
Cash payments	(28)	—	(2)	(30)
Non-cash charges and translation	(7)	—	(1)	(8)
Liability as of December 31, 2016	\$ —	\$ —	\$ —	\$ —

Other Productivity Initiatives

There were no material charges related to other productivity and efficiency initiatives outside the scope of the 2014 and 2012 Productivity Plans in 2016. In 2015, we incurred charges of \$90 million (\$66 million after-tax or \$0.04 per share) related to other productivity and efficiency initiatives, including \$48 million in Latin America, \$5 million in ESSA, \$20 million in AMENA and \$17 million in Corporate. In 2014, we incurred charges of \$67 million (\$54 million after-tax or \$0.04 per share) related to other productivity and efficiency initiatives, including \$11 million in Latin America, \$26 million in ESSA and \$30 million in AMENA. Non-cash charges in 2015 and 2014 were \$10 million and \$13 million, respectively. These amounts were recorded in selling, general and administrative expenses and primarily reflect severance and other employee-related costs and asset impairments (all non-cash). These initiatives were not included in items affecting comparability. Cash payments in 2016, 2015 and 2014 were \$43 million, \$57 million and \$3 million, respectively. Substantially all of the accrual of \$29 million at December 31, 2016 is expected to be paid by the end of 2017.

We regularly evaluate different productivity initiatives beyond the productivity plans and other initiatives discussed 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)	2016	2015	2014
Property, plant and equipment, net				
Land		\$ 1,153	\$ 1,184	
Buildings and improvements	15 - 44	8,306	8,061	
Machinery and equipment, including fleet and software	5 - 15	25,277	24,764	
Construction in progress		2,082	1,738	
		36,818	35,747	
Accumulated depreciation		(20,227)	(19,430)	
		\$ 16,591	\$ 16,317	
Depreciation expense		\$ 2,217	\$ 2,248	\$ 2,441

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:

		2016			2015			2014
Amortizable intangible assets, net	Average Useful Life (Years)	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net	
Acquired franchise rights	56 – 60	\$ 827	\$ (108)	\$ 719	\$ 820	\$ (92)	\$ 728	
Reacquired franchise rights	5 – 14	106	(102)	4	105	(99)	6	
Brands	20 – 40	1,277	(977)	300	1,298	(987)	311	
Other identifiable intangibles	10 – 24	522	(308)	214	526	(301)	225	
		\$ 2,732	\$ (1,495)	\$ 1,237	\$ 2,749	\$ (1,479)	\$ 1,270	
Amortization expense				\$ 70			\$ 75	\$ 92

Amortization of intangible assets for each of the next five years, based on existing intangible assets as of December 31, 2016 and using average 2016 foreign exchange rates, is expected to be as follows:

	2017	2018	2019	2020	2021
Five-year projected amortization	\$ 62	\$ 60	\$ 57	\$ 57	\$ 55

Depreciable and amortizable assets are only 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.

Nonamortizable Intangible Assets

We did not recognize any impairment charges for goodwill in each of the fiscal years ended December 31, 2016, December 26, 2015 and December 27, 2014. We recognized no material impairment charges for nonamortizable intangible assets in each of the fiscal years ended December 31, 2016, December 26, 2015 and December 27, 2014. As of December 31, 2016, 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 is no impairment as of December 31, 2016. However, there could be an impairment of the carrying value of certain brands in these countries if there is a further deterioration in these conditions, if future revenues and their contributions to the operating results 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. For additional information on our policies for nonamortizable intangible assets, see Note 2.

The change in the book value of nonamortizable intangible assets is as follows:

	Balance, Beginning 2015	Translation and Other	Balance, End of 2015	Translation and Other	Balance, End of 2016
FLNA					
Goodwill	\$ 291	\$ (24)	\$ 267	\$ 3	\$ 270
Brands	27	(5)	22	1	23
	318	(29)	289	4	293
QFNA					
Goodwill	175	—	175	—	175
NAB					
Goodwill ^(a)	9,846	(92)	9,754	89	9,843
Reacquired franchise rights	7,193	(151)	7,042	22	7,064
Acquired franchise rights	1,538	(31)	1,507	5	1,512
Brands ^(a)	108	—	108	206	314
	18,685	(274)	18,411	322	18,733
Latin America					
Goodwill	644	(123)	521	32	553
Brands ^(b)	223	(86)	137	13	150
	867	(209)	658	45	703
ESSA ^(c)					
Goodwill	3,539	(497)	3,042	135	3,177
Reacquired franchise rights	571	(83)	488	—	488
Acquired franchise rights	199	(9)	190	(6)	184
Brands	2,663	(451)	2,212	146	2,358
	6,972	(1,040)	5,932	275	6,207
AMENA					
Goodwill	470	(52)	418	(6)	412
Brands	117	(12)	105	(2)	103
	587	(64)	523	(8)	515
Total goodwill	14,965	(788)	14,177	253	14,430
Total reacquired franchise rights	7,764	(234)	7,530	22	7,552
Total acquired franchise rights	1,737	(40)	1,697	(1)	1,696
Total brands	3,138	(554)	2,584	364	2,948
	<u>\$ 27,604</u>	<u>\$ (1,616)</u>	<u>\$ 25,988</u>	<u>\$ 638</u>	<u>\$ 26,626</u>

(a) The change in 2016 is primarily related to our acquisition of KeVita, Inc.

(b) The change in 2015 includes a reduction of \$41 million of nonamortizable brands arising from the Venezuela deconsolidation.

(c) The change in 2016 and 2015 primarily reflects the currency fluctuation of the Russian ruble.

Note 5 — Income Taxes

The components of income before income taxes are as follows:

	2016	2015	2014
United States	\$ 2,630	\$ 2,879	\$ 2,557
Foreign	5,923	4,563	6,200
	<u>\$ 8,553</u>	<u>\$ 7,442</u>	<u>\$ 8,757</u>

The provision for income taxes consisted of the following:

		2016	2015	2014
Current:	U.S. Federal	\$ 1,219	\$ 1,143	\$ 1,364
	Foreign	824	773	851
	State	77	65	210
		<u>2,120</u>	<u>1,981</u>	<u>2,425</u>
Deferred:	U.S. Federal	109	(14)	(33)
	Foreign	(33)	(32)	(60)
	State	(22)	6	(133)
		<u>54</u>	<u>(40)</u>	<u>(226)</u>
		<u>\$ 2,174</u>	<u>\$ 1,941</u>	<u>\$ 2,199</u>

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

	2016	2015	2014
U.S. Federal statutory tax rate	35.0 %	35.0 %	35.0 %
State income tax, net of U.S. Federal tax benefit	0.4	0.6	0.6
Lower taxes on foreign results	(8.0)	(10.5)	(8.6)
Impact of Venezuela impairment charges	—	6.4	—
Tax settlements	—	(3.1)	—
Other, net	(2.0)	(2.3)	(1.9)
Annual tax rate	<u>25.4 %</u>	<u>26.1 %</u>	<u>25.1 %</u>

Deferred tax liabilities and assets are comprised of the following:

	2016	2015
<i>Deferred tax liabilities</i>		
Debt guarantee of wholly-owned subsidiary	\$ 839	\$ 842
Property, plant and equipment	1,967	2,023
Intangible assets other than nondeductible goodwill	4,124	3,920
Other	245	299
Gross deferred tax liabilities	7,175	7,084
<i>Deferred tax assets</i>		
Net carryforwards	1,255	1,279
Share-based compensation	219	240
Retiree medical benefits	316	343
Other employee-related benefits	614	547
Pension benefits	419	424
Deductible state tax and interest benefits	189	186
Other	839	933
Gross deferred tax assets	3,851	3,952
Valuation allowances	(1,110)	(1,136)
Deferred tax assets, net	2,741	2,816
Net deferred tax liabilities	\$ 4,434	\$ 4,268

Deferred taxes are included within the following balance sheet accounts:

	2016	2015
Assets:		
Prepaid expenses and other current assets	\$ 639	\$ 691
Liabilities:		
Deferred income taxes	\$ 5,073	\$ 4,959

A summary of our valuation allowance activity is as follows:

	2016	2015	2014
Balance, beginning of year	\$ 1,136	\$ 1,230	\$ 1,360
Provision/(Benefit)	13	(26)	(25)
Other deductions	(39)	(68)	(105)
Balance, end of year	\$ 1,110	\$ 1,136	\$ 1,230

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:

<i>Jurisdiction</i>	Years Open to Audit	Years Currently Under Audit
United States	2010, 2012-2015	2012-2013
Mexico	2011-2015	2014
United Kingdom	2014-2015	None
Canada (Domestic)	2011-2015	2011-2014
Canada (International)	2009-2015	2010-2014
Russia	2012-2015	2013-2015

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.

In 2015, we reached an agreement with the IRS resolving substantially all open matters related to the audits of taxable years 2010 and 2011 (two immaterial matters were still open as of December 31, 2016). The agreement resulted in a 2015 non-cash tax benefit totaling \$230 million.

As of December 31, 2016, the total gross amount of reserves for income taxes, reported in other liabilities, was \$1,885 million. 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 \$193 million as of December 31, 2016, of which \$61 million of expense was recognized in 2016. The gross amount of interest accrued, reported in other liabilities, was \$144 million as of December 26, 2015, of which \$14 million of expense was recognized in 2015.

A rollforward of our reserves for all federal, state and foreign tax jurisdictions, is as follows:

	2016	2015
Balance, beginning of year	\$ 1,547	\$ 1,587
Additions for tax positions related to the current year	349	248
Additions for tax positions from prior years	139	122
Reductions for tax positions from prior years	(70)	(261)
Settlement payments	(26)	(78)
Statutes of limitations expiration	(27)	(34)
Translation and other	(27)	(37)
Balance, end of year	<u><u>\$ 1,885</u></u>	<u><u>\$ 1,547</u></u>

Carryforwards and Allowances

Operating loss carryforwards totaling \$11.3 billion at year-end 2016 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: \$0.1 billion in 2017, \$9.9 billion between 2018 and 2036 and \$1.3 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

As of December 31, 2016, we had approximately \$44.9 billion of undistributed international earnings. We intend to continue to reinvest earnings outside the United States for the foreseeable future and, therefore, have not recognized any U.S. tax expense on these earnings. It is not practicable for us to determine the amount of unrecognized U.S. 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, RSUs, PSUs, PEPunits and long-term cash awards to employees under the shareholder-approved PepsiCo, Inc. Long-Term Incentive Plan (LTIP) (previously named the 2007 Long-Term Incentive Plan). A stock option permits the holder to purchase shares of PepsiCo common stock at a specified price. 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 targets. 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. 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. Beginning in 2016, 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.

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 31, 2016, 82 million shares were available for future share-based compensation grants under the LTIP.

The following table summarizes our total share-based compensation expense:

	2016	2015	2014
Share-based compensation expense - equity awards	\$ 284	\$ 295	\$ 297
Share-based compensation expense - liability awards	5	—	—
Restructuring and impairment charges/(credits)	5	4	(3)
Total	\$ 294	\$ 299	\$ 294
Income tax benefits recognized in earnings related to share-based compensation	\$ 91	\$ 77	\$ 75

As of December 31, 2016, there was \$321 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

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. 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 market-based awards, 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. 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.

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

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. 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, through 2015, were granted a combination of 60% PEPunits measuring both absolute and relative stock price performance and 40% long-term cash based on achievement of specific performance operating metrics. Beginning in 2016, certain executive officers and other senior executives were granted 66% performance stock units and 34% long-term cash, each of which are subject to pre-established performance targets. Certain executives are granted performance-based stock units which require the achievement of 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.

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

	2016	2015	2014
Expected life	6 years	7 years	6 years
Risk-free interest rate	1.4%	1.8%	1.9%
Expected volatility	12%	15%	16%
Expected dividend yield	2.7%	2.7%	2.9%

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. 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.

A summary of our share-based compensation activity for the year ended December 31, 2016 is as follows:

<i>Our Stock Option Activity</i>	Options^(a)	Weighted-Average Exercise Price	Weighted-Average Contractual Life Remaining (years)	Aggregate Intrinsic Value^(b)
Outstanding at December 26, 2015	31,472	\$ 66.98		
Granted	1,743	\$ 100.10		
Exercised	(7,303)	\$ 63.49		
Forfeited/expired	(722)	\$ 81.06		
Outstanding at December 31, 2016	25,190	\$ 69.88	4.19	\$ 876,000
Exercisable at December 31, 2016	19,315	\$ 63.35	3.02	\$ 797,246
Expected to vest as of December 31, 2016	5,390	\$ 90.74	7.96	\$ 75,439

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

(b) In thousands.

<i>Our RSU and PSU Activity</i>	RSUs/PSUs^(a)	Weighted-Average Grant-Date Fair Value	Weighted-Average Contractual Life Remaining (years)	Aggregate Intrinsic Value^(a)
Outstanding at December 26, 2015	9,108	\$ 84.03		
Granted ^(b)	3,054	\$ 99.06		
Converted	(3,372)	\$ 77.33		
Forfeited	(659)	\$ 90.10		
Actual performance change ^(c)	106	\$ 80.09		
Outstanding at December 31, 2016 ^(d)	8,237	\$ 91.81	1.29	\$ 861,817
Expected to vest as of December 31, 2016	7,577	\$ 91.42	1.21	\$ 792,739

(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 31, 2016, at the threshold, target and maximum award levels were zero, 0.7 million and 1.1 million, respectively.

Our PEPunit Activity

	PEPunits ^(a)	Weighted-Average Grant-Date Fair Value	Weighted-Average Contractual Life Remaining (years)	Aggregate Intrinsic Value ^(a)
Outstanding at December 26, 2015	821	\$ 62.77		
Converted	(390)	\$ 68.48		
Forfeited	(19)	\$ 63.64		
Actual performance change ^(b)	121	\$ 68.48		
Outstanding at December 31, 2016 ^(c)	533	\$ 59.86	0.66	\$ 55,737
Expected to vest as of December 31, 2016	514	\$ 59.49	0.64	\$ 53,742

(a) In thousands.

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

(c) The outstanding PEPunits for which the performance period has not ended as of December 31, 2016, at the threshold, target and maximum award levels were zero, 0.5 million and 0.9 million, respectively.

Our Long-term Cash Award Activity

	Long-term Cash Award ^(a)	Balance Sheet Date Fair Value ^(a)	Contractual Life Remaining (years)
Outstanding at December 26, 2015	\$ —		
Granted ^(b)	16,932		
Forfeited	(1,262)		
Outstanding at December 31, 2016 ^(c)	\$ 15,670	\$ 14,865	2.16
Expected to vest as of December 31, 2016	\$ 14,175	\$ 13,448	2.16

(a) In thousands.

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

(c) The outstanding long-term cash awards for which the performance period has not ended as of December 31, 2016, at the threshold, target and maximum award levels were zero, \$15.7 million and \$31.3 million, respectively.

Other Share-Based Compensation Data

	2016	2015	2014
Stock Options			
Total number of options granted ^(a)	1,743	1,884	3,416
Weighted-average grant-date fair value of options granted	\$ 6.94	\$ 10.80	\$ 8.79
Total intrinsic value of options exercised ^(a)	\$ 290,131	\$ 366,188	\$ 423,251
Total grant-date fair value of options vested ^(a)	\$ 18,840	\$ 21,837	\$ 42,353
RSUs/PSUs			
Total number of RSUs/PSUs granted ^(a)	3,054	2,759	4,379
Weighted-average grant-date fair value of RSUs/PSUs granted	\$ 99.06	\$ 99.17	\$ 80.39
Total intrinsic value of RSUs/PSUs converted ^(a)	\$ 359,401	\$ 375,510	\$ 319,820
Total grant-date fair value of RSUs/PSUs vested ^(a)	\$ 257,648	\$ 257,831	\$ 241,836
PEPunits			
Total number of PEPunits granted ^(a)	—	300	387
Weighted-average grant-date fair value of PEPunits granted	\$ —	\$ 68.94	\$ 50.95
Total intrinsic value of PEPunits converted ^(a)	\$ 38,558	\$ 37,705	\$ —
Total grant-date fair value of PEPunits vested ^(a)	\$ 16,572	\$ 22,286	\$ 5,072

(a) In thousands.

As of December 31, 2016 and December 26, 2015, there were approximately 254,000 and 293,000 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

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.

Effective as of the beginning of 2016, we prospectively changed the method we use to estimate the service and interest cost components of net periodic benefit cost. The pre-tax reduction in net periodic benefit cost associated with this change in 2016 was \$125 million (\$81 million after-tax or \$0.06 per share). See “Pension and Retiree Medical Plans” in “Our Critical Accounting Policies” in Management’s Discussion and Analysis of Financial Condition and Results of Operations for further unaudited information on this change in accounting estimate.

In 2014, we offered certain former employees who had vested benefits in our U.S. defined benefit pension plans the option of receiving a one-time lump sum payment equal to the present value of the participant’s pension benefit (payable in cash or rolled over into a qualified retirement plan or IRA). In 2014, we made a discretionary contribution of \$388 million to fund substantially all of these payments. We recorded a pre-tax settlement charge of \$141 million (\$88 million after-tax or \$0.06 per share) in 2014 as a result of this transaction. 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, and from 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 expense for the following year based upon the average remaining service period of active plan participants, which in 2016 was approximately 11 years for pension expense and approximately 7 years for retiree medical expense. The cost or benefit of plan changes that increase or decrease benefits for prior employee service (prior service (credit)/cost) is included in earnings on a straight-line basis over the average remaining service period of active plan participants.

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 the PepsiCo Employees Retirement Plan A, or active plan, and the PepsiCo Employees Retirement Plan I, or inactive plan. 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 the active plan will continue to be amortized over the average remaining service life of the active participants (approximately 11 years beginning in 2017), while the actuarial gains and losses associated with the inactive plan will be amortized over the remaining life expectancy of the inactive participants (approximately 27 years beginning in 2017). As a result of these changes, benefit plan pre-tax expense is expected to decrease by approximately \$40 million in 2017, primarily impacting corporate unallocated.

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

	Pension				Retiree Medical	
	U.S.		International		2016	2015
	2016	2015	2016	2015		
<i>Change in projected benefit liability</i>						
Liability at beginning of year	\$ 13,033	\$ 13,409	\$ 2,872	\$ 3,247	\$ 1,300	\$ 1,439
Service cost	393	435	80	99	31	35
Interest cost	484	546	94	115	41	52
Plan amendments	18	16	—	1	(15)	—
Participant contributions	—	—	2	2	—	—
Experience loss/(gain)	614	(583)	560	(221)	(51)	(115)
Benefit payments	(347)	(808)	(83)	(89)	(100)	(102)
Settlement/curtailment	(1,014)	—	(19)	(19)	—	—
Special termination benefits	11	18	1	1	1	1
Foreign currency adjustment	—	—	(383)	(264)	1	(10)
Liability at end of year	\$ 13,192	\$ 13,033	\$ 3,124	\$ 2,872	\$ 1,208	\$ 1,300
<i>Change in fair value of plan assets</i>						
Fair value at beginning of year	\$ 11,397	\$ 12,224	\$ 2,823	\$ 3,002	\$ 354	\$ 415
Actual return on plan assets	880	(85)	409	77	30	(2)
Employer contributions/funding	541	66	118	96	36	43
Participant contributions	—	—	2	2	—	—
Benefit payments	(347)	(808)	(83)	(89)	(100)	(102)
Settlement	(1,013)	—	(22)	(16)	—	—
Foreign currency adjustment	—	—	(353)	(249)	—	—
Fair value at end of year	\$ 11,458	\$ 11,397	\$ 2,894	\$ 2,823	\$ 320	\$ 354
Funded status	\$ (1,734)	\$ (1,636)	\$ (230)	\$ (49)	\$ (888)	\$ (946)

	Pension				Retiree Medical	
	U.S.		International			
	2016	2015	2016	2015	2016	2015
Amounts recognized						
Other assets	\$ —	\$ —	\$ 51	\$ 56	\$ —	\$ —
Other current liabilities	(42)	(47)	(1)	(1)	(54)	(63)
Other liabilities	(1,692)	(1,589)	(280)	(104)	(834)	(883)
Net amount recognized	<u>\$ (1,734)</u>	<u>\$ (1,636)</u>	<u>\$ (230)</u>	<u>\$ (49)</u>	<u>\$ (888)</u>	<u>\$ (946)</u>
Amounts included in accumulated other comprehensive loss (pre-tax)						
Net loss/(gain)	\$ 3,220	\$ 3,065	\$ 884	\$ 733	\$ (193)	\$ (138)
Prior service cost/(credit)	20	1	(5)	(7)	(91)	(127)
Total	<u>\$ 3,240</u>	<u>\$ 3,066</u>	<u>\$ 879</u>	<u>\$ 726</u>	<u>\$ (284)</u>	<u>\$ (265)</u>
Components of the increase/(decrease) in net loss/(gain) included in accumulated other comprehensive loss						
Change in discount rate	\$ 296	\$ (593)	\$ 554	\$ (150)	\$ 21	\$ (42)
Employee-related assumption changes	5	(35)	8	6	(50)	(37)
Liability-related experience different from assumptions	318	51	(2)	(77)	(22)	(36)
Actual asset return different from expected return	(46)	935	(246)	97	(6)	29
Amortization and settlement of (losses)/gains	(413)	(205)	(46)	(77)	1	(2)
Other, including foreign currency adjustments	(5)	(6)	(117)	(69)	1	(1)
Total	<u>\$ 155</u>	<u>\$ 147</u>	<u>\$ 151</u>	<u>\$ (270)</u>	<u>\$ (55)</u>	<u>\$ (89)</u>
Accumulated benefit obligation at end of year	\$ 12,211	\$ 12,077	\$ 2,642	\$ 2,453		

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

- Service cost is the value of benefits earned by employees for working during the year.
- 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 (credit)/cost 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 amounts 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 benefit expense are as follows:

	Pension						Retiree Medical		
	U.S.			International					
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Components of benefit expense									
Service cost	\$ 393	\$ 435	\$ 393	\$ 80	\$ 99	\$ 98	\$ 31	\$ 35	\$ 36
Interest cost	484	546	580	94	115	131	41	52	58
Expected return on plan assets	(834)	(850)	(784)	(163)	(174)	(176)	(24)	(27)	(27)
Amortization of prior service (credit)/cost	(1)	(3)	21	—	—	—	(38)	(39)	(28)
Amortization of net loss/(gain)	168	205	175	40	71	53	(1)	2	(4)
	210	333	385	51	111	106	9	23	35
Settlement/curtailment loss/(gain) ^(a)	245	—	141	9	3	7	(14)	—	—
Special termination benefits	11	18	24	1	1	—	1	1	3
Total	\$ 466	\$ 351	\$ 550	\$ 61	\$ 115	\$ 113	\$ (4)	\$ 24	\$ 38

(a) U.S. includes a settlement charge of \$242 million related to the group annuity contract purchase in 2016 and a pension lump sum settlement charge of \$141 million in 2014. See additional unaudited information in “Items Affecting Comparability” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The estimated amounts to be amortized from accumulated other comprehensive loss into pre-tax expense in 2017 for our pension and retiree medical plans are as follows:

	Pension		Retiree Medical
	U.S.	International	
Net loss/(gain)	\$ 122	\$ 51	\$ (12)
Prior service cost/(credit)	1	—	(25)
Total	\$ 123	\$ 51	\$ (37)

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

	Pension						Retiree Medical		
	U.S.			International					
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Weighted-average assumptions									
Liability discount rate	4.4%	4.5%	4.2%	3.1%	4.0%	3.8%	4.0%	4.2%	3.8%
Expense discount rate ^(a)	n/a	4.2%	5.0%	n/a	3.8%	4.7%	n/a	3.8%	4.3%
Service cost discount rate ^(a)	4.6%	n/a	n/a	4.1%	n/a	n/a	4.3%	n/a	n/a
Interest cost discount rate ^(a)	3.8%	n/a	n/a	3.5%	n/a	n/a	3.3%	n/a	n/a
Expected return on plan assets	7.5%	7.5%	7.5%	6.2%	6.5%	6.6%	7.5%	7.5%	7.5%
Liability rate of salary increases	3.1%	3.1%	3.5%	3.6%	3.6%	3.6%			
Expense rate of salary increases	3.1%	3.5%	3.7%	3.6%	3.6%	3.9%			

(a) Effective as of the beginning of 2016, we prospectively changed the method we use to estimate the service and interest cost components of pension and retiree medical expense. See additional unaudited information in “Pension and Retiree Medical Plans” in “Our Critical Accounting Policies” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

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		2016	2015
	2016	2015	2016	2015		
Selected information for plans with accumulated benefit obligation in excess of plan assets ^(a)						
Liability for service to date	\$ (12,211)	\$ (6,536)	\$ (134)	\$ (155)		
Fair value of plan assets	\$ 11,458	\$ 5,698	\$ 110	\$ 112		

Selected information for plans with projected benefit liability in excess of plan assets

Benefit liability	\$ (13,192)	\$ (13,033)	\$ (2,773)	\$ (511)	\$ (1,208)	\$ (1,300)
Fair value of plan assets	\$ 11,458	\$ 11,397	\$ 2,492	\$ 406	\$ 320	\$ 354

(a) The increase in U.S. pension plans in 2016 is due to the combination of two U.S. qualified defined benefit plans as part of our plan reorganization, resulting in the accumulated benefit obligation of the combined plan exceeding the fair value of plan assets.

Of the total projected pension benefit liability at year-end 2016, \$790 million relates to plans that we do not fund because the funding of such plans does not receive favorable tax treatment.

Future Benefit Payments and Funding

Our estimated future benefit payments are as follows:

	2017	2018	2019	2020	2021	2022 - 26
Pension	\$ 725	\$ 780	\$ 825	\$ 870	\$ 925	\$ 5,270
Retiree medical ^(a)	\$ 120	\$ 120	\$ 115	\$ 110	\$ 110	\$ 485

(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-\$3 million for each of the years from 2017 through 2021 and approximately \$7 million in total for 2022 through 2026.

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

In 2017, we expect to make pension and retiree medical contributions of approximately \$184 million, with approximately \$54 million for retiree medical benefits.

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. 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 2017 and 2016, our expected long-term rate of return on U.S. plan assets is 7.5%. Our target investment allocations for U.S. plan assets are as follows:

	2017	2016
Fixed income	40%	40%
U.S. equity	33%	33%
International equity	22%	22%
Real estate	5%	5%

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.

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

	Pension			Retiree Medical		
	2016	2015	2014	2016	2015	2014
Discretionary ^(a)	\$ 459	\$ —	\$ 407	\$ —	\$ —	\$ —
Non-discretionary	200	162	184	36	43	64
Total	\$ 659	\$ 162	\$ 591	\$ 36	\$ 43	\$ 64

(a) Includes \$452 million in 2016 relating to the funding of the group annuity contract purchase from an unrelated insurance company and \$388 million in 2014 pertaining to pension lump sum payments.

Plan assets measured at fair value as of fiscal year-end 2016 and 2015 are categorized consistently by level in both years, and are as follows:

	2016				2015
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
U.S. plan assets ^(a)					
Equity securities, including preferred stock ^(b)	\$ 6,489	\$ 6,480	\$ 9	\$ —	\$ 6,109
Government securities ^(c)	1,173	—	1,173	—	1,181
Corporate bonds ^(c)	3,012	—	3,012	—	3,191
Mortgage-backed securities ^(c)	187	—	187	—	207
Contracts with insurance companies ^(d)	7	—	—	7	7
Cash and cash equivalents	196	196	—	—	267
Sub-total U.S. plan assets	11,064	\$ 6,676	\$ 4,381	\$ 7	10,962
Real estate commingled funds measured at net asset value ^(f)	651				735
Dividends and interest receivable, net of payables	63				54
Total U.S. plan assets	<u>\$ 11,778</u>				<u>\$ 11,751</u>
International plan assets					
Equity securities ^(b)	\$ 1,556	\$ 1,528	\$ 28	\$ —	\$ 1,492
Government securities ^(c)	432	—	432	—	433
Corporate bonds ^(c)	453	—	453	—	439
Fixed income commingled funds ^(e)	316	316	—	—	308
Contracts with insurance companies ^(d)	35	—	—	35	32
Cash and cash equivalents	12	12	—	—	12
Sub-total international plan assets	2,804	\$ 1,856	\$ 913	\$ 35	2,716
Real estate commingled funds measured at net asset value ^(f)	84				100
Dividends and interest receivable	6				7
Total international plan assets	<u>\$ 2,894</u>				<u>\$ 2,823</u>

(a) 2016 and 2015 amounts include \$320 million and \$354 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 19% and 18% of total U.S. plan assets for 2016 and 2015, 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 22% and 23% of total U.S. plan assets for 2016 and 2015, 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 31, 2016 and December 26, 2015.

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

(f) 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.

Retiree Medical Cost Trend Rates

	2017	2016
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. A 1-percentage-point change in the assumed health care trend rate would have the following effects:

	1% Increase	1% Decrease
2016 service and interest cost components	\$ 3	\$ (3)
2016 benefit liability	\$ 39	\$ (34)

Savings Plan

Certain U.S. employees are eligible to participate in 401(k) savings plans, which are voluntary defined contribution plans. The plans are designed to help employees accumulate additional 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 2016, 2015 and 2014, our total Company contributions were \$164 million, \$148 million and \$130 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:

	2016 ^(a)	2015 ^(a)
Short-term debt obligations ^(b)		
Current maturities of long-term debt	\$ 4,401	\$ 3,109
Commercial paper (0.6% and 0.3%)	2,257	770
Other borrowings (4.4% and 10.0%)	234	192
	\$ 6,892	\$ 4,071
Long-term debt obligations ^(b)		
Notes due 2016 (2.6%)	\$ —	\$ 3,087
Notes due 2017 (1.4% and 1.2%)	4,398	4,392
Notes due 2018 (2.3% and 3.6%)	2,561	4,122
Notes due 2019 (1.7% and 3.7%)	2,837	1,627
Notes due 2020 (2.6% and 2.4%)	3,816	3,830
Notes due 2021 (2.4% and 3.0%)	2,249	1,290
Notes due 2022-2046 (3.7% and 3.9%)	18,558	13,938
Other, due 2017-2026 (1.4% and 4.3%)	35	36
	34,454	32,322
Less: current maturities of long-term debt obligations	(4,401)	(3,109)
Total	\$ 30,053	\$ 29,213

(a) Amounts are shown net of unamortized net discounts of \$142 million and \$162 million for 2016 and 2015, respectively.

(b) The interest rates presented reflect weighted-average 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.

In 2016, we issued the following senior notes:

Interest Rate	Maturity Date	Amount ^(a)
Floating rate	February 2019	\$ 400
1.500%	February 2019	\$ 600
2.850%	February 2026	\$ 750
4.450%	April 2046	\$ 750
0.875%	July 2028	€ 750 ^(b)
Floating rate	October 2019	\$ 250
Floating rate	October 2021	\$ 250
1.350%	October 2019	\$ 750
1.700%	October 2021	\$ 750
2.375%	October 2026	\$ 1,000
3.450%	October 2046	\$ 1,500

(a) Represents gross proceeds from issuances of long-term debt excluding debt issuance costs, discounts and premiums.

(b) These notes were designated as a net investment hedge to partially offset the effects of foreign currency on our investments in certain of our foreign subsidiaries.

The net proceeds from the issuances of the above notes were used for general corporate purposes, including the repayment of commercial paper, and the redemption of certain long-term debt obligations.

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.

In 2016, we entered into a new five-year unsecured revolving credit agreement (Five-Year Credit Agreement) which expires on June 6, 2021. The Five-Year Credit Agreement enables us and our borrowing subsidiaries to borrow up to \$3.7225 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 2016, we entered into a new 364-day unsecured revolving credit agreement (364-Day Credit Agreement) which expires on June 5, 2017. The 364-Day Credit Agreement enables us and our borrowing subsidiaries to borrow up to \$3.7225 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 \$3.7225 billion five-year credit agreement dated as of June 8, 2015 and our \$3.7225 billion 364-day credit agreement dated as of June 8, 2015. 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 31, 2016, there were no outstanding borrowings under the Five-Year Credit Agreement or the 364-Day Credit Agreement.

In addition, as of December 31, 2016, our international debt of \$235 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.

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.

For cash flow hedges, the effective portion of changes in fair value is deferred in accumulated other comprehensive loss within common shareholders' equity until the underlying hedged item is recognized in net income. For fair value hedges, changes in fair value are recognized immediately in earnings, consistent with the underlying hedged item. For net investment hedges, the effective portion of the gains and losses on the debt instruments arising from the effects of foreign exchange are recorded in the currency translation adjustment component of accumulated other comprehensive loss, consistent with the underlying hedged item. Hedging transactions are limited to an underlying exposure. As a result, any change in the value of our hedging instruments would be substantially offset by an opposite change in the value of the underlying hedged items. 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 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 agricultural products, energy 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 \$0.8 billion as of December 31, 2016 and \$1.0 billion as of December 26, 2015.

Foreign Exchange

Our operations outside of the United States generated 42% of our net revenue in 2016, with Mexico, Canada, Russia, the United Kingdom and Brazil comprising approximately 19% of our net revenue in 2016. 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 in 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 \$1.6 billion as of December 31, 2016 and \$2.1 billion as of December 26, 2015. The total notional amount of our debt instruments designated as net investment hedges was \$0.8 billion as of December 31, 2016. 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 \$11.2 billion as of December 31, 2016 and \$12.5 billion as of December 26, 2015. Ineffectiveness for derivatives that qualify for cash flow hedge accounting treatment was not material for all periods presented.

As of December 31, 2016, approximately 38% of total debt, after the impact of the related interest rate derivative instruments, was subject to variable rates, compared to approximately 33% as of December 26, 2015.

Available-for-Sale Securities

Investments in debt and marketable equity securities, other than investments accounted for under the equity method, 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 securities are reported at fair value. Unrealized gains and losses related to changes in the fair value of available-for-sale 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 31, 2016 were not material. The pre-tax unrealized gains on our investments in marketable equity securities were \$72 million and \$115 million as of December 31, 2016 and December 26, 2015, respectively.

Changes in the fair value of available-for-sale 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 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 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 security before recovery of its amortized cost basis. Our assessment of whether a security is other-than-temporarily impaired could change in the future due to new developments or changes in assumptions related to any particular security. We recorded no other-than-temporary impairment charges on our available-for-sale securities for the years ended December 31, 2016 and December 26, 2015.

Tingyi-Asahi Beverages Holding Co. Ltd.

During 2016, we concluded that the decline in estimated fair value of our 5% indirect equity interest in TAB was other than temporary based on significant negative economic trends in China and changes in assumptions associated with TAB's future financial performance arising from the disclosure by TAB'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 in our income statement and reduced the value of our 5% indirect equity interest in TAB 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 TAB was \$166 million as of December 31, 2016. We continue to monitor the impact of economic and other developments on the remaining value of our investment in TAB.

In connection with our transaction with Tingyi in 2012, we received a call option to increase our holding in TAB to 20% with an expiration date in 2015. Prior to its expiration, we concluded that the probability of exercising the option was remote and, accordingly, we recorded a pre- and after-tax charge of \$73 million (\$0.05 per share) to write off the recorded value of this call option.

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 31, 2016 and December 26, 2015 are categorized as follows:

	2016		2015	
	Assets ^(a)	Liabilities ^(a)	Assets ^(a)	Liabilities ^(a)
Available-for-sale securities:				
Equity securities ^(b)	\$ 82	\$ —	\$ 127	\$ —
Debt securities ^(c)	11,369	—	7,231	—
	\$ 11,451	\$ —	\$ 7,358	\$ —
Short-term investments ^(d)	\$ 193	\$ —	\$ 193	\$ —
Prepaid forward contracts ^(e)	\$ 25	\$ —	\$ 27	\$ —
Deferred compensation ^(f)	\$ —	\$ 472	\$ —	\$ 474
Derivatives designated as fair value hedging instruments:				
Interest rate ^(g)	\$ 66	\$ 71	\$ 129	\$ 12
Derivatives designated as cash flow hedging instruments:				
Foreign exchange ^(h)	\$ 51	\$ 8	\$ 76	\$ 6
Interest rate ^(h)	—	408	—	311
Commodity ⁽ⁱ⁾	2	1	—	7
	\$ 53	\$ 417	\$ 76	\$ 324
Derivatives not designated as hedging instruments:				
Foreign exchange ^(h)	\$ 2	\$ 15	\$ 8	\$ 10
Interest rate ^(g)	—	—	44	56
Commodity ⁽ⁱ⁾	61	26	12	141
	\$ 63	\$ 41	\$ 64	\$ 207
Total derivatives at fair value ⁽ⁱ⁾	\$ 182	\$ 529	\$ 269	\$ 543
Total	\$ 11,851	\$ 1,001	\$ 7,847	\$ 1,017

- (a) 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. Unless specifically indicated, all financial assets and liabilities are categorized as Level 2 assets or liabilities.
- (b) Based on the price of common stock. Categorized as a Level 1 asset. These equity securities are classified as investments in noncontrolled affiliates.
- (c) Based on quoted broker prices or other significant inputs derived from or corroborated by observable market data. As of December 31, 2016, \$4.6 billion and \$6.8 billion of debt securities were classified as cash equivalents and short-term investments, respectively. As of December 26, 2015, \$4.5 billion and \$2.7 billion of debt securities were classified as cash equivalents and short-term investments, respectively. All of our available-for-sale debt securities have maturities of one year or less.
- (d) Based on the price of index funds. Categorized as a Level 1 asset. These investments are classified as short-term investments and are used to manage a portion of market risk arising from our deferred compensation liability.
- (e) Based primarily on the price of our common stock.
- (f) Based on the fair value of investments corresponding to employees' investment elections.
- (g) Based on LIBOR forward rates. As of December 26, 2015, amounts related to non-designated instruments are presented on a net basis on our balance sheet.
- (h) Based on recently reported market transactions of spot and forward rates.
- (i) Based on recently reported market transactions, primarily swap arrangements.
- (j) Unless otherwise noted, 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 31, 2016 and December 26, 2015 were not material. Collateral received against any of our asset positions was not material.

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 31, 2016 and December 26, 2015 was \$38 billion and \$35 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 ^(a)		Losses/(Gains) Recognized in Accumulated Other Comprehensive Loss		Losses/(Gains) Reclassified from Accumulated Other Comprehensive Loss into Income Statement ^(b)		
	2016	2015	2016	2015	2016	2015	
Foreign exchange	\$ 74	\$ (14)	\$ (24)	\$ (112)	\$ (44)	\$ (97)	
Interest rate	105	17	97	195	187	174	
Commodity	(52)	218	1	12	7	20	
Net investment	—	—	(39)	—	—	—	
Total	\$ 127	\$ 221	\$ 35	\$ 95	\$ 150	\$ 97	

(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 \$17 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

Basic net income attributable to PepsiCo per common share is net income available for PepsiCo common shareholders divided by the weighted average of common shares outstanding during the period. Diluted net income attributable to PepsiCo per common share is calculated using the weighted average of common shares outstanding adjusted to include the effect that would occur if in-the-money employee stock options were exercised and RSUs, PSUs, PEPunits and preferred shares were converted into common shares.

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

	2016		2015		2014	
	Income	Shares ^(a)	Income	Shares ^(a)	Income	Shares ^(a)
Net income attributable to PepsiCo	\$ 6,329		\$ 5,452		\$ 6,513	
Preferred shares:						
Dividends	(1)		(1)		(1)	
Redemption premium	(5)		(5)		(9)	
Net income available for PepsiCo common shareholders	\$ 6,323	1,439	\$ 5,446	1,469	\$ 6,503	1,509
Basic net income attributable to PepsiCo per common share	\$ 4.39		\$ 3.71		\$ 4.31	
Net income available for PepsiCo common shareholders	\$ 6,323	1,439	\$ 5,446	1,469	\$ 6,503	1,509
Dilutive securities:						
Stock options, RSUs, PSUs, PEPunits and Other	1	12	—	15	—	17
ESOP convertible preferred stock	5	1	6	1	10	1
Diluted	\$ 6,329	1,452	\$ 5,452	1,485	\$ 6,513	1,527
Diluted net income attributable to PepsiCo per common share	\$ 4.36		\$ 3.67		\$ 4.27	

(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:

	2016	2015	2014
Out-of-the-money options ^(a)	0.7	1.5	—
Average exercise price per option	\$ 99.98	\$ 99.25	\$ 82.25

(a) In millions.

Note 11 — Preferred Stock

As of December 31, 2016 and December 26, 2015, there were 3 million shares of convertible preferred stock authorized. The preferred stock was issued for an ESOP established by Quaker and these shares are redeemable for common stock by the ESOP participants. Quaker made the final award to its ESOP in June 2001. The preferred stock accrues dividends at an annual rate of \$5.46 per share. As of December 31, 2016 and December 26, 2015, there were 803,953 preferred shares issued and 122,553 and 135,053 shares outstanding, respectively. The outstanding preferred shares had a fair value of \$64 million as of December 31, 2016 and \$67 million as of December 26, 2015. Each share is convertible at the option of the holder into 4.9625 shares of common stock. The preferred shares may be called by us upon written notice for redemption under certain conditions, including, among other things, upon termination of the ESOP in accordance with the ESOP's terms, at the greater of \$78 per share plus accrued and unpaid dividends or the fair market value of the preferred stock.

Activities of our preferred stock are included in the equity statement.

Note 12 — Accumulated Other Comprehensive Loss Attributable to PepsiCo

Comprehensive income is a measure of income which includes both net income and other comprehensive income or loss. Other comprehensive income or loss results from items deferred from recognition into our income statement. Accumulated other comprehensive income or loss is separately presented on our balance sheet as part of common shareholders' equity. Other comprehensive loss attributable to PepsiCo was \$600 million in 2016, \$2,650 million in 2015 and \$5,542 million in 2014. The accumulated balances for each component of other comprehensive loss attributable to PepsiCo are as follows:

	2016	2015	2014
Currency translation adjustment, net of tax ^(a)	\$ (11,386)	\$ (11,080)	\$ (8,255)
Cash flow hedges, net of tax	83	37	34
Unamortized pension and retiree medical, net of tax ^(b)	(2,645)	(2,329)	(2,500)
Unrealized gain on securities, net of tax	64	88	87
Other	(35)	(35)	(35)
Accumulated other comprehensive loss attributable to PepsiCo	<u>\$ (13,919)</u>	<u>\$ (13,319)</u>	<u>\$ (10,669)</u>

(a) The change from 2014 to 2015 primarily reflects the depreciation of the Russian ruble, Brazilian real and the Canadian dollar.

(b) Net of taxes of \$1,280 million in 2016, \$1,253 million in 2015 and \$1,260 million in 2014.

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
	2016	2015	2014	
Currency translation:				
Venezuelan entities	\$ —	\$ 111	\$ —	Venezuela impairment charges
Cash flow hedges:				
Foreign exchange contracts	\$ 2	\$ (3)	\$ —	Net revenue
Foreign exchange contracts	(46)	(94)	(16)	Cost of sales
Interest rate derivatives	187	174	233	Interest expense
Commodity contracts	3	9	31	Cost of sales
Commodity contracts	4	11	1	Selling, general and administrative expenses
Net losses before tax	150	97	249	
Tax amounts	(63)	(47)	(95)	
Net losses after tax	\$ 87	\$ 50	\$ 154	
Pension and retiree medical items:				
Amortization of net prior service credit ^(a)	\$ (39)	\$ (41)	\$ (6)	
Amortization of net losses ^(a)	209	281	226	
Settlement/curtailment ^(a)	237	6	149	
Net losses before tax	407	246	369	
Tax amounts	(144)	(74)	(122)	
Net losses after tax	\$ 263	\$ 172	\$ 247	
Venezuela impairment charges				
Venezuelan entities	\$ —	\$ 20	\$ —	Venezuela impairment charges
Tax amount	—	(4)	—	
Net losses after tax	\$ —	\$ 16	\$ —	
Total net losses reclassified for the year, net of tax				
	\$ 350	\$ 349	\$ 401	

(a) These items are included in the components of net periodic benefit cost for pension and retiree medical plans (see Note 7 for additional details).

Note 13 — Supplemental Financial Information

Supplemental information for accounts and notes receivable and inventories is summarized as follows:

	2016	2015	2014
Accounts and notes receivable			
Trade receivables	\$ 5,709	\$ 5,497	
Other receivables	1,119	1,070	
	6,828	6,567	
Allowance, beginning of year	130	137	\$ 145
Net amounts charged to expense	37	43	38
Deductions ^(a)	(30)	(27)	(27)
Other ^(b)	(3)	(23)	(19)
Allowance, end of year	134	130	\$ 137
Net receivables	\$ 6,694	\$ 6,437	
Inventories ^(c)			
Raw materials and packaging	\$ 1,315	\$ 1,312	
Work-in-process	150	161	
Finished goods	1,258	1,247	
	\$ 2,723	\$ 2,720	

(a) Includes accounts written off.

(b) Includes adjustments related primarily to currency translation and other adjustments.

(c) Approximately 5% and 4% of the inventory cost in 2016 and 2015, respectively, were computed using the LIFO method. The differences between LIFO and FIFO methods of valuing these inventories were not material.

Supplemental information for other assets and accounts payable and other current liabilities is summarized as follows:

	2016	2015
Other assets		
Noncurrent notes and accounts receivable	\$ 105	\$ 140
Deferred marketplace spending	140	159
Pension plans ^(a)	53	60
Other	338	391
	\$ 636	\$ 750
Accounts payable and other current liabilities		
Accounts payable	\$ 6,158	\$ 5,546
Accrued marketplace spending	2,444	2,319
Accrued compensation and benefits	1,770	1,759
Dividends payable	1,097	1,041
Other current liabilities	2,774	2,842
	\$ 14,243	\$ 13,507

(a) See Note 7 for additional information regarding our pension plans.

The following table summarizes our minimum lease payments under non-cancelable operating leases by period:

	Operating Lease Payments	
2017	\$	423
2018		374
2019		289
2020		197
2021		147
2022 and beyond		350
Total minimum operating lease payments	\$	1,780

The following table summarizes other supplemental information:

	2016		2015		2014	
<i>Other supplemental information</i>						
Rent expense	\$	701	\$	696	\$	707
Interest paid ^(a)	\$	1,102	\$	952	\$	925
Income taxes paid, net of refunds	\$	1,393	\$	1,808	\$	1,847

(a) In 2016, interest paid excludes the premium paid in accordance with the “make-whole” provisions of the debt redemption discussed in Note 8.

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, 2017

/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/ INDRA K. NOOYI

Indra K. Nooyi
Chairman of the Board of Directors and
Chief Executive Officer

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
PepsiCo, Inc.:

We have audited the accompanying Consolidated Balance Sheets of PepsiCo, Inc. and Subsidiaries (“PepsiCo, Inc.” or “the Company”) as of December 31, 2016 and December 26, 2015, 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 31, 2016. We also have audited PepsiCo, Inc.’s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). PepsiCo, Inc.’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 under Item 9A. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company’s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. 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.

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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PepsiCo, Inc. as of December 31, 2016 and December 26, 2015, and the results of its operations and its cash flows for each of the fiscal years in the three-year period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also in our opinion, PepsiCo, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control – Integrated Framework (2013) issued by COSO.

/s/ KPMG LLP
New York, New York
February 15, 2017

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, including the Venezuela deconsolidation which was effective as of the end of the third quarter of 2015, and foreign exchange translation. This measure also excludes the impact of the 53rd reporting week in 2016. 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.

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 31, 2016.

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. There were no changes in our internal control over financial reporting during our fourth fiscal quarter of 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

During our fourth fiscal quarter of 2016, 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 over the course of the next few years. 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. We do not expect this transition 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 2017 Annual Meeting of Shareholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2016 (the 2017 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 2017 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 New York Stock Exchange.

Information about the procedures by which security holders may recommend nominees to our Board of Directors can be found in our 2017 Proxy Statement under the caption “Corporate Governance at PepsiCo – 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 2017 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 2017 Proxy Statement under the captions “2016 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 2017 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 2017 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 2017 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 2017 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 31, 2016, December 26, 2015 and December 27, 2014
- Consolidated Statement of Comprehensive Income – Fiscal years ended December 31, 2016, December 26, 2015 and December 27, 2014
- Consolidated Statement of Cash Flows – Fiscal years ended December 31, 2016, December 26, 2015 and December 27, 2014
- Consolidated Balance Sheet – December 31, 2016 and December 26, 2015
- Consolidated Statement of Equity – Fiscal years ended December 31, 2016, December 26, 2015 and December 27, 2014
- 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.

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, 2017

PepsiCo, Inc.

By: /s/ Indra K. Nooyi
Indra K. Nooyi
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.

<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ Indra K. Nooyi</u> Indra K. Nooyi	Chairman of the Board of Directors and Chief Executive Officer	February 15, 2017
<u>/s/ Hugh F. Johnston</u> Hugh F. Johnston	Vice Chairman, Executive Vice President and Chief Financial Officer	February 15, 2017
<u>/s/ Marie T. Gallagher</u> Marie T. Gallagher	Senior Vice President and Controller (Principal Accounting Officer)	February 15, 2017
<u>/s/ Shona L. Brown</u> Shona L. Brown	Director	February 15, 2017
<u>/s/ George W. Buckley</u> George W. Buckley	Director	February 15, 2017
<u>/s/ Cesar Conde</u> Cesar Conde	Director	February 15, 2017
<u>/s/ Ian M. Cook</u> Ian M. Cook	Director	February 15, 2017
<u>/s/ Dina Dublon</u> Dina Dublon	Director	February 15, 2017
<u>/s/ Rona A. Fairhead</u> Rona A. Fairhead	Director	February 15, 2017
<u>/s/ Richard W. Fisher</u> Richard W. Fisher	Director	February 15, 2017
<u>/s/ William R. Johnson</u> William R. Johnson	Director	February 15, 2017
<u>/s/ David C. Page</u> David C. Page	Director	February 15, 2017
<u>/s/ Robert C. Pohl</u> Robert C. Pohl	Director	February 15, 2017
<u>/s/ Lloyd G. Trotter</u> Lloyd G. Trotter	Director	February 15, 2017
<u>/s/ Daniel Vasella</u> Daniel Vasella	Director	February 15, 2017
<u>/s/ Darren Walker</u> Darren Walker	Director	February 15, 2017
<u>/s/ Alberto Weisser</u> Alberto Weisser	Director	February 15, 2017

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 are located in the SEC's Public Reference Room in Washington, D.C. in the SEC's file no. 1-1183.

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 SEC, upon request, a copy of any instrument defining the rights of holders of long-term debt of PepsiCo, Inc. and all of its subsidiaries for which consolidated or unconsolidated 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 5.00% Senior Note due 2018, 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 21, 2008. |
| 4.4 | Form of 7.90% Senior Note due 2018, 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 24, 2008. |
| 4.5 | 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. |
| 4.6 | 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. |
| 4.7 | 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. |
| 4.8 | 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. |
| 4.9 | Form of 0.950% Senior Notes due 2017, 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 28, 2014. |
| 4.10 | Form of 3.600% Senior Notes 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. |
| 4.11 | Form of 1.750% Senior Notes 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. |

- 4.12 Form of 2.625% Senior Notes 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.
- 4.13 Form of 4.250% Senior Notes 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.
- 4.14 Form of Floating Rate Notes due 2018, 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 30, 2015.
- 4.15 Form of 1.250% Senior Notes due 2018, 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 30, 2015.
- 4.16 Form of 1.850% Senior Notes 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.
- 4.17 Form of 2.750% Senior Notes 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.
- 4.18 Form of Floating Rate Notes due 2017, 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 17, 2015.
- 4.19 Form of 1.125% Senior Notes due 2017, 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 July 17, 2015.
- 4.20 Form of 3.100% Senior Notes 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.
- 4.21 Form of 3.500% Senior Notes 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.
- 4.22 Form of 4.600% Senior Notes 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.
- 4.23 Form of Floating Rate Notes due 2017, 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 14, 2015.
- 4.24 Form of 1.000% Senior Notes due 2017, 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 14, 2015.
- 4.25 Form of 2.150% Senior Notes 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.
- 4.26 Form of 4.450% Senior Notes 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.
- 4.27 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.
- 4.28 Form of 1.500% Senior Notes 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.

- 4.29 Form of 2.850% Senior Notes 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.
- 4.30 Form of 4.450% Senior Notes 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.
- 4.31 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.
- 4.32 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.
- 4.33 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.
- 4.34 Form of 1.350% Senior Notes 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.
- 4.35 Form of 1.700% Senior Notes 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.
- 4.36 Form of 2.375% Senior Notes 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.
- 4.37 Form of 3.450% Senior Notes 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.
- 4.38 Board of Directors Resolutions Authorizing PepsiCo, Inc.'s Officers to Establish the Terms of the 4.50% Senior Note due 2020, 5.50% Senior Note due 2040, 3.125% Senior Note due 2020 and 4.875% Senior Note 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.
- 4.39 Form of 2.500% Senior Note due 2016, 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 6, 2011.
- 4.40 Board of Directors Resolutions Authorizing PepsiCo, Inc.'s Officers to Establish the Terms of the 2.500% Senior Note due 2016, the 3.000% Senior Note due 2021, the 2.750% Senior Note due 2022, the 4.000% Senior Note due 2042, the 1.250% Senior Note due 2017, the 3.600% Senior Note due 2042 and the 2.500% Senior Note 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.
- 4.41 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.
- 4.42 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.
- 4.43 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.
- 4.44 Form of 1.250% Senior Note due 2017, 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 13, 2012.

- 4.45 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.
- 4.46 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.
- 4.47 Indenture dated as of October 24, 2008 among PepsiCo, Inc., Bottling Group, LLC and The Bank of New York Mellon, 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 24, 2008.
- 4.48 Form of Floating Rate Note due 2016, 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 28, 2013.
- 4.49 Form of 0.700% Senior Note due 2016, 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, 2013.
- 4.50 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.
- 4.51 Board of Directors Resolutions Authorizing PepsiCo, Inc.'s Officers to Establish the Terms of the Floating Rate Note due 2016, the 0.700% Senior Note due 2016, the 2.750% Senior Note due 2023, the 2.250% Senior Notes due 2019, the 0.950% Senior Notes due 2017, 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 Floating Rate Notes due 2018, 1.250% Senior Notes due 2018, the 1.850% Senior Notes due 2020, the 2.750% Senior Notes due 2025, the Floating Rate Notes due 2017, the 1.125% Senior Notes due 2017, the 3.100% Senior Notes due 2022, the 3.500% Senior Notes due 2025, the 4.600% Senior Notes due 2045, the Floating Rate Notes due 2017, the 1.000% Senior Notes due 2017, 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, and the 3.450% Senior Notes due 2046, 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 Form of 2.250% Senior Notes 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 July 30, 2013.
- 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 to the Indenture dated March 8, 1999 between The Pepsi Bottling Group, Inc., Bottling Group, LLC and The Chase Manhattan Bank, 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).
- 4.55 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. 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.

- 4.56 First Supplemental Indenture, dated as of May 20, 1999, including 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 4.3 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.
- 4.57 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.
- 4.58 Form of PepsiAmericas, Inc. 7.44% Note due 2026, which is incorporated herein by reference to Exhibit 4.8 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.
- 4.59 First Supplemental Indenture, dated as of February 26, 2010, among Pepsi-Cola Metropolitan Bottling Company, Inc., PepsiAmericas, Inc. and Wells Fargo Bank, National Association 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.
- 4.60 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.
- 4.61 Form of PepsiAmericas, Inc. 5.00% Note due 2017, which is incorporated herein by reference to Exhibit 4.16 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.
- 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.
- 4.63 Indenture, dated as of October 1, 2003, by and between Bottling Group, LLC, as obligor, and JPMorgan Chase Bank, as trustee, which is incorporated herein by reference to Exhibit 4.1 to Bottling Group, LLC's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 3, 2003.
- 4.64 Indenture, dated as of March 30, 2006, by and between Bottling Group, LLC, as obligor, and JPMorgan Chase Bank, N.A., as trustee, which is incorporated herein by reference to Exhibit 4.1 to The Pepsi Bottling Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 25, 2006.
- 4.65 Form of Bottling Group, LLC 5.50% Senior Note due April 1, 2016, which is incorporated herein by reference to Exhibit 4.2 to The Pepsi Bottling Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 25, 2006.
- 4.66 Form of Bottling Group, LLC 5.125% Senior Note due January 15, 2019, which is incorporated herein by reference to Exhibit 4.1 to Bottling Group, LLC's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 20, 2009.
- 4.67 Form of PepsiCo Guarantee of Pepsi-Cola Metropolitan Bottling Company, Inc.'s 7.00% Note due 2029, 7.29% Note due 2026, 7.44% Note due 2026, 5.00% Note due 2017, 5.50% Note due 2035 and Bottling Group, LLC's 5.50% Note due 2016 and 5.125% 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 5, 2010.
- 10.1 PepsiCo Executive Income Deferral Program (Plan Document for the Pre-409A Program), amended and restated effective July 1, 1997, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended September 6, 2008.*
- 10.2 PepsiCo, Inc. 2003 Long-Term Incentive Plan, as amended and restated effective September 12, 2008, which is incorporated herein by reference to Exhibit 10.4 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended September 6, 2008.*

- 10.3 PepsiCo, Inc. Executive Incentive Compensation Plan, which is incorporated herein by reference to Exhibit B to PepsiCo, Inc.'s Proxy Statement for its 2009 Annual Meeting of Shareholders filed with the Securities and Exchange Commission on March 24, 2009.*
- 10.4 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.*
- 10.5 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.*
- 10.6 PepsiCo Executive Income Deferral Program (Plan Document for the 409A Program), amended and restated effective as of January 1, 2005, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended September 6, 2008.*
- 10.7 Amendments to the PepsiCo, Inc. 2003 Long-Term Incentive Plans, the PepsiCo, Inc. 1994 Long-Term Incentive Plan, the PepsiCo, Inc. 1995 Stock Option Incentive Plan, the PepsiCo SharePower Stock Option Plan, the PepsiCo, Inc. 1987 Incentive Plan effective as of December 31, 2005, which are incorporated herein by reference to Exhibit 10.31 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2005.*
- 10.8 Amendments to the PepsiCo, Inc. 2003 Long-Term Incentive Plan, the PepsiCo SharePower Stock Option Plan, the PepsiCo, Inc. 1995 Stock Option Incentive Plan, the Quaker Long-Term Incentive Plan of 1999, the Quaker Long-Term Incentive Plan of 1990 and the PepsiCo, Inc. Director Stock Plan, effective as of November 17, 2006, which are incorporated herein by reference to Exhibit 10.31 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 30, 2006.*
- 10.9 Form of Non-Employee Director 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 fiscal quarter ended September 9, 2006.*
- 10.10 Form of Annual 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, 2007.*
- 10.11 Form of Performance-Based 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 7, 2007.*
- 10.12 Form of Pro Rata 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 May 8, 2007.*
- 10.13 Form of Stock Option Retention 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 May 8, 2007.*
- 10.14 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.*
- 10.15 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.*
- 10.16 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.*
- 10.17 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 February 11, 2009.*

10.18	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.*
10.19	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.*
10.20	Form of Stock Option Retention Award Agreement, which is incorporated herein by reference to Exhibit 10.4 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2009.*
10.21	Form of Restricted Stock Unit Retention Award Agreement, which is incorporated herein by reference to Exhibit 10.5 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2009.*
10.22	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.*
10.23	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 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.24	PBG Long Term Incentive Plan, which is incorporated herein by reference to Exhibit 99.3 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.25	PBG Stock Incentive Plan, which is incorporated herein by reference to Exhibit 99.6 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.26	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 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.27	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 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.28	PepsiAmericas, Inc. 2000 Stock Incentive Plan (including Amendments No. 1, No. 2 and No. 3 thereto), which is incorporated herein by reference to Exhibit 99.9 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.29	Amendment No. 4 to PepsiAmericas, Inc. 2000 Stock Incentive Plan (effective February 18, 2010), which is incorporated herein by reference to Exhibit 99.10 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.30	Amendment to the PepsiCo Executive Income Deferral Program Document for the 409A Program, adopted February 18, 2010, which is incorporated herein by reference to Exhibit 10.11 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.*
10.31	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.*

10.32	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.*
10.33	Amendment to the PepsiCo Executive Income Deferral Program Document for the 409A Program, adopted June 28, 2010, 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 September 4, 2010.*
10.34	PBG Executive Income Deferral Program (Plan Document for the 409A Program), as amended, which is incorporated herein by reference to Exhibit 10.67 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 25, 2010.*
10.35	PBG Executive Income Deferral Program (Plan Document for the Pre-409A Program), as amended, which is incorporated herein by reference to Exhibit 10.68 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 25, 2010.*
10.36	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.*
10.37	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.*
10.38	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.*
10.39	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.*
10.40	The PepsiCo International Retirement Plan Defined Benefit Program, as amended and restated effective as of January 1, 2016.*
10.41	The PepsiCo International Retirement Plan Defined Contribution Program, as amended and restated effective as of January 1, 2016.*
10.42	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.*
10.43	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.*
10.44	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 10.1 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 19, 2016.*
10.45	Five-Year Credit Agreement, dated as of June 6, 2016, 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 8, 2016.
10.46	PepsiCo Pension Equalization Plan (Plan Document for the Section 409A Program), April 1, 2016 Restatement, with amendments through December 12, 2016.*
10.47	PepsiCo Automatic Retirement Contribution Equalization Plan, as amended and restated effective as of April 1, 2016, with amendments through December 12, 2016.*
10.48	PepsiCo Director Deferral Program (Plan Document for the 409A Program), amended and restated effective as of January 1, 2005, with revisions adopted through February 2, 2017.*

10.49	Form of Annual Long-Term Incentive Award Agreement.*
12	Computation of Ratio of Earnings to Fixed Charges.
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 31, 2016 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.

THE PEPSICO INTERNATIONAL RETIREMENT PLAN
DEFINED BENEFIT PROGRAM
(PIRP-DB)

As Amended and Restated
Effective as of January 1, 2016

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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.

Effective January 1, 2016, the Plan was amended and restated (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) "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.

(c) "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.

(d) "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.

(e) "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.

(f) "Corporation" means PepsiCo, Inc., a corporation organized and existing under the laws of the State of North Carolina, or its successor or successors.

(g) "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.

(h) "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."

(i) "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."

(j) "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.

(k) "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.

(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 under the DB Program.

(m) "Entry Date" means September 1, 1980 and the first day of each subsequent month.

(n) "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.

(o) "Normal Retirement Age" means age 65 or, if later, the age at which a Member first has five (5) years of Service.

(p) "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.

(q) "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.

(r) "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.

(s) "Plan" means the PepsiCo International Retirement Plan, which consists of the DB Program and DC Program.

(t) "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.

(u) "PepsiCo Salaried Plan" means the PepsiCo Salaried Employees Retirement Plan, as it may be amended from time to time.

(v) "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.

(w) "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.

(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) "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.

(z) "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.

(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 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 29th 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 persons 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. Subject to Section 5.03(g), 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. Subject to subsection (f) below, the amount of the Member's reduced Pension is determined by reducing the amount of the Member's Single Life Annuity benefit, determined in accordance with Table A, by 20 percent. 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. Subject to subsection (f) below, the amount of the Member's reduced Pension is determined by reducing the amount of the Member's Single Life Annuity benefit, determined in accordance with Table A, by 15 percent. 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. Subject to subsection (f) below, the amount of the Member's reduced Pension is determined by reducing the amount of the Member's Single Life Annuity benefit, determined in accordance with Table A, by 10 percent. 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 is determined by reducing the Member's Single Life Annuity benefit, determined in accordance with Table A, by 5 percent.

(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, 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 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.

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 of a Member who dies shall be entitled to certain survivor benefits if the requirements of this Article VI are satisfied. 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 a married Active Member or a married Member in Service after his Normal Retirement Date, who had at his death completed at least 5 years of Service, or of a Member entitled to an Early Retirement Pension under Section 4.02 or a Special Early Retirement Pension under Section 4.03, and who is not entitled at the time of his death to the protection provided by Section 5.03(e), there shall be a Pre-Retirement Spouse's Pension payable to the Member's surviving Eligible Spouse, if any, calculated in accordance with the provisions of Section II of Table A.

6.02 Deferred Vested Members.

In the event of the death of a married Member who is entitled to a Deferred Vested Pension under Section 4.04 and who is not entitled at the time of his death to the protections provided by Section 5.03(e), there shall be payable a Pre-Retirement Spouse's Pension, which shall be calculated based on the Member's Salary and Pensionable Service at the time of the Member's termination of employment date. 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 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 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 life only; however, in the case of a Pension payable to a surviving Eligible Spouse where the Member was eligible for a Normal, Early or Special Early Retirement Pension at death, the Eligible Spouse 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 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 (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 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 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 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

This Plan is hereby adopted this 30th day of January, 2017, to be effective as of January 1, 2016.

PEPSICO, INC.

By: /s/ Cynthia M. Trudell
Cynthia M. Trudell
Executive Vice President, Human Resources
Chief Human Resources Officer

APPROVED:

By: /s/ Stacy DeWalt Grindal
Stacy DeWalt Grindal
Senior Legal Director
Employee Benefits Counsel

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 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 Section 2.01(g), 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 authorised 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

Effective for deaths before July 1, 2010, the Pre-Retirement Spouse's Pension payable pursuant to the provisions of Section 6.01 shall be equal to 25 percent of the Pension, payable as a Single Life Annuity, to which the Member would have been entitled at his Normal Retirement Date, calculated as in Part I above as if the Member had remained an Active Member until age 65 without change in his Highest Average Monthly Salary. In computing the Member's Pension for this purpose the Member's Pension shall be reduced to reflect any benefits which would have been taken into account under Part I above had the Member retired on the date of death, but shall not reduce the Pre-Retirement Spouse's Pension to reflect commencement prior to the date the Member would have attained Normal Retirement Age. Notwithstanding the preceding provisions of this paragraph, 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 payable to such spouse shall not be less than 50 percent of the Pension to which the Member would have been entitled if he had retired on the day preceding his death and shall be reduced in accordance with Section 4.02 if the spouse commences the Pre-Retirement Spouse's Pension prior to the date the Member would have attained age 62.

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, 2016

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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.”

Effective January 1, 2016, the DC Program was amended and restated. As part of the 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.

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 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.

(j) "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.

(k) "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.

(l) "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.

(m) "Interest Credit" means the credit made annually to a Member's PIRP-DC Account pursuant to Section 4.01(b).

(n) "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).

(o) "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.

(p) "Pay Credit" means the credit made to an Active Member's PIRP-DC Account pursuant to Section 4.01(a).

(q) "Plan" means the PepsiCo International Retirement Plan, which consists of the DC Program and DB Program.

(r) “Plan Year” means the 12-consecutive month period beginning on January 1 and ending on the following December 31 of the same calendar year.

(s) “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.

(t) “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.

(u) “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.

(v) “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.

(w) "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.

(x) "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.

(y) "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.

(z) "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 29th 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 if the Member is not married 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 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 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 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 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

This Plan is hereby adopted this 30th day of January, 2017, to be effective as of January 1, 2016.

PEPSICO, INC.

By: /s/ Cynthia M. Trudell
Cynthia M. Trudell
Executive Vice President, Human Resources
Chief Human Resources Officer

APPROVED:

By: /s/ Stacy DeWalt Grindal
Stacy DeWalt Grindal
Senior Legal Director
Employee Benefits Counsel

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 (i.e., other than the 5%, 8%, 10% 12% or 18% schedules provided therein) 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
April 1, 2016 Restatement*

(With Amendments Through December 12, 2016)

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.

2016 Restatement. This restatement of the 409A Program Document is effective as of April 1, 2016.

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 initial

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 initial factors from time to time and shall amend such factors in its discretion. A Participant shall have no right to have any of the actuarial factors specified 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 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.

SCHEDULE 1

<u>Date</u>	<u>Mortality Table Factors</u>	<u>Interest Rate Factor</u>
January 1, 2009 to Present	GAR 94	5%

(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).

(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.

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: Paragraph (1) is effective for applicable dates (as defined in Paragraph (6) below) on and after January 1, 2016. Paragraphs (2), (3) and (4) are effective for earlier applicable dates. Paragraph (5) includes general rules. Paragraph (6) sets forth defined terms. The definition of Eligible Domestic Partner applies solely to a Participant who was actively employed by or on an Authorized Leave of Absence from a member of the PepsiCo Organization on or after January 1, 2013 and before January 1, 2016.

(1) **On-Going Provisions.** For applicable dates on or after January 1, 2016, "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.

(a) 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.

(2) **June 26, 2013 through December 31, 2015 Provisions**.

(a) 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 the 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.

(b) State of Residence Allows Neither Civil Unions Nor Marriage. If the Participant does not have an Eligible Domestic Partner (and is not ineligible 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."

(3) **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 (2) 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.

(4) **Pre-2013 Provisions:** For applicable dates before January 1, 2013, "Eligible Domestic Partner" status was not available in the Plan.

(5) **Additional Rules.** This paragraph (5) applies notwithstanding any provisions in the remainder of this definition of "Eligible Domestic Partner" to the contrary. The term "Eligible Domestic Partner" does not apply to a Participant's Eligible Spouse or 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.

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).

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.

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.

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 than 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 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 1st of the next following calendar year (e.g., the Key Employee determination by the Plan Administrator as of December 31, 2008 shall apply to the period from April 1, 2009 to March 31, 2010).

(3) Rule of Administrative Convenience. Effective from and after December 31, 2007, in addition to the foregoing, the Plan Administrator shall treat all other employees classified as Band IV and above on the applicable determination date prescribed in paragraph (2) (i.e., the period commencing on April 1st of the next following calendar year) as Key Employees for purposes of the Plan for the twelve-month period commencing on April 1st of the next following calendar year; 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. Notwithstanding the foregoing, 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 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 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, 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) 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 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.

Late 409A Retirement Pension: The 409A Retirement Pension available to a Participant under Section 4.4.

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.

Normal 409A Retirement Pension: The Retirement Pension available to a Participant under Section 4.1.

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 for life. If the Eligible Spouse 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 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 Parts A and B of the PepsiCo Salaried Employees Retirement Plan document without regard to the other Parts of that Plan, as if Parts A and B were a separate plan (except as otherwise provided in Appendix Article PBG hereto).

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 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 2014 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 Pension Benefit. 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.

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 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.

<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%

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 takes into account applicable reductions for early commencement and that reflects, as applicable, the relative value of forms of payment.

(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) $1\frac{2}{3}$ 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) $1\frac{1}{2}$ 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 spouse 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 spouse 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 spouse or surviving 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) 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.

(2) An "Eligible Spouse's Salaried Plan Pre-Retirement Spouse's Pension" means the Pre-Retirement Spouse's Pension that would be payable to the Eligible Spouse 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 Pre-Retirement Spouse's Pension that would be payable to the Eligible Spouse 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) Each of the following that applies:
 - (i) The Eligible Domestic Partner's Salaried Plan Pre-Retirement Domestic Partner's Pension, and
 - (ii) If the Participant's Annuity Starting Date occurred with respect to his 409A Pension prior to death, but not with respect to his Pre-409A Pension (or vice versa), the Eligible Domestic Partner's Pre-Retirement Domestic Partner's Pension that would have been payable if

the Participant's Annuity Starting Date for such benefit had not already occurred.

(b) 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.

(2) An "Eligible Domestic Partner's Salaried Plan Pre-Retirement Domestic Partner's Pension" means the Pre-Retirement Domestic Partner's Pension that would be payable to the Eligible Domestic Partner under the terms of the Salaried Plan; provided that if such Salaried Plan benefit commenced prior to the date of commencement under this Plan, the amount of

such pension shall be increased actuarially by the Plan Administrator to the date of commencement under this Plan.

(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(d)(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 a 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 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 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) Non-Spouse Beneficiaries: If a Participant's beneficiary is not his Eligible Spouse, he may not elect:

(1) The 100 percent survivor option described in Section 6.2(a)(2)(i) if his Eligible Domestic Partner or other non-spouse 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 Eligible Domestic Partner or other non-spouse 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, 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 above Plan is hereby adopted and approved, to be effective as of April 1, 2016, this 12th day of December, 2016.

PEPSICO, INC.

By: /s/ Cynthia M. Trudell
Cynthia M. Trudell
Executive Vice President, Human Resources
Chief Human Resources Officer

APPROVED

By: /s/ Stacy DeWalt Grindal
Stacy DeWalt Grindal
Senior 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. If the Participant does not have an Eligible Spouse 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, 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, 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) "PIRP-DB" is the portion of the PepsiCo International Retirement Program that provides a program of defined benefits.
- (b) "PIRP-DB Employer" is the Company or an affiliate of the Company that is an "Employer" under the terms of PIRP-DB.
- (c) "PIRP-DB Pensionable Service" is service that qualifies as "Pensionable Service" under the terms of PIRP-DB.
- (d) "PIRP-DB Salary" is compensation that qualifies as "Salary" under the terms of PIRP-DB.
- (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-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).

(f) The “PIRP-DB Vice President” is the Company executive who has the role of the “Vice President” under the terms of PIRP-DB.

(g) A “U.S. Person” is an individual who is classified as a “U.S. Person” under the terms of PIRP-DB.

(h) “Year of Transfer” is the year in which a transfer described in subsection (e) 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 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. In determining Credited Service and Earnings 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 by reducing his Total Pension as determined under subsection (a) above by the reductions that are normally applicable under Article V.

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 55th 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 in a single lump sum 60 days following his death, and if there is no Surviving Spouse, 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 in a single lump sum 60 days following his death, and if there is no Surviving Spouse, 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 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 - 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 - 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) **Eligible Domestic Partner**. Paragraph (1) is effective for applicable dates (as defined in Paragraph (6) below) on and after January 1, 2016. Paragraphs (2), (3) and (4) are effective for earlier applicable dates. Paragraph (5) includes general rules.

Paragraph (6) sets forth defined terms. The definition of Eligible Domestic Partner applies solely to a Participant who was actively employed by or on an Authorized Leave of Absence from a member of the PepsiCo Organization on or after January 1, 2013 and before January 1, 2016.

(1) **On-Going Provisions.** For applicable dates on or after January 1, 2016, "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.

(a) **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.

(2) **June 26, 2013 through December 31, 2015 Provisions.**

(a) **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 the 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.

(b) State of Residence Allows Neither Civil Unions Nor Marriage. If the Participant does not have an Eligible Domestic Partner (and is not ineligible 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."

(3) 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 (2) 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.

(4) **Pre-2013 Provisions:** For applicable dates before January 1, 2013, "Eligible Domestic Partner" status was not available in the Plan.

(5) **Additional Rules.** This paragraph (5) applies notwithstanding any provisions in the remainder of this definition of "Eligible Domestic Partner" to the contrary. The term "Eligible Domestic Partner" does not apply to a Participant's Eligible Spouse or 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.

(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 31st.

(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 1st 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 1st 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 - 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 - 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 spouse 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 spouse 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 $\frac{3}{12}$ ^{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 - 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 - 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 15th 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 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) **Nonspouse Beneficiaries.** If a Participant's beneficiary is not his Eligible Spouse, he may not elect:

(1) The 100 percent survivor option described in Section 6.1(b)(2) with a nonspouse 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 nonspouse 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.

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 Band 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

As Amended and Restated
Effective as of April 1, 2016
(With Amendments Through December 12, 2016)

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 1st 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 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 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.

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 spouse, or if the Participant is not married at the time of his or her death, to his or her estate. The Plan Administrator shall determine whether a Participant is "married" and shall determine a Participant's "spouse" based on the state or local law where

the Participant has his or her primary residence at the time of death. 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 15th 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.

ARTICLE XII – SIGNATURE

This Plan is hereby amended and restated to be effective as of April 1, 2016, this 12th day of December, 2016.

PEPSICO, INC.

By: /s/ Cynthia M. Trudell

Cynthia M. Trudell

Executive Vice President, Human Resources and Chief Human Resources Officer

APPROVED:

By: /s/ Stacy DeWalt Grindal

Stacy DeWalt Grindal

Senior Legal Director

Employee Benefits Counsel

Date: December 12, 2016

APPENDIX A – MERGER OF PGB SUPPLEMENTAL SAVINGS PLAN

A.1 Scope.

This Article sets forth special provisions applicable to amounts earned under the PGB 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 Band 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

DIRECTOR

DEFERRAL PROGRAM

Plan Document for the 409A Program
Amended and Restated Effective as of January 1, 2005
(with Revisions Adopted through February 2, 2017)

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ARTICLE I – INTRODUCTION

PepsiCo, Inc. (the "Company") established the PepsiCo Director Deferral Program (the "Plan") to permit Eligible Directors to defer certain compensation paid to them as Directors.

The Plan consists of two primary components, each of which is subject to separate documentation: (i) deferrals under the Plan that were earned and vested prior to the 2004-2005 Compensation Year (the "Pre-409A Program"), and (ii) deferrals under the Plan that were not earned and vested prior to the 2004-2005 Compensation Year (the "409A Program"). The 409A Program is governed by this document. The Pre-409A Program is governed by a separate set of documents. Except as otherwise provided herein, this document reflects the provisions in effect from and after January 1, 2005, and the rights and benefits of individuals who are Participants in the Plan from and after that date (and of those claiming through or on behalf of such individuals) shall be governed by the provisions of this document in the case of actions and events occurring on or after January 1, 2005, with respect to deferrals that are subject to the 409A Program. For purposes of the preceding sentence, the term "actions and events" shall include all distribution trigger events and dates. The rights and benefits with respect to persons who only participated in the Plan prior to January 1, 2005 shall be governed by the applicable provisions of the Pre-409A Program documents that were in effect at such time, and shall not be governed by the 409A Program documents.

The Plan was restated on March 10, 2011. This restatement amended the Plan's rules regarding installment payment options by (i) adding a 10-year installment payment option to the Plan, and (ii) eliminating the prohibition on the payment of installments after a Participant has attained age 80. The restatement also extended the minimum deferral period for elective deferrals to the first day of the Plan Year following the date that is 12 months after the date the Director Compensation would otherwise be payable to the Participant. All of these changes are effective for deferral elections made on and after March 11, 2011.

The document for the 409A Program was restated as of September 19, 2012. This restatement reflected changes in the Company's payment of Retainer Compensation, which shifted from payment annually in advance (on each October 1) to semiannually in arrears (with the first payment in arrears to be made in December 2013 for services as a Director during the period June 1, 2013 to November 30, 2013).

The document for the 409A Program was most recently restated as of February 2, 2017. This restatement reflected the shift in responsibility of reviewing and reporting on director compensation from the Nominating and Corporate Governance Committee to the Compensation Committee approved by the Board of Directors on November 17, 2016.

Together, the documents for the 409A Program and the documents 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 permit the Pre-409A Program to remain exempt from Section 409A and the administration of the Plan shall be consistent with this intent.

For federal income tax purposes, the Plan is intended to be a nonqualified unfunded deferred compensation plan that is unfunded and unsecured. For purposes of ERISA, the Plan is intended to be exempt from ERISA coverage as a plan that solely benefits non-employees (or alternatively, 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).

ARTICLE II – DEFINITIONS

When used in this Plan, the following underlined terms shall have the meanings set forth below unless a different meaning is plainly required by the context:

2.01 Account:

The account maintained for a Participant on the books of the Company to determine, from time to time, the Participant's interest under this Plan. The balance in such Account shall be determined by the Plan Administrator. Each Participant's Account shall consist of at least one Deferral Subaccount for each separate deferral under Section 4.01. The Recordkeeper may also establish such additional Deferral Subaccounts as it deems necessary for the proper administration of the Plan. The Recordkeeper may also combine Deferral Subaccounts to the extent it deems separate accounts are not needed for sound recordkeeping. Where appropriate, a reference to a Participant's Account shall include a reference to each applicable Deferral Subaccount that has been established thereunder.

2.02 Act:

The Securities Exchange Act of 1934, as amended from time to time.

2.03 Beneficiary:

The person or persons (including a trust or trusts) properly designated by a Participant, as determined by the Plan Administrator, to receive the amounts in one or more of the Participant's Deferral Subaccounts in the event of the Participant's death in accordance with Section 4.02(c).

2.04 Code:

The Internal Revenue Code of 1986, as amended from time to time.

2.05 Company:

PepsiCo, Inc., a corporation organized and existing under the laws of the State of North Carolina, or its successor or successors.

2.06 Compensation Year:

The 12-month period of time for which Directors are paid Retainer Compensation for their services on the Board of Directors.

(a) Period Effective June 1, 2013. Effective June 1, 2013 (but subject to subsection (c) below), the applicable 12-month period shall begin on June 1 in one calendar year and shall continue until May 31 of the following calendar year.

(b) Period Effective Prior to June 1, 2013. Prior to June 1, 2013 (but subject to subsection (c) below), the applicable 12-month period is the period that begins on October 1 in one calendar year and continues until September 30 of the following calendar year.

(c) Transition Provision. To preserve the applicability of elections made by Directors during 2011 ("2011 electing Directors") in accordance with their original terms, Retainer Compensation payable to a 2011 electing Director for services provided from October 1, 2012 through September 30, 2013 shall be treated as Retainer Compensation that is and remains subject to the 2011 electing Director's election that was made in 2011. As a result of this transitional preservation of such elections, the Plan will be administered:

(1) With respect to such deferral elections of Retainer Compensation, and

(2) For purposes of the effective date provisions of Sections 4.01 and 4.02 with respect to 2011 electing Directors,

by applying a full 12-month Compensation Year from October 1, 2012 to September 30, 2013, a short Compensation Year from October 1, 2013 to May 31, 2014, and then a full 12-month Compensation Year from June 1, 2014 to May 31, 2015. The Compensation Years applied under the prior sentence shall also be applied for purposes of the effective date provisions

2.07 Deferral Subaccount:

A subaccount of a Participant's Account maintained to reflect his or her interest in the Plan attributable to each deferral (or separately tracked portion of a deferral) of Director Compensation, and earnings or losses credited to such subaccount in accordance with Section 5.01(b).

2.08 Director:

A person who is a member of the Board of Directors of the Company and who is not currently an employee of the PepsiCo Organization.

2.09 Director Compensation:

Direct monetary remuneration to the extent payable (if not deferred) in cash in U.S. dollars to the Eligible Director by the Company, as well as compensation from the Company for services as a Director that the Company requires be deferred under Section 4.05 as a Mandatory Deferral. Director Compensation shall not include the amount of any reimbursement by the Company for expenses incurred by the Eligible Director in the discharge of his or her duties as a member of the Board of Directors of the Company. Subject to the next sentence, the Director Compensation shall be limited to the amount due an Eligible Director for the discharge of his or her duties as a member of the Board of Directors of the Company, and shall be reduced for any applicable tax levies, garnishments and other legally required deductions. Notwithstanding the preceding sentence, an Eligible Director's Director Compensation may be reduced by an item described in the preceding sentence only to the extent such reduction does not violate Section 409A. Director Compensation is composed of Retainer Compensation and Mandatory Deferrals.

2.10 Disability:

A Participant shall be considered to suffer from a Disability, if, in the judgment of the Recordkeeper (based on the provisions of Section 409A and any guidelines established by the Plan Administrator for this purpose), the Participant –

(a) Is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or

(b) By reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, is receiving income replacement benefits for a period of not less than 3 months under an accident and health plan of the Company.

Solely for those Participants who are otherwise eligible for Social Security, a Participant who is determined to be totally disabled by the Social Security Administration will be deemed to satisfy the requirements of Subsection (a), and a Participant who has not been determined to be totally disabled by the Social Security Administration will be deemed to not meet the requirements of Subsection (a).

2.11 Distribution Valuation Date:

Each date as specified by the Plan Administrator from time to time as of which Participant Accounts are valued for purposes of a distribution from a Participant's Account. The current Distribution Valuation Dates are January 1, April 1, July 1 and October 1. 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 following business day.

2.12 Election Form:

The form prescribed by the Plan Administrator on which a Participant specifies:

(a) In the case of an initial election, either (i) the amount of his or her Retainer Compensation to be deferred and the timing and form of his or her related deferral payout, or (ii) the form of payout for his or her Mandatory Deferral, in each case pursuant to the provisions of Article IV, and

(b) In the case of a Second Look Election, the revised timing and form of his or her deferral that is the subject of the Second Look Election, pursuant to the provisions of Section 4.04.

An Election Form need not exist in a paper format, and it is expressly authorized that the Plan Administrator may make available for use such technologies, including voice response systems, Internet-based forms and any other electronic forms, as it deems appropriate from time to time.

2.13 Eligible Director:

The term “Eligible Director” shall have the meaning given to it in Section 3.01(b).

2.14 ERISA:

Public Law 93-406, the Employee Retirement Income Security Act of 1974, as amended from time to time.

2.15 Fair Market Value:

For purposes of converting a Participant’s deferrals to phantom PepsiCo Common Stock as of any date, the Fair Market Value of such stock is the closing price on such date (or if such date is not a trading date, the first date immediately following such date that is a trading date) for PepsiCo Common Stock as reported on the composite tape for securities listed on the New York Stock Exchange, Inc., rounded to four decimal places. For purposes of determining the value of a Plan distribution, the Fair Market Value of phantom PepsiCo Common Stock is determined as the closing price on the applicable Distribution Valuation Date for PepsiCo Common Stock as reported on the composite tape for securities listed on the New York Stock Exchange, Inc., rounded to four decimal places.

2.16 409A Program:

The term “409A Program” shall have the meaning given to it in Article I.

2.17 Key Employee:

The individuals identified in accordance with the principles set forth below.

(a) 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 5-percent owner of any member of the PepsiCo Organization; or

(3) A 1-percent owner of any member of the PepsiCo Organization having annual compensation of more than \$150,000.

For purposes of (1) 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) and the applicable regulations and other guidance of general applicability issued thereunder or in connection therewith (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.

(b) Applicable Year. The Plan Administrator shall determine Key Employees as of the last day of each calendar year (the “determination date”), based on compensation for such year, and the designation for a particular determination date shall be effective for purposes of this Plan for the twelve month period commencing on April 1 of the next following calendar year (*e.g.*, the Key Employees determined by the Plan Administrator as of December 31, 2008, shall apply to the period from April 1, 2009, to March 31, 2010).

(c) Rule of Administrative Convenience. Effective on and after January 1, 2008, in addition to the foregoing, the Plan Administrator shall treat all other employees classified as Band IV and above on the applicable determination date prescribed in subsection (b) as Key Employees for purposes of the Plan for the twelve month period commencing on April 1st of the next following calendar year, 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 subsection (c) in order by their base compensation, from the lowest to the highest.

2.18 Mandatory Deferral:

The term “Mandatory Deferral” shall have the meaning given to it in Section 4.05.

2.19 Participant:

Any Director who is qualified to participate in this Plan in accordance with Section 3.01 and who has an Account. A Director or former Director who became a Participant in accordance with the preceding sentence shall remain a Participant until his or her participation terminates in accordance with Section 3.03. An active Participant is one who is currently deferring under Section 4.01.

2.20 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.

2.21 Plan:

The PepsiCo Director Deferral Program, comprised of (i) the 409A Program set forth herein and (ii) the Pre-409A Program set forth in a separate set of documents, as each may be amended and restated from time to time (subject to the limitations on amendment that are applicable hereunder and under the Pre-409A Program).

2.22 Plan Administrator:

The Board of Directors of the Company or its delegate or delegates, which shall have the authority to administer the Plan as provided in Article VII. As of the Effective Date, the Company's Senior Vice President, Total Rewards is delegated the responsibility for the operational administration of the Plan. In turn, the Senior Vice President, Total Rewards has the authority to re-delegate operational responsibilities to other persons or parties. As of the Effective Date, the Senior Vice President, Total Rewards has re-delegated certain operational responsibilities to the Recordkeeper. However, references in this document to the Plan Administrator shall be understood as referring to the Board of Directors, the Senior Vice President, Total Rewards and those delegated by the Senior Vice President, Total Rewards other than the Recordkeeper. All delegations made under the authority granted by this Section are subject to Section 7.06.

2.23 Plan Year:

The 12-consecutive month period beginning on January 1 and ending on December 31.

2.24 Pre-409A Program:

The term "Pre-409A Program" shall have the meaning given to it in Article I.

2.25 Recordkeeper:

For any designated period of time, the party (which may include the Company's Compensation Department) 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.

2.26 Retainer Compensation:

Director Compensation that is payable in cash as a retainer for general services as a Director, as well as additional amounts payable in cash for Director activities such as service as the chair of a committee of the Company's Board of Directors. Director Compensation that is a Mandatory Deferral is not Retainer Compensation.

2.27 Second Look Election:

The term "Second Look Election" shall have the meaning given to it in Section 4.04.

2.28 Section 409A:

Code Section 409A and the applicable regulations and other guidance of general applicability that are issued thereunder.

2.29 Separation from Service:

A Participant's separation from service as defined in Section 409A; provided that for purposes 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 the Participant also provides services other than as a Director 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). The term may also be used as a verb (*i.e.*, "Separates from Service") with no change in meaning.

2.30 Specific Payment Date:

A specific date selected by an Eligible Director that triggers a lump sum payment of a deferral or the start of installment payments for a deferral, as specified in Section 4.03 or 4.04. The Specific Payment Dates that are available to be selected by Eligible Directors shall be determined by the Plan Administrator. With respect to any deferral, the currently available Specific Payment Date(s) shall be the date or dates reflected on the Election Form or the Second Look Election Form that is made available by the Plan Administrator for the deferral. In the event that an Election Form or Second Look Election Form only provides for selecting a month and a year as the Specific Payment Date, the first day of the month that is selected shall be the Specific Payment Date. As of the Effective Date, the Specific Payment Date is January 1 of the year specified by the Eligible Director.

2.31 Unforeseeable Emergency:

A severe financial hardship to the Participant resulting from –

(a) An illness or accident of the Participant, the Participant's spouse, the Participant's Beneficiary or the Participant's dependent (as defined in Code Section 152(a) without regard to Code Sections 152(b)(1), 152(b)(2) and 152(d)(1)(B));

(b) Loss of the Participant's property due to casualty (including, effective January 1, 2009, the need to rebuild a home following damage to the home not otherwise covered by insurance); or

(c) Any other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

The Recordkeeper shall determine the occurrence of an Unforeseeable Emergency in accordance with Treas. Reg. §1.409A-3(i)(iii) and any guidelines that may be established by the Plan Administrator.

2.32 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. The Plan Administrator may change the Valuation Dates for future deferrals at any time before the election to make such deferrals becomes irrevocable under the Plan. The Plan Administrator may change the Valuation Dates for existing deferrals only to the extent that such change is permissible under Section 409A.

ARTICLE III – ELIGIBILITY AND PARTICIPATION

3.01 Eligibility to Participate:

(a) An individual shall be eligible to defer compensation under the Plan during the period that he or she is a Director hereunder.

(b) During the period an individual satisfies the eligibility requirements of this Section, he or she shall be referred to as an Eligible Director.

(c) Each Eligible Director shall become an active Participant on the earlier of the date an amount is first withheld from his or her compensation pursuant to an Election Form submitted by the Director to the Plan Administrator under Section 4.01 or, effective October 1, 2007, the date on which a Mandatory Deferral is first credited to the Plan on his or her behalf under Section 4.05.

3.02 Termination of Eligibility to Defer:

An individual's eligibility to participate actively by making deferrals under Section 4.01 shall cease as soon as administratively practicable following the date he or she ceases to be a Director.

3.03 Termination of Participation:

An individual, who has been an active Participant under the Plan, ceases to be a Participant on the date his or her Account is fully paid out.

ARTICLE IV – DEFERRAL OF COMPENSATION

4.01 Deferral Election:

(a) Each Eligible Director may make an election to defer under the Plan in 10% increments up to 100% of his or her Retainer Compensation for an applicable period in the manner described in Section 4.02. Such election to defer shall apply to Retainer Compensation in accordance with paragraph (1) or (2) below, whichever applies as of the time in question.

(1) Effective for Compensation Years beginning on or after October 1, 2013 (October 1, 2012, for a Director joining the Board after 2011), a Director's deferral election shall apply to Retainer Compensation that, in the absence of a deferral election, would be paid to the Director during a single calendar year. A newly Eligible Director may only defer the portion of his or her Retainer Compensation, which otherwise would be payable in the calendar year in which he or she becomes an Eligible Director, to the extent that it is earned for services performed after the date of his or her election. For this purpose, if a valid Election Form is received prior to the date on which the Eligible Director becomes a Director and the Election Form is effective under Section 4.02 as of the date on which the Eligible Director becomes a Director, then the Director shall be deemed to earn all of his or her Retainer Compensation for the calendar year in which he or she becomes an Eligible Director after the date of the election; otherwise, only Retainer Compensation earned for months that begin after when the newly Eligible Director's Election Form is received are subject to deferral. Any Retainer Compensation deferred by an Eligible Director for a calendar year will be deducted on each payment date during the calendar year for which he or she has Retainer Compensation and is an Eligible Director. In accordance with the default rule in Treasury Regulation § 1.409A-2(a)(13), Retainer Compensation that is paid – (i) following the end of a calendar year (in accordance with normal payment timing arrangements for the payroll period that contains the last day of such calendar year), and (ii) for services performed during such calendar year, shall be treated as Retainer Compensation for services performed during the following calendar year (and will be subject to deferral only in accordance with a deferral election for such following calendar year).

(2) Effective for Compensation Years beginning before October 1, 2013 (October 1, 2012, for a Director joining the Board after 2011), a Director's deferral election shall apply to Retainer Compensation that is earned for services performed in the corresponding Compensation Year. A newly Eligible Director may only defer the portion of his or her eligible Retainer Compensation for the Compensation Year in which he or she becomes an Eligible Director that is earned for services performed after the date of his or her election. For this purpose, if a valid Election Form is received prior to the date on which the Eligible Director becomes a Director and the Election Form is effective under Section 4.02 as of the date on which the Eligible Director becomes a Director, then the Director shall be deemed to receive all of his or her Retainer Compensation for the Compensation Year in which he or she becomes an Eligible Director after the date of the election. Any Retainer Compensation deferred by an Eligible Director for a Compensation Year will be deducted for each payment period during the Compensation Year for which he or she has Retainer Compensation and is an Eligible Director. Retainer

Compensation paid after the end of a Compensation Year for services performed during such initial Compensation Year shall be treated as Director Compensation for services performed during such initial Compensation Year.

(b) To be effective, an Eligible Director's Election Form must set forth the percentage of Retainer Compensation to be deferred and any other information that may be requested by the Plan Administrator from time to time. In addition, the Election Form must meet the requirements of Section 4.02.

4.02 Time and Manner of Deferral Election:

(a) Deferral Election Deadlines. An Eligible Director must make a deferral election for Retainer Compensation in accordance with paragraph (1) or (2) below, whichever applies as of the time in question.

(1) Effective for Compensation Years beginning on or after October 1, 2013 (October 1, 2012, for a Director joining the Board after 2011), a Director's deferral election for Retainer Compensation shall be made no later than November 15 of the calendar year that immediately precedes the calendar year in which such Retainer Compensation would be paid in the absence of a deferral election. If November 15 of such calendar year is not a business day, then the deferral election must be made by the first business day following November 15 of such year. A newly Eligible Director may submit an Election Form (i) prior to becoming an Eligible Director, or (ii) on or after becoming an Eligible Director, but any form submitted must be received within 30 days of when he or she first becomes an Eligible Director (and such Election Form will be effective immediately upon receipt or, if later, the commencement of the individual's status as an Eligible Director).

(2) Effective for Compensation Years beginning before October 1, 2013 (October 1, 2012, for a Director joining the Board after 2011), a Director's deferral election for Retainer Compensation earned for services performed in a Compensation Year shall be made no later than December 31 of the calendar year immediately prior to the beginning of the Compensation Year (although the Plan Administrator may adopt policies that encourage or require earlier submission of election forms). If December 31 of such year is not a business day, then the deadline for deferral elections will be the first business day preceding December 31 of such year. In addition, an individual, who has been nominated for Director status, must submit an Election Form prior to becoming an Eligible Director or otherwise prior to rendering services as an Eligible Director, and such Election Form will be effective immediately upon commencement of the individual's status as an Eligible Director or otherwise upon commencement of his or her services as an Eligible Director.

(b) General Provisions. A separate deferral election under subsection (a) above must be made by an Eligible Director in accordance with paragraph (1) or (2) below, whichever applies as of the time in question.

(1) Effective for Compensation Years beginning on or after October 1, 2013 (October 1, 2012, for a Director joining the Board after 2011), a separate deferral election under subsection (a) above must be made by an Eligible Director for each calendar year's Retainer Compensation. If a properly completed and executed Election Form is not actually received by the Plan Administrator (or, if authorized by the Plan Administrator for this purpose, the Recordkeeper) by the time prescribed in subsection (a)(1) above, the Eligible Director will be deemed to have elected not to defer any Retainer Compensation for the applicable calendar year. Except as provided in the next sentence, an election is irrevocable once received and determined by the Plan Administrator to be properly completed (and such determination shall be made not later than the last date for making the election in question). Increases or decreases in the amount or percentage an Eligible Director elects to defer for a calendar year shall not be permitted from and after the beginning of the calendar year to which the deferral election applies (or in the case of a Newly Eligible Director's first calendar year, from and after the effective date of his or her deferral election for such calendar year). Notwithstanding the preceding sentence, if an Eligible Director receives a distribution on account of an Unforeseeable Emergency pursuant to Section 6.06, the Plan Administrator may cancel the Eligible Director's deferral election for the calendar year in which such distribution occurs. If an election is cancelled because of a distribution on account of an Unforeseeable Emergency, such cancellation shall permanently apply to the deferral election for such calendar year, and the Director may be eligible to make a new deferral election only for a subsequent calendar year (and only as permitted by the rules in Sections 4.01 and 4.02).

(2) Effective for Compensation Years beginning before October 1, 2013 (October 1, 2012, for a Director joining the Board after 2011), a separate deferral election under subsection (a) above must be made by an Eligible Director for each Compensation Year's Retainer Compensation that is eligible for deferral. If a properly completed and executed Election Form is not actually received by the Plan Administrator (or, if authorized by the Plan Administrator for this purpose, the Recordkeeper) by the time prescribed in subsection (a)(2) above, the Eligible Director will be deemed to have elected not to defer any Retainer Compensation for the applicable Compensation Year. Except as provided in the next sentence, an election is irrevocable once received and determined by the Plan Administrator to be properly completed (and such determination shall be made not later than the last date for making the election in question). Increases or decreases in the amount or percentage an Eligible Director elects to defer shall not be permitted from and after the beginning of the calendar year during which the applicable Compensation Year begins (or in the case of a Newly Eligible Director's first Compensation Year, from and after the date he or she becomes an Eligible Director); provided that if an Eligible Director receives a distribution on account of an Unforeseeable Emergency pursuant to Section 6.06, the Plan Administrator may cancel the Eligible Director's deferral election for the year in which such distribution occurs. If an election is cancelled because of a distribution on account of an Unforeseeable Emergency, such cancellation shall permanently apply to the deferral election for such year, and the Director may be eligible to make a new deferral election only for a subsequent year (and only as permitted by the rules in Sections 4.01 and 4.02).

(c) Beneficiaries. A Participant may designate on the Election Form (or in some other 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 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) as the Plan Administrator shall require from time to time. The Beneficiary designation must also be filed with the Plan Administrator (or Recordkeeper, if designated by the Plan Administrator for this purpose) prior to the Participant's death. An incomplete Beneficiary designation, as determined by the Plan Administrator (or Recordkeeper, if designated by the Plan Administrator for this purpose), shall be void and of no effect. In determining whether a Beneficiary designation that relates to the Plan is in effect, unrevoked designations that were received under the Pre-409A Program or prior to the Effective Date shall be considered. 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 Plan Administrator (or Recordkeeper, if designated by the Plan Administrator for this purpose) 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 Account (if any) for which percentages have not been designated. At any time, a Participant may change a Beneficiary designation for his or her Account in a writing that is signed by the Participant and filed with the Plan Administrator (or Recordkeeper, if designated by the Plan Administrator for this purpose) 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 Account ceases to be a Beneficiary when all payments have been made from the Account.

4.03 Period of Deferral; Form of Payment:

(a) Period of Deferral. An Eligible Director making a deferral election shall specify a deferral period on his or her Election Form by designating either a Specific Payment Date or the date he or she incurs a Separation from Service. Solely for elections made prior to March 11, 2011, an Eligible Director's Specific Payment Date shall not be later than his or her 80th birthday (and the specification of such a later date shall be deemed instead to specify the Director's 80th birthday as the Specific Payment Date). In addition, an Eligible Director shall be deemed to have elected a period of deferral of not less than the first day of the Plan Year after (i) for elections made on or after March 11, 2011, the date that is 12 months after the date the Retainer Compensation would have been paid absent the deferral, and (ii) for elections made prior to March 11, 2011, the end of the Plan Year during which the Director Compensation would have been paid absent the deferral. If the Specific Payment Date selected by an Eligible Director would result in a period of deferral that is less than the minimum, the Eligible Director shall be deemed to have selected a Specific Payment Date equal to the minimum period of deferral as provided in the preceding sentence. If an Eligible Director fails to affirmatively designate a period of deferral on his or her Election Form, he or she shall be deemed to have specified the date on which he or she incurs a Separation from Service.

(b) Form of Payment. This subsection (b) is effective for elective deferral elections filed for Compensation Years beginning from and after October 1, 2009; see the Appendix for rules applicable prior to that date.

(1) Elections on or After March 11, 2011. Effective for elections made on or after March 11, 2011, an Eligible Director making a deferral election shall specify a form of payment on his or her Election Form by designating either a lump sum payment or annual installment payments to be paid over a period 5 or 10 years.

(2) Elections Prior to March 11, 2011. Effective for elections made prior to March 11, 2011, an Eligible Director making a deferral election shall specify a form of payment on his or her Election Form by designating either a lump sum payment or annual installment payments to be paid over a period of 5 years but not later than the Eligible Director's 80th birthday. If the Eligible Director elects installment payments and the installments would otherwise extend beyond the Eligible Director's 80th birthday, such election shall be treated as an election for installments over a period of whole and partial years that ends on the Eligible Director's 80th birthday; provided that the amounts to be distributed in connection with the installments prior to the Eligible Director's 80th birthday shall be determined in accordance with Section 6.08 by assuming that the installments shall continue for the full number of installments with the entire remaining amount of the relevant Deferral Subaccount distributed on the Eligible Director's 80th birthday.

If an Eligible Director fails to make a form of payment election for a deferral under paragraphs (1) or (2) above, he or she shall be deemed to have elected a lump sum payment. Initial form of payment elections for Mandatory Deferrals are governed by Section 4.05.

4.04 Second Look Election:

(a) General. Subject to Subsection (b) below, a Participant who has made a valid initial deferral in accordance with the foregoing provisions of this Article may subsequently make another one-time election regarding the time and/or form of payment of his or her deferral. This opportunity to modify the Participant's initial election is referred to as a "Second Look Election."

(b) Requirements for Second Look Elections. A Second Look Election must be made on an Election Form that the Plan Administrator provides for this purpose, and it must comply with all of the following requirements:

(1) If a Participant's initial election specified payment based on a Specific Payment Date, the Participant may only make a Second Look Election if the election is made at least 12 months before the Participant's original Specific Payment Date. In addition, in this case the Participant's Second Look Election must provide for a new Specific Payment Date that is at least 5 years after the original Specific Payment Date. For Second Look Elections made prior to March 11, 2011, if the Specific Payment Date applicable pursuant to the Second Look Election is after the Participant's 80th birthday, either by the Participant's choice or if necessary to comply with the 5-year rule stated above, the Second Look Election is void.

(2) If a Participant's initial election specified payment based on the Participant's Separation from Service, the Participant may only make a Second Look Election if the election is made at least 12 months before the Participant's Separation from Service. In addition, in this case the Participant must elect a new Specific Payment Date that turns out to be at least 5 years after the Participant's Separation from Service. If the new Specific Payment Date selected in the Second Look Election turns out to be less than five years after the Participant's Separation from Service, the Second Look Election is void.

(3) A Participant may make only one Second Look Election for each individual deferral, and each Second Look Election must comply with all of the relevant requirements of this Section.

(4) A Participant who uses a Second Look Election to change the form of the Participant's payment from a lump sum to installments shall be subject to the rules for installment payment elections in Sections 4.03(b)(1) and (2), and such installment payments must begin no earlier than 5 years after when the lump sum payment would have been paid based upon the Participant's initial election.

(5) If a Participant's initial election specified payment in the form of installments and the Participant wants to elect instead payment in a lump sum, the earliest payment date of the lump sum must be no earlier than 5 years after the first payment date that applied under the Participant's initial installment election.

(6) For purposes of this Section and compliance with Section 409A, all of a Participant's installment payments related to a specific deferral election shall be treated as a single payment.

A Second Look Election will be void and payment will be made based on the Participant's original election under Section 4.03 if all of the relevant provisions of this subsection (b) are not satisfied in full. However, if a Participant's Second Look Election becomes effective in accordance with the provisions of subsection (b), the Participant's original election shall be superseded (including any Specific Payment Date specified therein), and the original election shall not be taken into account with respect to the deferral that is subject to the Second Look Election.

(c) Plan Administrator's Role. Each Participant has the sole responsibility to elect a Second Look Election by contacting the Plan Administrator (or, if authorized by the Plan Administrator, the Recordkeeper) and to comply with the requirements of this Section. The Plan Administrator or the Recordkeeper may provide a notice of a Second Look Election opportunity to some or all Participants, but the Recordkeeper and Plan Administrator is under no obligation to provide such notice (or to provide it to all Participants, in the event a notice is provided only to some Participants). The Recordkeeper and the Plan Administrator have no discretion to waive or otherwise modify any requirement for a Second Look Election set forth in this Section or in Section 409A.

4.05 Mandatory Deferrals:

(a) General. As provided in this Section, the Board of Directors of the Company may require that Director Compensation be deferred under the Plan. Such portion of an Eligible Director's Director Compensation that the Board of Directors of the Company requires to be deferred under this Section 4.05 shall be referred to as a "Mandatory Deferral."

(b) Time for Committee's Determination. To be effective hereunder, any determination by the Board of Directors of the Company to require a Mandatory Deferral of a portion of an Eligible Director's Director Compensation must be made no later than the December 31 immediately preceding the calendar year in which the Eligible Director performs the services to which such Director Compensation relates (or, to the extent the Eligible Director is not permitted to make any payment election with respect to such Mandatory Deferral and it would result in a later deadline, immediately prior to the time the Eligible Director first has a legally binding right to such Director Compensation). As of such date or time, the determination by the Board of Directors of the Company to require the deferral of the Director Compensation shall be irrevocable. Any Mandatory Deferral shall be credited to a separate Deferral Subaccount that is maintained for such Mandatory Deferral.

(c) Current Mandatory Deferrals. Pursuant to a September 14, 2007 resolution of the Board of Directors of the Company, a Mandatory Deferral of \$150,000 shall be credited as of October 1 of each year to each individual who is an Eligible Director on such October 1, commencing with a Mandatory Deferral on October 1, 2007; provided that (1) a Director newly appointed or elected to the Board of Directors of the Company shall be credited with a pro-rated Mandatory Deferral as of the commencement date of his or her status as a Director, with such pro-rated amount determined by multiplying such Mandatory Deferral by the ratio of the number of full and partial quarters remaining during the Applicable 12-Month Period (as defined below) as of such commencement date over four, and (2) the Board of Directors of the Company retains the discretion to change the amount subject to Mandatory Deferral or eliminate Mandatory Deferrals entirely with respect to Applicable 12-Month Periods after the 2007-2008 Compensation Year. At the same time, any such discretion shall not alter the determination to defer Director Compensation to the extent such determination has become irrevocable with respect to specific Director Compensation in accordance with subsection (b) above. However, the preceding sentence shall not limit the discretion of the Company's Board of Directors to forfeit outright specific Director Compensation. For purposes of this Section, "Applicable 12-Month Period" shall mean the 12-month period that begins on October 1 of a year and ends on September 30 of the following year.

(d) Time and Form of Payment. Each Mandatory Deferral shall be distributed in accordance with Section 6.07. The Eligible Director shall specify the form of payment of each of his or her Mandatory Deferrals in accordance with the following:

(1) Elections on or After March 11, 2011. Effective for elections made on or after March 11, 2011, an Eligible Director shall designate either a lump sum payment or annual installment payments to be paid over a period of 5 or 10 years.

(2) Elections Prior to March 11, 2011. Effective for elections made prior to March 11, 2011, an Eligible Director shall designate either a lump sum payment or annual installment payments to be paid over a period of 5 years. Installments are not available if the first installment would begin on or after the Eligible Director's 80th birthday. If the Eligible Director elects installment payments and the installments would otherwise begin before and extend beyond the Eligible Director's 80th birthday, such election shall be treated as an election for installments over a period of whole and partial years that ends on the Eligible Director's 80th birthday; provided that the amounts to be distributed in connection with the installments prior to the Eligible Director's 80th birthday shall be determined in accordance with Section 6.08 by assuming that the installments shall continue for the full number of installments, with the entire remaining amount of the relevant Deferral Subaccount distributed on the Eligible Director's 80th birthday. No such election shall be permitted for the Mandatory Deferral for the 2007-2008 Compensation Year.

If permitted under paragraphs (1) or (2) above, an Eligible Director shall make a form of payment election with respect to a Mandatory Deferral no later than December 31 immediately preceding the calendar year in which the Eligible Director provides the services to which the Mandatory Deferral relates (although the Plan Administrator may adopt policies that encourage or require earlier submission of election forms). In addition, an individual shall not be eligible to make a form of payment election for a Mandatory Deferral granted to an individual for his first Applicable 12-Month Period as an Eligible Director, unless such individual submits the election prior to becoming an Eligible Director or otherwise prior to rendering services as an Eligible Director, and then such election shall be effective immediately upon commencement of the individual's status as an Eligible Director or otherwise upon commencement of his or her services as an Eligible Director. If an Eligible Director does not (or is not permitted to) make a form of payment election for a Mandatory Deferral, the Mandatory Deferral shall be paid in a lump sum. The Eligible Director shall be entitled to elect to change the time and form of payment in accordance with Section 4.04 only to the extent expressly permitted by the Board of Directors.

ARTICLE V – INTERESTS OF PARTICIPANTS

5.01 Accounting for Participants' Interests:

(a) Deferral Subaccounts. Each Participant shall have at least one separate Deferral Subaccount for each separate deferral of Director Compensation made by or for the Participant under this Plan. A Participant's deferral shall be credited as of the date of the deferral to his or her Account as soon as administratively practicable following the date the compensation would be paid in the absence of a deferral (or as specified in Section 4.05, in the case of a Mandatory Deferral). A Participant's Account is a bookkeeping device to track the value of the Participant's deferrals and the Company's liability therefor. No assets shall be reserved or segregated in connection with any Account, and no Account shall be insured or otherwise secured.

(b) Account Earnings or Losses. As of each Valuation Date, a Participant's Account shall be credited with earnings and gains (and shall be debited for expenses and losses) determined as if the amounts credited to the Participant's Account had actually been invested 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 Account and the amount of the Company's liability to make deferred payments to or on behalf of the Participant.

5.02 Phantom Investment of Account:

(a) General. Each of a Participant's Deferral Subaccounts shall be invested on a phantom basis as provided in this Section.

(1) Participants Who Are Currently Directors. The Deferral Subaccounts of a Participant who is currently a Director shall be invested on a phantom basis solely in PepsiCo Common Stock pursuant to subsection (b) below.

(2) All Other Participants. Not before the later of a Participant's diversification date (as defined below) and March 11, 2011, the Deferral Subaccounts of a Participant who ceases to be a Director may be invested on a phantom basis in any combination of phantom investment options specified by the Participant (or following the Participant's death, by his or her Beneficiary) from the option in subsection (b) and those options offered by the Plan Administrator under subsection (c) below for this purpose from time to time. A Participant's diversification date shall be the first day of the calendar quarter beginning after the first anniversary of when he or she ceases to be a Director. Prior to the later of a Participant's diversification date and March 11, 2011, the Deferral Subaccounts of a Participant who ceases to be a Director shall be invested on a phantom basis solely in PepsiCo Common Stock pursuant to subsection (b) below. The effective date of an investment election that is permissible under this subsection is determined under subsection (d) below.

(3) Participants Who Return to Director Status. If a former Director subsequently returns to Director status, deferrals made during the period prior to his or

her return to Director status shall be subject to paragraph (2) above, and deferrals made during the period in which he or she is again a Director shall be subject to paragraph (1) above.

(b) Phantom PepsiCo Common Stock. Participant Accounts invested in this phantom option are adjusted to reflect an investment in PepsiCo Common Stock. An amount deferred into this option is converted to phantom shares (or units) of PepsiCo Common Stock of equivalent value by dividing such amount by the Fair Market Value of a share of PepsiCo Common Stock (or of a unit in the Account) on the Valuation Date as of which the amount is treated as invested in this option by the Plan Administrator. The Plan Administrator shall adopt a fair valuation methodology for valuing a phantom investment in this option, such that the value shall reflect the complete value of an investment in PepsiCo Common Stock in accordance with the following paragraphs below.

(1) The Plan Administrator shall value a phantom investment in PepsiCo Common Stock pursuant to an accounting methodology which unitizes partial shares as well as any amounts that would be received by the Account as dividends (if dividends were paid on phantom shares/units of PepsiCo Common Stock as they are on actual shares of equivalent value). For the time period this methodology is chosen, partial shares and the above dividends shall be converted to units and credited to the Participant's investment in the phantom PepsiCo Common Stock.

(2) A Participant's interest in the phantom PepsiCo Common Stock is valued as of a Valuation Date by multiplying the number of phantom shares (or units) credited to his or her Account on such date by the Fair Market Value of a share of PepsiCo Common Stock (or of a unit in the Account) on such date.

(3) If shares of PepsiCo Common Stock change by reason of any stock split, stock dividend, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or any other corporate change treated as subject to this provision by the Plan Administrator, such equitable adjustment shall be made in the number and kind of phantom shares/units credited to an Account or Deferral Subaccount as the Plan Administrator may determine to be necessary or appropriate.

(4) In no event will shares of PepsiCo Common Stock actually be purchased or held under this Plan, and no Participant shall have any rights as a shareholder of PepsiCo Common Stock on account of an interest in this phantom option.

(c) Other Funds. From time to time, the Plan Administrator shall designate which (if any) other investment options shall be available as phantom investment options under the Plan. These 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 Account on such date by the NAV of a unit in such fund on such date. The Plan Administrator 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 such requirements as the Plan Administrator may apply).

(d) Fund Transfers. A Participant may reallocate previously deferred amounts in a Deferral Subaccount (to the extent subsection (c)'s phantom investment options are available for such amounts) by properly completing and submitting a fund transfer form provided by the Plan Administrator or Recordkeeper and specifying, in one percent increments, the reallocation of his or her Deferral Subaccount among the phantom investment options then offered by the Plan Administrator for this purpose. (The rules relating to non-paper formats for Election Forms shall also apply to the fund transfer form.) If a fund transfer form provides for investing less than or more than 100% of the Participant's Deferral Subaccount, it will be void and disregarded. Any transfer form that is not void under the preceding sentence shall be effective as of the Valuation Date next occurring after its receipt by the Recordkeeper, but the Plan Administrator or Recordkeeper may also specify a minimum number of days in advance of which such transfer form must be received in order for the form to become effective as of such next Valuation Date. If more than one fund transfer form is received on a timely basis, the form that the Plan Administrator or Recordkeeper determines to be the most recent shall be followed.

(e) Authority of Recordkeeper. Any valuation or other determination that is required to be made under this Section by the Plan Administrator may also be made by the Recordkeeper, if the Recordkeeper has been authorized by the Plan Administrator to make such valuation or determination.

(f) Phantom PepsiCo Common Stock Fund Restrictions. Notwithstanding the preceding provisions of this Section, the Plan Administrator may at any time alter the effective date of any investment or allocation involving the Phantom PepsiCo Common Stock Fund pursuant to Section 7.03(j) (relating to safeguards against insider trading). The Plan Administrator may also, to the extent necessary to ensure compliance with Rule 16b-3(f) of the Act, arrange for tracking of any such transaction defined in Rule 16b-3(b)(1) of the Act and bar any such transaction to the extent it would not be exempt under Rule 16b-3(f). The Company may also 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 needed (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. These provisions shall apply notwithstanding any provision of the Plan to the contrary except Section 7.07 (relating to compliance with Section 409A).

5.03 Vesting of a Participant's Account:

A Participant's interest in the value of his or her Account shall at all times be 100% vested, which means that it will not forfeit as a result of his or her Separation from Service.

5.04 Prohibited Misconduct.

(a) Effective for Mandatory Deferrals and elective deferrals of Director Compensation that are credited to the Plan during or subsequent to the 2011-2012 Compensation Year, a Participant who engages in "Prohibited Misconduct" shall, at the sole discretion of the Board of Directors of the Company (and in addition to any other remedies available to the Board and/or the Company), forfeit the entire amount in his or her Account attributable to – (i) Mandatory Deferrals of Director Compensation that are credited to the Plan during or subsequent to the 2011-2012 Compensation Year, including all current and future earnings and gains thereon, and (ii) all current and future earnings and gains attributable to elective deferrals of Director Compensation that are credited to the Plan during or subsequent to the 2011-2012 Compensation Year.

(b) For purposes of subsection (a) above, "Prohibited Misconduct" shall mean: (i) the use for profit or disclosure to unauthorized persons of confidential information or trade secrets of the Company; (ii) the breach of any contract with the Company or violation of any obligation to the Company, including, without limitation, a violation of the Company's Worldwide Code of Conduct; (iii) engaging in unlawful trading in the securities of the Company or of another company based on information gained as a result of the Participant's position with the Company; or (iv) the commission of a felony or other serious crime. Nothing contained in the Plan or in any other confidentiality provision to which the Participant may be subject as a result of the Participant serving as a Director, 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.

ARTICLE VI – DISTRIBUTIONS

6.01 General:

A Participant's Deferral Subaccount(s) shall be distributed as provided in this Article, subject in all cases to Section 7.03(j) (relating to safeguards against insider trading) and Section 7.06 (relating to compliance with Section 16 of the Act). All Deferral Subaccount balances shall be distributed in cash; provided, however, that effective for distributions made after September 12, 2008, the distribution of a Participant's interest in phantom PepsiCo Common Stock shall be paid in shares of PepsiCo Common Stock which will be deemed to have been distributed under the PepsiCo, Inc. 2007 Long Term Incentive Plan or any successor plan thereto and will count against the limit on the number of shares of PepsiCo Common Stock available for distribution thereunder. If the number of shares of PepsiCo Common Stock to be distributed is not a whole number of shares, the number of shares to be distributed will be rounded down to the closest whole number of shares and the remaining amount will be paid in cash based on the Fair Market Value of a share of PepsiCo Common Stock on the Distribution Valuation Date corresponding to the distribution. In no event shall any portion of a Participant's Account be distributed earlier or later than is allowed under Section 409A. The following general rules shall apply for purposes of interpreting the provisions of this Article VI.

(a) Section 6.02 (Distributions Based on a Specific Payment Date) applies when a Participant has elected to defer until a Specific Payment Date and the Specific Payment Date is reached before the Participant's Disability or death. If such a Participant dies prior to the Specific Payment Date, Section 6.04 shall apply to the extent it would result in an earlier distribution of all or part of a Participant's Account. If such a Participant becomes Disabled prior to the Specific Payment Date, Section 6.05 shall apply to the extent it would result in an earlier distribution of all or part of a Participant's Account.

(b) Section 6.03 (Distributions on Account of a Separation from Service) applies when a Participant has elected to defer until a Separation from Service and then the Participant Separates from Service (other than as a result of death). Subsections (c) and (d) of this Section provide for when Section 6.04 or 6.06 take precedence over Section 6.03.

(c) Section 6.04 (Distributions on Account of Death) applies when the Participant dies. If a Participant is entitled to receive or is receiving a distribution under Section 6.02 or 6.03 (see below) at the time of his or her death, Section 6.04 shall take precedence over those sections to the extent Section 6.04 would result in an earlier distribution of all or part of a Participant's Account.

(d) Section 6.05 (Distributions on Account of Disability) applies when the Participant becomes Disabled. If a Participant who becomes Disabled dies, Section 6.04 shall take precedence over Section 6.05 to the extent it would result in an earlier distribution of all or part of a Participant's Account. If a Participant is entitled to receive or is receiving a distribution under Section 6.02 or 6.03 at the time of his Disability, Section 6.05 shall take precedence over those sections to the extent Section 6.05 would result in an earlier distribution of all or part of a Participant's Account.

(e) Section 6.06 (Distributions on Account of Unforeseeable Emergency) applies when the Participant incurs an Unforeseeable Emergency prior to when a Participant's Account is distributed under Sections 6.02 through 6.05. In this case, the provisions of Section 6.06 shall take precedence over Sections 6.02 through 6.05 to the extent Section 6.06 would result in an earlier distribution of all or part of the Participant's Account.

6.02 Distributions Based on a Specific Payment Date:

This Section shall apply to distributions that are to be made upon the occurrence of a Specific Payment Date. In the event a Participant's Specific Payment Date for a Deferral Subaccount is reached before (i) the Participant's Disability or (ii) the Participant's death, such Deferral Subaccount shall be distributed based on the occurrence of such Specific Payment Date in accordance with the following terms and conditions:

(a) If a Participant's Deferral Subaccount is to be paid in the form of a lump sum pursuant to Sections 4.03 or 4.04, whichever is applicable, the Deferral Subaccount shall be valued as of the last Distribution Valuation Date that occurs on or immediately precedes the Specific Payment Date, and the resulting amount shall be paid in a single lump sum on the Specific Payment Date.

(b) If a Participant's Deferral Subaccount is to be paid in the form of installments pursuant to Section 4.03 or 4.04, whichever is applicable, the Deferral Subaccount shall be valued as of the last Distribution Valuation Date that occurs on or immediately precedes the Specific Payment Date and the first installment payment shall be paid on the Specific Payment Date. Thereafter, installment payments shall continue in accordance with the schedule elected by the Participant on the Election Form or the Second Look Election (whichever is applicable, and subject in each case to the provisions of this Plan that constrain such elections), except as provided in Sections 6.04, 6.05 and 6.06 (relating to distributions on account of death, Disability and Unforeseeable Emergency). The amount of each installment shall be determined under Section 6.08. Notwithstanding the preceding provisions of this Subsection, if before the date the last installment distribution is processed for payment the Participant would be entitled to a distribution in accordance with Sections 6.04 or 6.05 (relating to a distribution on account of death or Disability), the remaining balance of the Participant's Deferral Subaccounts that would otherwise be distributed based on such Specific Payment Date shall instead be distributed in accordance with Section 6.04 or 6.05 (relating to distributions on account of death or Disability), whichever applies, but only to the extent it would result in an earlier distribution of the Participant's Subaccounts in the case of Section 6.04 or 6.05.

6.03 Distributions on Account of a Separation from Service:

This Section shall apply to distributions that are to be made upon Separation from Service. When used in this Section, the phrase "Separation from Service" shall only refer to a Separation from Service that is not for Disability or death.

(a) If the Participant's Separation from Service is prior to the Specific Payment Date that is applicable to a Deferral Subaccount, the Participant's deferral election pursuant to Sections 4.03 or 4.04 (*i.e.*, time and form of payment) shall continue to be given

effect, and the Deferral Subaccounts shall be distributed based upon the provisions of Section 6.02.

(b) If the Participant has selected payment of his or her deferral on account of Separation from Service, distribution of the related Deferral Subaccount shall commence as follows:

(1) for deferrals of Director Compensation other than Mandatory Deferrals, distribution of the related Deferral Subaccount shall commence on the first day of the Plan Year following the end of the Plan Year in which the Participant's Separation from Service occurs; and

(2) for Mandatory Deferrals, distribution of the related Deferral Subaccount shall commence on the first day of the calendar quarter beginning after the first anniversary of the Participant's Separation from Service occurs.

(c) The distribution provided in subsection (b) shall be made in either a single lump sum payment or in installment payments depending upon the Participant's deferral election under Sections 4.03, 4.04 or 4.05. If the Deferral Subaccount is to be paid in the form of a lump sum, the Deferral Subaccount shall be valued as of the last Distribution Valuation Date that occurs on or immediately precedes the date of the Participant's Separation from Service and the resulting amount shall be distributed in a lump sum on the date specified in subsection (b) above. If a Participant's Deferral Subaccount is to be paid in the form of installments pursuant to Section 4.03 or 4.04, whichever is applicable, the Deferral Subaccount shall be valued as of the last Distribution Valuation Date that occurs on or immediately precedes the date of the Participant's Separation from Service and the first installment payment shall be paid on the date specified in subsection (b) above. Thereafter, installment payments shall continue in accordance with the schedule elected by the Participant on his/her deferral election form or Second Look Election (and subject in each case to the provisions of this Plan that constrain such elections), except as provided in Sections 6.04, 6.05 and 6.06 (relating to distributions on account of death, Disability and Unforeseeable Emergency). The amount of each installment shall be determined under Section 6.08. Notwithstanding the preceding provisions of this Subsection, if before the date the last installment distribution is processed for payment the Participant would be entitled to a distribution in accordance with Sections 6.04 or 6.05 (relating to a distribution on account of death or Disability), the remaining balance of the Participant's Deferral Subaccounts that would otherwise be distributed based on such Separation from Service shall instead be distributed in accordance with Section 6.04 or 6.05 (relating to distributions on account of death or Disability), whichever applies, but only to the extent it would result in an earlier distribution of the Participant's Subaccounts in the case of Section 6.04 or 6.05.

(d) Notwithstanding subsections (a), (b) and (c) above, 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 such Participant's Account shall not be paid, as a result of the Participant's Separation from Service, earlier than the date that is at least 6 months after the Participant's Separation from Service. In such event:

(1) any applicable lump sum payment shall be valued as of the Distribution Valuation Date that corresponding to the date that is 6 months after the date of the Participant's Separation from Service and the resulting amount shall be distributed on the date that is 6 months after the date of the Participant's Separation from Service; and

(2) any installment payments that would otherwise have been paid during such 6 month period shall be valued as of the Distribution Valuation Date that corresponds to the date that is 6 months after the date of the Participant's Separation from Service pursuant to Section 6.08 and the resulting amount(s) shall be distributed in a lump sum on the date that is 6 months after the date of the Participant's Separation from Service and the installment stream shall continue from that point in accordance with the applicable schedule.

(e) If the Participant is receiving installment payments for one or more Deferral Subaccounts in accordance with Section 6.02 at the time of his or her Separation from Service, such installment payments shall continue to be paid based upon the Participant's deferral election (but subject to acceleration under Sections 6.04, 6.05 and 6.06 relating to distributions on account of death, Disability and Unforeseeable Emergency).

6.04 Distributions on Account of Death:

(a) Upon a Participant's death, the Participant's Account under the Plan shall be valued as of the first Distribution Valuation Date of the first Plan Year following the Participant's death and the resulting amount shall be distributed in a single lump sum payment on such date. If the Participant is receiving installment payments at the time of the Participant's death, such installment payments shall continue in accordance with the terms of the Participant's deferral election that governs such payments until the time that the lump sum payment is due to be paid under the provisions of the preceding sentence of this Subsection. Immediately prior to the time that such lump sum payment is to be paid all installment payments shall cease and the remaining balance of the Participant's Account shall be distributed at such scheduled payment time in a single lump sum. Amounts paid following a Participant's death, whether a lump sum or continued installments, shall be paid to the Participant's Beneficiary. If some but not all of the persons designated as Beneficiaries by a Participant to receive his or her Account at death predecease the Participant, the Participant's surviving Beneficiaries shall be entitled to the portion of the Participant's Account intended for such pre-deceased persons in proportion to the surviving Beneficiaries' respective shares.

(b) 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 as follows:

(1) If the Participant is married at the time of his/her death, all payments made pursuant to this Section shall be paid to the Participant's spouse; and

(2) If the Participant is not married at the time of his/her death, all payments made pursuant to this Section shall be paid to the Participant's estate.

The Plan Administrator shall determine whether a Participant is "married" and shall determine a Participant's "spouse" based on the state or local law where the Participant has his/her primary residence at the time of death. 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) Prior to the time the value of the Participant's Account is distributed under this Section, the Participant's Beneficiary may apply for a distribution under Section 6.06 (relating to a distribution on account of an Unforeseeable Emergency).

(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 Recordkeeper or the Plan Administrator at least 14 days before any such amount is paid out by the Recordkeeper. Any claim received thereafter is untimely, and it shall be unenforceable against the Plan, the Company, the Plan Administrator, the Recordkeeper or any other party acting for one or more of them.

6.05 Distributions on Account of Disability:

If a Participant incurs a Disability, the Participant's Account shall be distributed in accordance with the terms and conditions of this Section.

(a) Prior to the time that an amount would become distributable under this Article, if a Participant believes he or she is suffering from a Disability, the Participant shall file a written request with the Recordkeeper for payment of the entire amount credited to his or her Account in connection with Disability. After a Participant has filed a written request pursuant to this Section, along with all supporting material that may be required by the Recordkeeper from time to time, the Recordkeeper shall determine within 45 days (or such other number of days as allowed by applicable law if special circumstances warrant additional time) whether the Participant meets the criteria for a Disability. In addition, to the extent required under Section 409A, if the Company becomes aware that the Participant appears to meet the criteria for a Disability, the Company shall advise the Recordkeeper and the Recordkeeper shall proceed to determine if the Participant meets the criteria for a Disability under this Plan, even if the Participant has yet not applied for payment from this Plan. To the extent practicable, the Participant shall be expected to permit whatever medical examinations are necessary for the Recordkeeper to make its determination. If the Recordkeeper determines that the Participant has satisfied the criteria for a Disability, the Participant's Account shall be valued as of the Distribution Valuation Date that occurs on or immediately precedes the date on which the Participant became Disabled and the resulting amount shall be distributed in a single lump sum payment on the first day of the Plan Year following the end of the Plan Year in which the Disability determination is made.

(b) If the Participant is receiving installment payments at the time of the Participant's Disability, such installment payments shall continue to be paid in accordance with the provisions of the Participant's applicable deferral election until the time that the lump sum

payment is due to be paid under the provisions of Subsection (a). Immediately prior to the time that such lump sum payment is scheduled to be paid, all installment payments shall cease and the remaining balance of the Participant's Account shall be distributed at the time specified in Subsection (a) in a single lump sum.

6.06 Distributions on Account of Unforeseeable Emergency:

Prior to the time that an amount would become distributable under Sections 6.02 through 6.05, a Participant or Beneficiary may file a written request with the Recordkeeper for accelerated payment of all or a portion of the amount credited to the Participant's Account based upon an Unforeseeable Emergency. After an individual has filed a written request pursuant to this Section, along with all supporting material that may be required by the Recordkeeper from time to time, the Recordkeeper shall determine within 60 days (or such other number of days that is necessary if special circumstances warrant additional time) whether the individual meets the criteria for an Unforeseeable Emergency. If the Recordkeeper determines that an Unforeseeable Emergency has occurred, the Participant or Beneficiary shall receive a distribution from his or her Account on the date that such determination is finalized by the Recordkeeper. However, such distribution shall not exceed the dollar amount necessary to satisfy the Unforeseeable Emergency (plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution) after taking into account the extent to which the Unforeseeable Emergency is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship).

6.07 Distributions of Mandatory Deferrals:

This Section 6.07 shall govern the distribution of all Mandatory Deferrals under the Plan. Subject to the last sentence of this Section 6.07, a Participant's Deferral Subaccount(s) for Mandatory Deferrals shall be distributed upon the earliest of the following to occur:

- (a) The Participant's Separation from Service (other than on account of a Disability or death) pursuant to the distribution rules of Section 6.03;
- (b) The Participant's death pursuant to the distribution rules of Section 6.04;
- (c) The Participant's Disability pursuant to the distribution rules of Section 6.05; or
- (d) The occurrence of an Unforeseeable Emergency with respect to the Participant pursuant to the distribution rules of Section 6.06.

Notwithstanding the foregoing, the Board of Directors of the Company may specify different terms for the distribution of Mandatory Deferrals. Such specification may always occur not later than when the Mandatory Deferral becomes irrevocable under Section 4.05(c). Such specification may also occur later, but only to the extent that such later specification satisfies the requirements of Section 4.04 (as if it were an election by the Participant). In addition, to the extent expressly permitted by the Board of Directors, the Participant may make a Second Look Election under Section 4.04.

6.08 Valuation:

In determining the amount of any individual distribution pursuant to this Article, the Participant's Deferral Subaccount shall continue to be credited with earnings and gains (and debited for expenses and losses) as specified in Article V until the Distribution Valuation Date that is used in determining the amount of the distribution under this Article. If a particular Section in this Article does not specify a Distribution Valuation Date to be used in calculating the distribution, the Participant's Deferral Subaccount shall continue to be credited with earnings and gains (and debited for expenses and losses) as specified in Article V until the Distribution Valuation Date on or most recently preceding the date of such distribution. In determining the value of a Participant's remaining Deferral Subaccount following an installment distribution from the Deferral Subaccount (or a partial distribution under Section 6.06 relating to a distribution on account of an Unforeseeable Emergency), such distribution shall reduce the value of the Participant's Deferral Subaccount as of the close of the Distribution Valuation Date on or most recently preceding the payment date for such installment (or partial distribution). The amount to be distributed in connection with any installment payment shall be determined by dividing the value of a Participant's Deferral Subaccount as of such Distribution Valuation Date (determined before reduction of the Deferral Subaccount as of such Distribution Valuation Date in accordance with the preceding sentence) by the remaining number of installments to be paid with respect to the Deferral Subaccount.

6.09 Impact of Section 16 of the Act on Distributions:

The provisions of Section 7.06 shall apply in determining whether a Participant's distribution shall be delayed beyond the date applicable under the preceding provisions of this Article VI.

6.10 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 15th day of the third calendar month following such specified date. In addition, the Participant (or Beneficiary) is not permitted to designate the taxable year of the payment.

ARTICLE VII – PLAN ADMINISTRATION

7.01 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. To the extent not already set forth in the Plan, any such delegation shall state the scope of responsibilities being delegated and is subject to Section 7.06 below.

7.02 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.

7.03 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 Company 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 Company 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 change the phantom investment 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 7.07 (relating to compliance with Section 409A), the Plan Administrator or the Recordkeeper may take any action the Plan Administrator determines 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 distribution date of Deferral Subaccounts. 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.

7.04 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 Company. 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 Company. No member of the Board of Directors (who serves as the Plan Administrator), and no individual acting as the delegate of the Board of Directors, 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 Company will indemnify and hold harmless each member of the Board of Directors 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 Board of Directors 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 Board of Directors (or his or her serving as the delegate of the Board of Directors), excepting only expenses and liabilities arising out of his or her own willful misconduct or bad faith.

7.05 Withholding:

The Company shall withhold from amounts due under this Plan, any amount necessary to enable the Company 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 Company shall withhold from the payroll of, or collect from, a Participant the amount necessary to remit on behalf of the Participant any Social Security and/or Medicare taxes which may be required with respect to amounts deferred or accrued by a

Participant hereunder, as determined by the Company. In addition, to the extent required by Section 409A, amounts deferred under this Plan shall be reported to the Internal Revenue Service as provided by Section 409A, and any amounts that become taxable hereunder pursuant to Section 409A shall be reported as taxable compensation to the Participant as provided by Section 409A.

7.06 Section 16 Compliance:

(a) 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), if it were approved by the Company's Board of Directors or Compensation Committee ("Board Approval"), it is intended that the Plan shall be administered by delegates of the Board of Directors, 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.

(b) Approval of Distributions: This Subsection shall govern the distribution of a deferral that (i) is being distributed to a Participant in cash, (ii) 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, (iii) either was the subject of a Second Look Election or was not covered by an agreement or Plan provisions, applicable at the time of the Participant's original deferral election, that any investments in the Phantom PepsiCo Common Stock Fund would, once made, remain in that fund until distribution of the deferral, (iv) 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 (v) 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 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, or

(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, or when the time between the liquidation and an opposite way transaction is sufficient.

7.07 Conformance with Section 409A:

Effective from and after January 1, 2009, 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. 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

8.01 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.

8.02 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. 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.

8.03 Special Claims Procedures for Disability Determinations:

Notwithstanding Sections 8.01 and 8.02 to the contrary, if the claim or appeal of the Claimant relates to Disability benefits, such claim or appeal shall be processed pursuant to the applicable provisions of Department of Labor Regulation Section 2560.503-1 relating to Disability benefits, including Sections 2560.503-1(d), 2560.503-1(f)(3), 2560.503-1(h)(4) and 2560.503-1(i)(3).

ARTICLE IX – AMENDMENT AND TERMINATION

9.01 Amendment of Plan:

The Compensation Committee of the Board of Directors of the Company 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 manner of making deferral elections, 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 amount credited to the Account of any Participant as of the date such amendment is adopted. Any amendment shall be in writing and adopted by the Committee. All Participants and Beneficiaries shall be bound by such amendment. Any amendments made to the Plan shall be subject to any restrictions on amendment that are applicable to ensure continued compliance under Section 409A.

9.02 Termination of Plan:

(a) The Company expects to continue this Plan, but does not obligate itself to do so. The Company, acting by the Compensation Committee of the Board of Directors, or through its entire Board of Directors, 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). 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 Account. If this Plan is terminated (in whole or in part), the termination resolution shall provide for how amounts theretofore credited to affected Participants' Accounts will be distributed.

(b) This Section is subject to the same restrictions related to compliance with Section 409A that apply to Section 9.01. 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 ownership or effective control of the Company or a change in ownership of a substantial portion of the assets of the Company, all within the meaning of Section 409A (a "Change in Control"), 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 may be made in connection with any change in control with respect to deferrals made under this 409A Program.

ARTICLE X – MISCELLANEOUS

10.01 Limitation on Participant's Rights:

Participation in this Plan does not give any Participant the right to be retained in the service of the Company. The Company reserves the right to terminate the service of any Participant without any liability for any claim against the Company under this Plan, except for a claim for payment of deferrals as provided herein.

10.02 Unfunded Obligation of the Company:

The benefits provided by this Plan are unfunded. All amounts payable under this Plan to Participants are paid from the general assets of the Company. Nothing contained in this Plan requires the Company 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 Company asset. This Plan creates only a contractual obligation on the part of the Company, and the Participant has the status of a general unsecured creditor of the Company with respect to amounts of compensation deferred hereunder. Such a Participant shall not have any preference or priority over, the rights of any other unsecured general creditor of the Company. No other Company affiliate guarantees or shares such obligation, and no other Company affiliate shall have any liability to the Participant or his or her Beneficiary.

10.03 Other Plans:

This Plan shall not affect the right of any Eligible Director or Participant to participate in and receive benefits under and in accordance with the provisions of any other Director compensation plans which are now or hereafter maintained by the Company, unless the terms of such other plan or plans specifically provide otherwise or it would cause such other plan to violate a requirement for tax favored treatment.

10.04 Receipt or Release:

Any payment to a Participant 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 Recordkeeper and the Company, and the Plan Administrator may require such Participant, as a condition precedent to such payment, to execute a receipt and release to such effect.

10.05 Governing Law:

This Plan shall be construed, administered, and governed in all respects in accordance with applicable federal law and, to the extent not preempted by federal law, in accordance with the laws of the State of North Carolina. 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.

10.06 Gender, Tense and Examples:

In this Plan, whenever the context so indicates, the singular or plural number and the masculine, feminine, or neuter gender shall be deemed to include the other. 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).

10.07 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 Account of a Participant are not (except as provided in Section 7.05) 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. 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 Deferral Subaccount of a Participant. Any such payment shall be charged against and reduce the Participant’s Account.

10.08 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 Company 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 – AUTHENTICATION

The 409A Program was first authorized, adopted and approved by the Company's Board of Directors at its duly authorized meeting held on November 18, 2005. The 409A Program document was then amended and restated by the Board of Directors at the Board of Directors' duly authorized meeting on September 12, 2008. This 409A Program document as amended and restated was adopted and approved by the Nominating and Corporate Governance Committee of the Board of Directors at the duly authorized meeting of the Nominating and Corporate Governance Committee on March 10, 2011. This 409A Program document as amended and restated was adopted and approved by the Nominating and Corporate Governance Committee of the Board of Directors at the duly authorized meeting of the Nominating and Corporate Governance Committee on September 19, 2012. This 409A Program document as amended and restated was adopted and approved by the Nominating and Corporate Governance Committee of the Board of Directors at the duly authorized meeting of the Nominating and Corporate Governance Committee on February 2, 2017.

ARTICLE XII – SIGNATURE

Pursuant to the direction and authorization of the Nominating and Corporate Governance Committee of the Company’s Board of Directors, and the direction and authorization of the Company’s Board of Directors, the above amended restated Plan is hereby adopted and approved, to be effective as of January 1, 2005 (except as otherwise provided), with amendments adopted through February 2, 2017.

PEPSICO, INC.

By: /s/ Cynthia M. Trudell
Cynthia M. Trudell
Executive Vice President and Chief Human Resources Officer
Date: February 10, 2017

APPROVED:

By: /s/ Cynthia Nastanski
PepsiCo, Inc. Law 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 Eligible Directors, 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 provisions of the Plan, the Appendix shall govern.

APPENDIX

APPENDIX ARTICLE A – TRANSITION PROVISIONS

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 time period during which each provision in this Article A was effective shall be provided herein.

I. Cancellation Elections:

Pursuant to Q&A-20(a) of IRS Notice 2005-1, each Eligible Director shall have the right to cancel his or her election to defer Director Compensation for the 2004-2005 Compensation Year. Such election to cancel must be filed with the Plan Administrator prior to the end of the 2004-2005 Compensation Year and must follow any other procedures and timing requirements established by the Plan Administrator for this purpose (such procedures and timing requirements to be consistent with the requirements of Q&A-20(a)). Any Eligible Director who makes an election to cancel such deferral election shall have the Director Compensation related to such deferral election paid to him or her (plus any applicable earnings or minus any applicable losses) from his or her Account by December 31, 2005 and such amount shall be reported as taxable income to the Eligible Director for the 2005 calendar year.

II. Modifications to Article IV:

Section 4.03(b) shall read as follows effective for deferral elections made for Compensation Years beginning before October 1, 2009:

(b) Form of Payment. The default form of payment for initial deferral elections is a single lump sum that shall be paid at the time applicable under Article IV. A Participant may only change the default payment from a lump sum to installments by means of a Second Look Election that meets all of the requirements of Section 4.04. Form of payment elections for Mandatory Deferrals are governed by Section 4.05.

III. Modifications to Article VI:

The rules set forth in this Article A, Section III apply to any distributions that have occurred or would occur based on events, including any Separations from Service, or Specific Payment Dates that occurred prior to January 1, 2009.

For purposes of this Article A, Section III, the term "Retirement" shall mean Separation from Service after attaining eligibility for retirement. A Participant attains eligibility for retirement when he or she attains age 50 while serving as a director on the Board of Directors of the Company.

For purposes of this Article A, Section III, a new Section 6.05 is added as specified below, and existing Sections 6.05 and 6.06 (as set forth in the main portion of the Plan document) are renumbered as Sections 6.06 and 6.07 respectively.

A For this purpose, Sections 6.01(a)-(f) read as follows:

- (a) Section 6.02 (Distributions Based on a Specific Payment Date) applies when a Participant has elected to defer until a Specific Payment Date and the Specific Payment Date is reached before the Participant's (i) Separation from Service (other than for Retirement), (ii) Disability, or (iii) death. However, if such a Participant Separates from Service (other than for Retirement or death) prior to the Specific Payment Date (or prior to processing of the first installment payment due in connection with the Specific Payment Date), Section 6.03 shall apply. If such a Participant dies prior to the Specific Payment Date, Section 6.04 shall apply to the extent it would result in an earlier distribution of all or part of a Participant's Account. If such a Participant becomes Disabled prior to the Specific Payment Date, Section 6.06 shall apply to the extent it would result in an earlier distribution of all or part of a Participant's Account.
- (b) Section 6.03 (Distributions on Account of a Separation from Service) applies (i) when a Participant has elected to defer until a Separation from Service and then the Participant Separates from Service (other than for Retirement or death), or (ii) when applicable under Subsection (a) above).
- (c) Section 6.04 (Distributions on Account of Death) applies when the Participant dies. If a Participant is entitled to receive or is receiving a distribution under Section 6.02, 6.03 or 6.05 (see below) at the time of his or her death, Section 6.04 shall take precedence over those sections to the extent Section 6.04 would result in an earlier distribution of all or part of a Participant's Account.
- (d) Section 6.05 (Distributions on Account of Retirement) applies when a Participant has elected to defer until a Separation from Service and then the Participant Separates from Service on account of his or her Retirement. Subsections (c) and (e) of this Section provide for when Section 6.04 or Section 6.06 take precedence over Section 6.05.
- (e) Section 6.06 (Distributions on Account of Disability) applies when the Participant becomes Disabled. If a Participant who becomes Disabled dies, Section 6.04 shall take precedence over Section 6.06 to the extent it would result in an earlier distribution of all or part of a Participant's Account. If a Participant is entitled to receive or is receiving a distribution under Section 6.02, 6.03 or 6.05 at the time of his Disability, Section 6.06 shall take precedence over those sections to the extent Section 6.06 would result in an earlier distribution of all or part of a Participant's Account.
- (f) Section 6.07 (Distributions on Account of Unforeseeable Emergency) applies when the Participant incurs an Unforeseeable Emergency prior to when a Participant's Account is distributed under Sections 6.02 through 6.06. In this case, the provisions of Section 6.07 shall take precedence over Sections 6.02 through 6.06 to the extent Section 6.07 would result in an earlier distribution of all or part of the Participant's Account.

B For this purpose, Section 6.02 reads as follows:

This Section shall apply to distributions that are to be made upon the occurrence of a Specific Payment Date. In the event a Participant's Specific Payment Date for a Deferral Subaccount is reached before (i) the Participant's Disability, or (ii) the Participant's Separation from Service (other than Retirement) or (iii) the Participant's death, such Deferral Subaccount shall be distributed based on the occurrence of such Specific Payment Date in accordance with the following terms and conditions:

- (a) If the Participant has not made a valid Second Look Election that includes installment payments, the Deferral Subaccount shall be valued as of the Distribution Valuation Date that corresponds to the Participant's Specific Payment Date, and the resulting amount shall be paid in a single lump sum.
- (b) If the Participant has made a valid Second Look Election that includes installment payments, the first installment payment shall be paid (based on the schedule elected in the Participant's Second Look Election) on the Specific Payment Date. Thereafter, installment payments shall continue in accordance with the schedule elected by the Participant, except as provided in Sections 6.03, 6.04, 6.06 and 6.07 (relating to distributions on account of a Separation from Service, death, Disability and Unforeseeable Emergency). The amount of each installment shall be determined under Section 6.08. Notwithstanding the preceding provisions of this Subsection, if before the date the first installment distribution is processed for payment the Participant Separates from Service other than for Retirement) or the Participant would be entitled to a distribution in accordance with Sections 6.03, 6.04 or 6.06 (relating to a distribution on account of Separation from Service, death or Disability), the Participant's Deferral Subaccounts that would otherwise be distributed based on such Specific Payment Date shall instead be distributed in accordance with Section 6.04 or 6.05 (relating to distributions on account of death or Disability), whichever applies, but only to the extent it would result in an earlier distribution of the Participant's Subaccounts in the case of Section 6.04 or 6.06.

C For this purpose, Section 6.03 reads as follows:

A Participant's total Account shall be distributed upon the occurrence of a Participant's Separation from Service (other than for Retirement, Disability or death) in accordance with the terms and conditions of this Section. When used in this Section, the phrase "Separation from Service" shall only refer to a Separation from Service that is not for Retirement, Disability or death.

- (a) Subject to subsections (b) and (c), a Participant's total Account balance, shall be distributed in a single lump sum payment on the first day of the first Plan Year after the date of the Participant's Separation from Service.
- (b) If the Participant incurs a Separation from Service after making a valid Second Look Election (and before the first payment has been processed in accordance with such Second Look Election), each Deferral Subaccount to which the Second Look Election applies shall be distributed in a single lump sum payment on the

latest of the following: (1) the first day of the calendar quarter beginning on or after the fifth anniversary of the payment date selected in the Participant's original deferral election under Section 4.03, (2) the first day of the Plan Year following the Separation from Service, or (3) the date applicable under Subsection (c). However, if the Plan Administrator determines that Section 409A would permit a lump sum payment to be made earlier than the date specified in clause (1) of the preceding sentence, then the preceding sentence shall be applied by substituting the earliest date permissible under Section 409A for the date in clause (1). If the Participant's Separation from Service occurs on or after the date the first payment is processed, payment will be made in accordance with the Second Look Election (but subject to acceleration under Sections 6.04, 6.06 and 6.07 relating to distributions on account of death, Disability and Unforeseeable Emergency).

- (c) 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 such Participant's Account shall not be paid, as a result of the Participant's Separation from Service, earlier than the date that is at least 6 months after the Participant's Separation from Service.

D For this purpose, a new Section 6.05 reads as follows:

6.05 Distributions on Account of Retirement:

If a Participant incurs a Separation from Service on account of his or her Retirement, the Participant's Account shall be distributed in accordance with the terms and conditions of this Section.

- (a) If the Participant's Retirement is prior to the Specific Payment Date that is applicable to a Deferral Subaccount, the Participant's deferral election pursuant to Sections 4.03 or 4.04 (*i.e.*, time and form of payment) shall continue to be given effect, and the Deferral Subaccounts shall be distributed based upon the provisions of Section 6.02.
- (b) If the Participant has selected payment of his or her deferral on account of Separation from Service, distribution of the related Deferral Subaccount shall commence on the first day of the first Plan Year after the date of the Participant's Separation from Service. Such distribution shall be made in a single lump sum payment under Section 4.03. However, if the Participant is classified as a Key Employee at the time of the Participant's Retirement (or at such other time for determining Key Employee status as may apply under Section 409A), then such Participant's Account shall not be paid, as a result of the Participant's Retirement, earlier than the date that is at least 6 months after the Participant's Retirement.
- (c) If the Participant is receiving installment payments for one or more Deferral Subaccounts in accordance with Section 6.02 at the time of his or her Retirement, such installment payments shall continue to be paid based upon the Participant's Second Look Election (but subject to acceleration under Sections 6.04, 6.06 and

6.07 relating to distributions on account of death, Disability and Unforeseeable Emergency).

IV. Modification to Article VII.

For periods effective from and after January 1, 2005 and on or before December 31, 2008, the language of Section 7.07 shall be replaced in its entirety with the following language:

7.07 Conformance 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, the Recordkeeper 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.

2017 PEPSICO ANNUAL LONG-TERM INCENTIVE AWARD**PEPSICO PERFORMANCE STOCK UNITS / LONG-TERM CASH AWARD
TERMS AND CONDITIONS**

These Terms and Conditions shall constitute an agreement (this “**Agreement**”), effective as of March 1, 2017 (the “**Grant Date**”), by and between PepsiCo, Inc., a North Carolina corporation having its principal office at 700 Anderson Hill Road, Purchase, New York 10577 (“**PepsiCo**,” and with its divisions and direct and indirect subsidiaries, the “**Company**”), and you (the “**Participant**”).

W I T N E S S E T H:

WHEREAS, the Board of Directors and shareholders of PepsiCo have approved the PepsiCo, Inc. Long-Term Incentive Plan (the “**Plan**”), for the purposes and subject to the provisions set forth in the Plan; and

WHEREAS, pursuant to the authority granted to it in the Plan, the Compensation Committee of the Board of Directors of PepsiCo (the “**Committee**”), at a meeting held on or prior to the Grant Date, duly authorized the grant to the Participant of PepsiCo performance stock units (“**PSUs**”) and a long-term cash award (“**LTC Award**”) each with a March 1, 2017 Grant Date and in the respective amounts set forth in the award summary provided to the Participant by the Plan’s service provider (the “**Award Summary**”); and

WHEREAS, awards granted under the Plan are to be evidenced by an Agreement in such form and containing such terms and conditions as the Committee shall determine.

NOW, THEREFORE, it is mutually agreed as follows:

A. Terms and Conditions Applicable to PSUs. These terms and conditions shall apply with respect to the PSUs with a March 1, 2017 Grant Date granted to the Participant as indicated on the Award Summary.

1. **Grant.** In consideration of the Participant remaining in the employ of the Company and agreeing to be bound by the covenants of Paragraph C, PepsiCo hereby grants to the Participant, on the terms and conditions set forth herein, a target number of PSUs as indicated on the Award Summary. All PSUs granted hereunder are intended to be Performance Awards (as defined in the Plan) that satisfy the conditions for the Performance-Based Exception (as defined in the Plan) under Section 162(m) of the Internal Revenue Code of 1986, as amended (the “**Code**”).

2. **Vesting and Payment.** PSUs may only vest while the Participant is actively employed by the Company. Subject to Paragraphs A.3 and A.4 below, the PSUs earned in accordance with Paragraph A.3 shall vest on March 1, 2020 (the “**Vesting Date**”) and be paid as soon as practicable after such date (the “**Payment Date**”). PSUs that become earned and payable shall be settled in shares of PepsiCo Common Stock, with the Participant receiving one share of PepsiCo Common Stock for each PSU earned. No fractional shares shall be delivered under this Agreement, and any fractional share that may be payable shall be rounded to the nearest whole share. Any amount that the Company may be required to withhold upon the settlement of PSUs in respect of applicable foreign, federal (including FICA), state and local taxes, must be paid in full at the time of the issuance of shares. Unless the Participant makes other arrangements to satisfy this withholding obligation in accordance with procedures approved by the Company in its discretion, the Company will withhold shares to satisfy the required withholding obligation related to the settlement of PSUs.

3. Earning and Forfeiture of PSUs.

Subject to the terms and conditions set forth herein, the Participant can earn a specified number of PSUs with respect to the 2017-2019 three year performance period (the “**Performance Period**,” which shall constitute a “Performance Period” as defined in the Plan), determined based on the achievement of performance targets established by the Committee. Any portion of the PSU Award that is not earned in accordance with this Paragraph A.3 shall be forfeited and cancelled. Subject to the terms and conditions set forth herein, the PSU Award shall be earned as follows:

(a) One-half of the PSU Award shall be earned based on and subject to the level of achievement with respect to a Performance Measure selected by the Committee for the Performance Period pursuant to the performance scale established by the Committee and communicated to the Participant. The Committee shall determine and certify the results of the level of achievement of such Performance Measure.

(b) One-half of the PSU Award shall be earned based on and subject to the level of achievement with respect to a second Performance Measure selected by the Committee for the Performance Period pursuant to the performance scale established by the Committee and communicated to the Participant. The Committee shall determine and certify the results of the level of achievement of such Performance Measure.

(c) Notwithstanding the achievement of any performance targets established under Paragraphs A.3(a) and (b) above, for any PSUs to vest or become payable the Committee must determine that the minimum level of performance established by the Committee with respect to a third Performance Measure selected by the Committee for the Performance Period, and communicated to the Participant, has been met. If the Committee determines that the minimum level of performance has not been met, then no PSUs held by the Participant shall vest or become payable, and the PSU Award shall be forfeited and cancelled.

Notwithstanding the level of performance achieved with respect to such Performance Measure, or the level of performance achieved with respect to the performance targets established under Paragraphs A.3(a) and (b) above, the Committee has the discretion to reduce the number of PSUs to be paid. The Committee's right to exercise this discretion with respect to the earned portion of the PSU Award shall continue until the date on which the PSUs are delivered to the Participant.

Any PSUs that are not earned in accordance with this Paragraph A.3 shall be forfeited and cancelled. Except in the case of death or Total Disability, the portion of the PSU Award with respect to which a Participant has satisfied the performance criteria will be payable in one payment on the Payment Date.

4. Effect of Termination of Employment, Retirement, Death and Total Disability.

(a) Termination of Employment. PSUs may vest and become payable only while the Participant is actively employed by the Company. Thus, vesting ceases upon the termination of the Participant's active employment with the Company. Subject to subparagraphs 4(b), 4(c) and 4(d), all unvested PSUs shall automatically be forfeited and cancelled upon the date that the Participant's active employment with the Company terminates regardless of whether any such PSUs have previously been earned in accordance with Paragraph A.3 above. An authorized severance leave of absence will not be treated as active employment, and, as a result, the vesting of PSUs will not be extended by any such period.

(b) Retirement Prior to Age 62. If the Participant's employment terminates prior to the Vesting Date by reason of the Participant's Retirement prior to attaining at least age 62, then a whole number of

the PSUs granted hereunder shall vest on the Participant's last day of active employment with the Company, with such number determined in proportion to the Participant's active service (measured in calendar days) during the period commencing on the Grant Date and ending on the Vesting Date (the "**Vesting Period**"). All PSUs that vest in accordance with the foregoing sentence shall remain subject to the earning and forfeiture provisions of Paragraphs A.2 and A.3 (with subparagraphs 3(a) and 3(b) of Paragraph A each being applied to one half of the PSU Award that vests in accordance with the foregoing sentence and with subparagraph 3(c) being applied to such vested portion of the PSU Award) and shall be paid on the original Payment Date.

(c) Retirement on or After Age 62. If the Participant's employment terminates by reason of the Participant's Retirement after attaining at least age 62, then the PSUs granted hereunder shall become fully vested on the Participant's last day of active employment with the Company. All such vested PSUs shall remain subject to the earning and forfeiture provisions of Paragraphs A.2 and A.3 (with subparagraphs 3(a) and 3(b) of Paragraph A each being applied to one half of the PSU Award that vests in accordance with the foregoing sentence and with subparagraph 3(c) being applied to such vested portion of the PSU Award) and shall be paid on the original Payment Date.

(d) Death or Total Disability. If the Participant's employment terminates by reason of death or Total Disability, then the target number of PSUs set forth in the Award Summary shall become fully vested on the Participant's last day of active employment with the Company (which, for purposes of Total Disability, means the effective date of Total Disability), and shall be paid as soon as practicable following the date of termination.

(e) Transfers to a Related Entity. In the event the Participant transfers to a Related Entity and such transfer is arranged and approved by PepsiCo, the PSUs shall continue to vest (and their time of payment shall be determined) after such transfer by treating the Participant's employment with the Related Entity as employment with the Company for purposes of this Agreement. All such PSUs shall remain subject to the earning and forfeiture provisions of Paragraphs A.2 and A.3 and shall be paid on the original Payment Date.

5. No Rights as Shareholder. The Participant shall have no rights as a holder of PepsiCo Common Stock with respect to the PSUs granted hereunder unless and until such PSUs have been settled in shares of Common Stock that have been registered in the Participant's name as owner.

6. Dividend Equivalents. During the Vesting Period, the Participant shall accumulate dividend equivalents with respect to the PSUs, which dividend equivalents shall be paid in cash (without interest) to the Participant only if and when the applicable PSUs vest and become payable. Dividend equivalents shall equal the dividends actually paid with respect to PepsiCo Common Stock during the Vesting Period while (and to the extent) the PSUs remain outstanding and unpaid. For purposes of determining the dividend equivalents accumulated under this Paragraph C.5, any Performance Stock Units that become payable hereunder shall be considered to have been outstanding from the Grant Date. Upon the forfeiture of PSUs, any accumulated dividend equivalents attributable to such PSUs shall also be forfeited.

B. Terms and Conditions Applicable to LTC Award. These terms and conditions shall apply with respect to the LTC Award with a March 1, 2017 Grant Date granted to the Participant as indicated on the Award Summary.

1. Grant. In consideration of the Participant remaining in the employ of the Company and agreeing to be bound by the covenants of Paragraph C, PepsiCo hereby grants to the Participant, on the terms and conditions set forth herein, an LTC Award in the target amount indicated on the Award Summary. The LTC Award granted hereunder is intended to be a Performance Award (as defined in the Plan) that satisfies the conditions for the Performance-Based Exception (as defined in the Plan) under Code Section 162(m).

2. Vesting and Payment. The LTC Award may only vest while the Participant is actively employed by the Company. Subject to Paragraphs B.3 and B.4 below, the LTC Award earned in accordance with Paragraph B.3 shall vest on the Vesting Date and be paid in cash as soon as practicable after such date (the “**Payment Date**”). Any amount that the Company may be required to withhold upon the settlement of the LTC Award in respect of applicable foreign, federal (including FICA), state and local taxes, must be paid in full at the time of payment. Unless the Participant makes other arrangements to satisfy this withholding obligation in accordance with procedures approved by the Company in its discretion, the Company will withhold a portion of the cash settlement amount of the LTC Award sufficient to satisfy any related required withholding obligation.

3. Earning and Forfeiture of LTC Award.

(a) The Participant can earn a specified percentage of the target amount of the LTC Award granted hereunder, equal to the product of (i) the target amount of the LTC Award set forth in the Award Summary, and (ii) the Relative TSR Performance Factor.

(b) The Relative TSR Performance Factor shall be determined based on the percentile ranking of PepsiCo’s total shareholder return for the Performance Period relative to an index of peer companies selected by the Committee, calculated in accordance with the method established by the Committee and in accordance with a performance scale established by the Committee (“**Relative TSR**”). The Relative TSR Performance Factor shall be rounded to the second decimal. The Relative TSR Performance Factor for Relative TSR performance between the levels identified in the preceding sentence shall be determined by straight-line interpolation.

(c) Notwithstanding the achievement of the performance target established under Paragraph B.3 (b) above, no LTC Award shall vest or become payable if Relative TSR is less than 25th percentile relative to the index of peer companies selected by the Committee pursuant to Paragraph B.3(b).

(d) Notwithstanding the achievement of the performance target established under Paragraph B.3 (b) above, no LTC Award shall become payable in excess of the target amount of the LTC Award unless PepsiCo’s absolute total shareholder return for the Performance Period is greater than zero.

(e) In addition, for any LTC Award to vest or become payable the Committee must determine that the minimum level of performance established by the Committee with respect to a Performance Measure (as defined in the Plan) selected by the Committee for the Performance Period, and communicated to the Participant, has been met. If the Committee determines that the minimum level of performance has not been met, then no LTC Award held by any such Participant shall vest or become payable, and such LTC Award shall be forfeited and cancelled.

Notwithstanding the level of performance achieved with respect to such Performance Measure, the Committee has the discretion to reduce the amount of the LTC Award earned to reflect the level of performance achieved with respect to the performance targets established under Paragraphs B.3(b). The Committee’s right to exercise this discretion with respect to the amount of the LTC Award earned shall continue until the date on which the LTC Award is paid to the Participant.

Any LTC Award not earned in accordance with this Paragraph B.3 shall be forfeited and cancelled. Except in the case of death or Total Disability, the LTC Award for which a Participant has satisfied the performance criteria will be payable in one payment on the Payment Date.

4. Effect of Termination of Employment, Retirement, Death and Total Disability.

(a) Termination of Employment. The LTC Award may vest and become payable only while the Participant is actively employed by the Company. Thus, vesting ceases upon the termination of the Participant's active employment with the Company. Subject to subparagraphs 4(b), 4(c) and 4(d), any unvested portion of the LTC Award shall automatically be forfeited and cancelled upon the date that the Participant's active employment with the Company terminates regardless of whether any portion of such LTC Award has previously been earned in accordance with Paragraph B.3 above. An authorized severance leave of absence will not be treated as active employment, and, as a result, the vesting of any LTC Award will not be extended by any such period.

(b) Retirement Prior to Age 62. If the Participant's employment terminates prior to the Vesting Date by reason of the Participant's Retirement prior to attaining at least age 62, then a portion of the target LTC Award granted hereunder shall vest on the Participant's last day of active employment with the Company, with such number determined in proportion to the Participant's active service (measured in calendar days) during the Vesting Period. Any portion of an LTC Award that vests in accordance with the foregoing sentence shall remain subject to the earning and forfeiture provisions of Paragraphs B.2 and B.3 and shall be paid on the original Payment Date.

(c) Retirement on or After Age 62. If the Participant's employment terminates by reason of the Participant's Retirement after attaining at least age 62, then the LTC Award granted hereunder shall become fully vested on the Participant's last day of active employment with the Company. Any such vested LTC Award shall remain subject to the earning and forfeiture provisions of Paragraphs B.2 and B.3 and shall be paid on the original Payment Date.

(d) Death or Total Disability. If the Participant's employment terminates by reason of death or Total Disability, then the target amount of the LTC Award set forth in the Award Summary shall become fully vested on the Participant's last day of active employment with the Company (which, for purposes of Total Disability, means the effective date of Total Disability), and shall be paid as soon as practicable following the date of termination.

(e) Transfers to a Related Entity. In the event the Participant transfers to a Related Entity and such transfer is arranged and approved by PepsiCo, the LTC Award shall continue to vest (and the time of payment shall be determined) after such transfer by treating the Participant's employment with the Related Entity as employment with the Company for purposes of this Agreement. Any such LTC Award shall remain subject to the earning and forfeiture provisions of Paragraphs B.2 and B.3 and shall be paid on the original Payment Date.

C. Prohibited Conduct. In consideration of the Company disclosing and providing access to Confidential Information, as more fully described in Paragraph C.2 below, after the date hereof, the grant by the Company of the PSUs and the LTC Award, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Participant and the Company, intending to be legally bound, hereby agree as follows.

1. Non-Competition and Non-Solicitation. The Participant hereby covenants and agrees that at all times during his or her employment with the Company and for a period of twelve months after the termination of the Participant's employment with the Company for any reason whatsoever (including a termination due to the Participant's Retirement), he or she will not, without the prior written consent of PepsiCo's chief human resources officer or chief legal officer, either directly or indirectly, for himself/herself or on behalf of or in conjunction with any other person, partnership, corporation or other entity, engage in any activities prohibited in the following Paragraphs C.1(a) through (c):

(a) The Participant shall not, in any country in which the Company operates, accept any employment, assignment, position or responsibility, provide services in any capacity, or acquire any ownership interest that involves the Participant's Participation in an entity that markets, sells, distributes or produces Covered Products, unless such entity makes retail sales or consumes Covered Products without in any way competing with the Company;

(b) With respect to Covered Products, the Participant shall not directly or indirectly solicit for competitive business purposes any customer or Prospective Customer of the Company called on, serviced by, or contacted by the Participant in any capacity during his or her employment; or

(c) The Participant shall not in any way, directly or indirectly (including through someone else acting on the Participant's recommendation, suggestion, identification or advice), solicit any Company employee to leave the Company's employment or to accept any position with any other entity.

Notwithstanding anything in this Paragraph C.1, the Participant shall not be considered to be in violation of Paragraph C.1(a) solely by reason of owning, directly or indirectly, up to five percent (5%) in the aggregate of any class of securities of any publicly traded corporation engaged in the prohibited activities described in Paragraph C.1(a).

2. **Non-Disclosure.** In order to assist the Participant with his or her duties, the Company shall continue to provide the Participant with access to confidential and proprietary operational information and other confidential information that is either information not known by actual or potential competitors, customers and third parties of the Company or is proprietary information of the Company ("**Confidential Information**"). Such Confidential Information shall include all non-public information the Participant acquired as a result of his or her positions with the Company. Examples of such Confidential Information include, without limitation, non-public information about the Company's customers, suppliers, distributors and potential acquisition targets; its business operations, structure and methods of operation; its product lines, formulae and pricing; its processes, machines and inventions; its research and know-how; its production techniques; its financial data; its advertising and promotional ideas and strategy; information maintained in its computer systems; devices, processes, compilations of information and records; and its plans and strategies. The Participant agrees that such Confidential Information remains confidential even if committed to the Participant's memory. The Participant agrees, during the term of his or her employment and at all times thereafter, not to use, divulge, or furnish or make accessible to any third party, company, corporation or other organization (including but not limited to, customers or competitors of the Company), without the Company's prior written consent, any Confidential Information of the Company, except as necessary in his or her position with the Company. Nothing in this Agreement, the Plan, any other Award made under the Plan or in any other confidentiality provision to which the Participant may be subject as a result of the Participant's employment with the Company shall prohibit the Participant from, without notice to the Company, communicating with government agencies, providing information to government agencies, participating in government agency investigations, filing a complaint with government agencies, or testifying in government agency proceedings concerning any possible legal violations or from receiving any monetary award for information provided to a government agency. 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.”

3. Return of Confidential Information and Company Property. The Participant agrees that whenever the Participant’s employment with the Company ends for any reason, (a) all documents containing or referring to the Company’s Confidential Information as may be in the Participant’s possession, or over which the Participant may have control, and all other property of the Company provided to the Participant by the Company during the course of the Participant’s employment with the Company will be returned by the Participant to the Company immediately, with no request being required; and (b) all Company computer and computer-related equipment and software, and all Company property, files, records, documents, drawings, specifications, lists, equipment, and similar items relating to the business of the Company, whether prepared by the Participant or otherwise, coming into the Participant’s possession or control during the course of his employment shall remain the exclusive property of the Company, and shall be delivered by the Participant to the Company immediately, with no request being required.

4. Misconduct. During the term of his or her employment with the Company, the Participant shall not engage in any of the following acts that are considered to be contrary to the Company’s best interests: (a) breaching any contract with or violating any obligation to the Company, including the Company’s Code of Conduct, Insider Trading Policy or any other written policies of the Company, (b) unlawfully trading in the securities of PepsiCo or of any other company based on information gained as a result of his or her employment with the Company, (c) committing a felony or other serious crime, (d) engaging in any activity that constitutes gross misconduct in the performance of his or her employment duties or (e) engaging in any action that constitutes gross negligence or misconduct and that causes or contributes to the need for an accounting adjustment to PepsiCo’s financial results.

5. Reasonableness of Provisions. The Participant agrees that: (a) the terms and provisions of this Agreement are reasonable and constitute an otherwise enforceable agreement to which the terms and provisions of this Paragraph C are ancillary or a part of; (b) the consideration provided by the Company under this Agreement is not illusory; (c) the restrictions contained in this Paragraph C are necessary and reasonable for the protection of the legitimate business interests and goodwill of the Company; and (d) the consideration given by the Company under this Agreement, including, without limitation, the provision by the Company of Confidential Information to the Participant, gives rise to the Company’s interest in the covenants set forth in this Paragraph C.

6. Repayment and Forfeiture. The Participant specifically recognizes and affirms that each of the covenants contained in Paragraphs C.1 through C.4 of this Agreement is a material and important term of this Agreement that has induced the Company to provide for the award of the PSUs and the LTC Award granted hereunder, the disclosure of Confidential Information referenced herein, and the other promises made by the Company herein. The Participant further agrees that in the event that (i) the Company determines that the Participant has breached any term of Paragraphs C.1 through C.4 or (ii) all or any part of Paragraph C is held or found invalid or unenforceable for any reason whatsoever by a court of competent jurisdiction in an action between the Participant and the Company, in addition to any other remedies at law or in equity the Company may have available to it, the Company may in its sole discretion:

- (a) cancel any unpaid PSUs or any LTC Award granted hereunder; and

(b) require the Participant to pay to the Company the value (determined as of the date paid) of any PSUs and any portion of any LTC Award granted hereunder that have been paid out.

In addition to the provisions of this Paragraph C.6, the Participant agrees that he or she will be bound by the terms of any Company compensation clawback policy applicable to the Participant that the Company may adopt from time to time.

7. Equitable Relief. In the event the Company determines that the Participant has breached or attempted or threatened to breach any term of Paragraph C, in addition to any other remedies at law or in equity the Company may have available to it, it is agreed that the Company shall be entitled, upon application to any court of proper jurisdiction, to a temporary restraining order or preliminary injunction (without the necessity of (a) proving irreparable harm, (b) establishing that monetary damages are inadequate or (c) posting any bond with respect thereto) against the Participant prohibiting such breach or attempted or threatened breach by proving only the existence of such breach or attempted or threatened breach.

8. Extension of Restrictive Period. The Participant agrees that the period during which the covenants contained in this Paragraph C shall be effective shall be computed by excluding from such computation any time during which the Participant is in violation of any provision of Paragraph C.

9. Acknowledgments. The Company and the Participant agree that it was their intent to enter into a valid and enforceable agreement. The Participant and the Company thereby acknowledge the reasonableness of the restrictions set forth in Paragraph C, including the reasonableness of the geographic area, duration as to time and scope of activity restrained. The Participant further acknowledges that his or her skills are such that he or she can be gainfully employed in noncompetitive employment and that the agreement not to compete will not prevent him or her from earning a living. The Participant agrees that if any covenant contained in Paragraph C of this Agreement is found by a court of competent jurisdiction to contain limitations as to time, geographical area, or scope of activity that are not reasonable and impose a greater restraint than is necessary to protect the goodwill or other business interest of the Company, then the court shall reform the covenant to the extent necessary to cause the limitations contained in the covenant as to time, geographical area, and scope of activity to be restrained to be reasonable and to impose a restraint that is not greater than necessary to protect the goodwill and other business interests of the Company and to enforce the covenants as reformed.

10. Provisions Independent. The covenants on the part of the Participant in this Paragraph C shall be construed as an agreement independent of any other agreement, including any employee benefit agreement, and independent of any other provision of this Agreement, and the existence of any claim or cause of action of the Participant against the Company, whether predicated upon this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such covenants.

11. Notification of Subsequent Employer. The Participant agrees that the Company may notify any person or entity employing the Participant or evidencing an intention of employing the Participant of the existence and provisions of this Agreement.

12. Transfers to a Related Entity. In the event the Participant transfers to a Related Entity as a result of actions by PepsiCo, any reference to "Company" in this Paragraph C shall be deemed to refer to such Related Entity in addition to the Company.

D. Additional Terms and Conditions.

1. **Adjustment for Change in Common Stock.** In the event of any change in the outstanding shares of PepsiCo Common Stock by reason of any stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination or exchange of shares, spin-off or other similar corporate change the number and type of shares to which the PSUs held by the Participant relate shall be adjusted to such extent (if any), determined to be appropriate and equitable by the Committee.

2. **Nontransferability.** Unless the Committee specifically determines otherwise: (a) the PSUs and LTC Award are personal to the Participant and (b) neither the PSUs nor the LTC Award shall be transferable or assignable, other than in the case of the Participant's death by will or the laws of descent and distribution, and any such purported transfer or assignment shall be null and void.

3. **Definitions.** As used in this Agreement, the following terms shall have the meanings set forth below:

(a) **“Covered Products”** means any product that falls into one or more of the following categories, so long as the Company 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 syrup; 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 Company during the Participant's employment with the Company.

(b) **“Participation”** shall be construed broadly to include, without limitation: (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.

(c) **“Prospective Customer”** shall mean any individual or entity of which the Participant has gained knowledge as a result of the Participant's employment with the Company and with which the Participant dealt with or had contact with during the six (6) months preceding his or her termination of employment with the Company.

(d) **“Related Entity”** shall mean any entity (i) as to which PepsiCo directly or indirectly owns 20% or more, but less than a majority, of the entity's voting securities, general partnership interests, or other voting or management rights at the relevant time and (ii) which the Committee or its delegate deems in its sole discretion to be a related entity at the relevant time.

(e) **“Retirement”** shall mean (i) early, normal or late retirement as used in the U.S. pension plan of the Company in which the Participant participates (if any) and for which the Participant is eligible pursuant to the terms of such plan or (ii) termination of employment after attaining at least age 55 and completing at least 10 years of service with the Company (or, if earlier, after attaining at least age 65 and completing at least five years of service with the Company), with the number of years of service completed by a Participant subject to clause (ii) to be calculated in accordance with administrative procedures established from time to time under the Plan.

(f) **“Total Disability”** shall mean being considered totally disabled under the PepsiCo Long-Term Disability Program (as amended and restated from time to time), with such status having resulted in

benefit payments from such plan or another Company-sponsored disability plan and 12 months having elapsed since the Participant was so considered to be disabled from the cause of the current disability. The effective date of a Participant's Total Disability shall be the first day that all of the foregoing requirements are met.

4. Notices. Any notice to be given to PepsiCo in connection with the terms of this Agreement shall be addressed to PepsiCo at 700 Anderson Hill Road, Purchase, New York 10577, Attention: Senior Vice President, Total Rewards, or such other address as PepsiCo may hereafter designate to the Participant. Any such notice shall be deemed to have been duly given when personally delivered, addressed as aforesaid, or when enclosed in a properly sealed envelope or wrapper, addressed as aforesaid, and deposited, postage prepaid, with the federal postal service.

5. Binding Effect. This Agreement shall be binding upon and inure to the benefit of any assignee or successor in interest to PepsiCo, whether by merger, consolidation or the sale of all or substantially all of PepsiCo's assets. PepsiCo will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of PepsiCo expressly to assume and agree to perform this Agreement in the same manner and to the same extent that PepsiCo would be required to perform it if no such succession had taken place. This Agreement shall be binding upon and inure to the benefit of the Participant or his or her legal representative and any person to whom the PSUs and LTC Award may be transferred by will or the applicable laws of descent and distribution.

6. No Contract of Employment; Agreement's Survival. This Agreement is not a contract of employment. This Agreement does not impose on the Company any obligation to retain the Participant in its employ and shall not interfere with the ability of the Company to terminate the Participant's employment relationship at any time. This Agreement shall survive the termination of the Participant's employment for any reason. If an entity ceases to be a majority-owned subsidiary of PepsiCo for purposes of Rule 12b-2 of the Exchange Act or a Related Entity, such cessation shall, for purposes of this Agreement, be deemed to be a termination of employment with the Company with respect to any Participant employed by such entity, unless the Committee or its delegate determines otherwise in its sole discretion.

7. Registration, Listing and Qualification of Shares. The Committee may require that the Participant make such representations and agreements and furnish such information as the Committee deems appropriate to assure compliance with or exemption from the requirements of any securities exchange, any foreign, federal, state or local law, any governmental regulatory body, or any other applicable legal requirement, and PepsiCo Common Stock shall not be issued unless and until the Participant makes such representations and agreements and furnished such information as the Committee deems appropriate.

8. Amendment; Waiver. The terms and conditions of this Agreement may be amended in writing by the chief human resources officer or chief legal officer of PepsiCo (or either of their delegates); provided, however, that (i) no such amendment shall adversely affect the awards granted hereunder without the Participant's written consent (except to the extent the Committee reasonably determines that such amendment is necessary or appropriate to comply with applicable law, including the provisions of Code Section 409A and the regulations thereunder pertaining to the deferral of compensation, or the rules and regulations of any stock exchange on which PepsiCo Common Stock is listed or quoted); and (ii) the amendment must be permitted under the Plan. The Company's failure to insist upon strict compliance with any provision of this Agreement or failure to exercise, or any delay in exercising, any right, power or remedy under this Agreement shall not be deemed to be a waiver of such provision or any such right, power or remedy which the Board (as defined in the Plan), the Committee or the Company has under this Agreement.

9. Severability or Reform by Court. In the event that any provision of this Agreement is deemed by a court to be broader than permitted by applicable law, then such provision shall be reformed (or otherwise revised or narrowed) so that it is enforceable to the fullest extent permitted by applicable law. If any provision of this Agreement shall be declared by a court to be invalid or unenforceable to any extent, the validity or enforceability of the remaining provisions of this Agreement shall not be affected.

10. Plan Terms. The PSUs, the LTC Award and the terms and conditions set forth herein are subject in all respects to the terms and conditions of the Plan and any guidelines, policies or regulations which govern administration of the Plan. The Committee reserves its rights to amend or terminate the Plan at any time without the consent of the Participant; provided, however, that PSUs and LTC Awards outstanding under the Plan at the time of such action shall not, without the Participant's written consent, be adversely affected thereby (except to the extent the Committee reasonably determines that such amendment or termination is necessary or appropriate to comply with applicable law, including the provisions of Code Section 409A and the regulations thereunder pertaining to the deferral of compensation, or the rules and regulations of any stock exchange on which PepsiCo Common Stock is listed or quoted). All interpretations or determinations of the Committee or its delegate shall be final, binding and conclusive upon the Participant (and his or her legal representatives and any recipient of a transfer of the PSUs or LTC Award permitted by this Agreement) on any question arising hereunder or under the Plan or other guidelines, policies or regulations which govern administration of the Plan.

11. Participant Acknowledgements. By entering into this Agreement, the Participant acknowledges and agrees that:

(a) the PSUs and the LTC Award will be exclusively governed by the terms of the Plan, including the right reserved by the Company to amend or cancel the Plan at any time without the Company incurring liability to the Participant (except for PSUs and LTC Awards already granted under the Plan);

(b) the Participant has been provided a copy of PepsiCo's Prospectus relating to the Plan, the PSUs (and the shares covered thereby) and the LTC Award;

(c) PSUs and LTC Awards are not a constituent part of the Participant's salary and that the Participant is not entitled, under the terms and conditions of his/her employment, or by accepting or being awarded any PSUs or LTC Awards pursuant to this Agreement, to require options, performance stock units, cash or other awards to be granted to him/her in the future under the Plan or any other plan;

(d) upon payment of PSUs or LTC Awards, the Participant will arrange for payment to the Company an estimated amount to cover employee payroll taxes resulting from such payment and/or, to the extent necessary, any balance may be withheld from the Participant's wages;

(e) benefits received under the Plan will be excluded from the calculation of termination indemnities or other severance payments;

(f) in the event of termination of the Participant's employment, a severance or notice period to which the Participant may be entitled under local law and which follows the date of termination specified in a notice of termination or other document evidencing the termination of the Participant's employment will not be treated as active employment for purposes of this Agreement and, as a result, vesting of unvested PSUs or LTC Awards will not be extended by any such period;

(g) this Agreement will be interpreted and applied so that the PSUs and the LTC Award, to the extent possible, will not be subject to Code Section 409A. To the extent such awards are subject to Code

Section 409A because of the Participant's eligibility for Retirement, then payments limited to the earliest permissible payment date under Code Section 409A shall be made following a Change in Control only (i) upon a Change in Control if it qualifies under Code Section 409A(a)(2)(A)(v) (a "**409A CIC**"), and (ii) upon a termination of employment if it occurs after a 409A CIC and it constitutes a Section 409A separation from service (and in this case, the six-month delay of Code Section 409A(a)(2)(B)(i) shall apply to "specified employees," determined under the default rules of Section 409A or such other rules as apply generally under the Company's Section 409A plans). Notwithstanding any other provision of this Agreement, this Agreement will be modified to the extent the Committee reasonably determines is necessary or appropriate for such PSUs or LTC Awards to comply with Code Section 409A; and

(h) the non-disclosure provisions set forth in Paragraph C.2. supersede and replace in their entirety the non-disclosure provisions set forth in the Plan as in effect on the date hereof, in any agreement evidencing an Award made under the Plan and in any other Awards made under the Plan.

12. Right of Set-Off. The Participant agrees, in the event that the Company in its reasonable judgment determines that the Participant owes the Company any amount due to any loan, note, obligation or indebtedness, including but not limited to amounts owed to the Company pursuant to the Company's tax equalization program or the Company's policies with respect to travel and business expenses, and if the Participant has not satisfied such obligation(s), then the Company may instruct the plan administrator to withhold and/or sell shares of PepsiCo Common Stock acquired by the Participant upon settlement of the PSUs (to the extent such PSUs are not subject to Code Section 409A), or the Company may deduct funds equal to the amount of such obligation from other funds due to the Participant from the Company (including with respect to any LTC Award) to the maximum extent permitted by Code Section 409A.

13. Electronic Delivery and Acceptance. The Participant hereby consents and agrees to electronic delivery of any Plan documents, proxy materials, annual reports and other related documents. The Participant hereby consents to any and all procedures that the Company has established or may establish for an electronic signature system for delivery and acceptance of Plan documents (including documents relating to any programs adopted under the Plan), and agrees that his or her electronic signature is the same as, and shall have the same force and effect as, his or her manual signature. Participant consents and agrees that any such procedures and delivery may be effected by a third party engaged by the Company to provide administrative services related to the Plan, including any program adopted under the Plan.

14. Data Privacy. Participant hereby acknowledges and consents to the collection, use, processing and/or transfer of Personal Data as defined and described in this Paragraph D.14. Participant is not obliged to consent, however a failure to provide consent, or the withdrawal of consent at any time, may impact Participant's ability to participate in the Plan. The Company and/or Participant's employer collects and maintains certain personal information about Participant that may include name, home address and telephone number, date of birth, social security number or other government or employer-issued identification number, salary grade, hire data, salary, citizenship, job title, any shares of PepsiCo Common Stock, or details of all performance stock units, long-term cash awards or any other entitlement to shares of stock awarded, cancelled, purchased, vested, or unvested (collectively "Personal Data"). The Company may use, process and/or transfer Personal Data amongst themselves to implement, administer and/or manage Participant's participation in the Plan. The Company may further use, process, analyze and/or transfer Personal Data for its overall administration, management and/or improvement of the Plan and/or to comply with any applicable laws and regulations. The Company maintains technical, administrative and physical safeguards designed to protect Personal Data. The Company may share and/

or transfer Personal Data, in electronic or other format, to third parties including but not limited to the Plan's service provider. Such third parties assist in the implementation, administration and/or management of the Plan or Participant's participation in the Plan, for example to facilitate the holding of shares of stock on Participant's behalf or to process the Participant's election to deposit shares of stock acquired pursuant to the Plan with a broker or other third party. Third parties retained by the Company may use the Personal Data as authorized by the Company to provide the requested services. Third parties may be located throughout the world, including but not limited to the United States. Third parties often maintain their own published policies that describe their privacy and security practices. The Company is not responsible for the privacy or security practices of any third parties. Participant may access, review or amend certain Personal Data by contacting the Company and/or the Plan's service provider.

15. Stock Ownership Guidelines/Share Retention Policy. The Participant agrees as a condition of this grant that, in the event that the Participant is or becomes subject to the Company's Stock Ownership Guidelines and/or Share Retention Policy, the Participant shall not sell any shares obtained upon settlement of the PSUs unless such sale complies with the Stock Ownership Guidelines and the Share Retention Policy as in effect from time to time.

16. Governing Law. Notwithstanding the provisions of Paragraphs D.10 and D.11, this Agreement shall be governed, construed and enforced in accordance with the laws of the State of New York, without giving effect to conflict of law rules or principles.

17. Choice of Venue. Notwithstanding the provisions of Paragraphs D.10 and D.11, any action or proceeding seeking to enforce any provision of or based on any right arising out of this Agreement may be brought against the Participant or the Company only in the courts of the State of New York or, if it has or can acquire jurisdiction, in the United States District Court for the Southern District of New York, and the Participant and the Company consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein.

18. Entire Agreement. This Agreement contains all the understanding and agreements between the Participant and the Company regarding the subject matter hereof.

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PEPSICO, INC. AND SUBSIDIARIES
 Computation of Ratio of Earnings to Fixed Charges
 Years Ended December 31, 2016, December 26, 2015, December 27, 2014, December 28, 2013, and December 29, 2012
 (in millions except ratio amounts)

	2016	2015	2014	2013	2012
Earnings:					
Income before income taxes ^(a)	\$ 8,553	\$ 7,442	\$ 8,757	\$ 8,891	\$ 8,304
Unconsolidated affiliates' interests, net	(99)	(71)	(115)	(25)	(34)
Amortization of capitalized interest	6	6	6	5	2
Interest expense ^(b)	1,109	970	909	911	899
Interest portion of rent expense ^(c)	234	232	236	213	194
Earnings available for fixed charges	<u>\$ 9,803</u>	<u>\$ 8,579</u>	<u>\$ 9,793</u>	<u>\$ 9,995</u>	<u>\$ 9,365</u>
Fixed Charges:					
Interest expense ^(b)	\$ 1,109	\$ 970	\$ 909	\$ 911	\$ 899
Capitalized interest	9	8	9	7	5
Interest portion of rent expense ^(c)	234	232	236	213	194
Total fixed charges	<u>\$ 1,352</u>	<u>\$ 1,210</u>	<u>\$ 1,154</u>	<u>\$ 1,131</u>	<u>\$ 1,098</u>
Ratio of Earnings to Fixed Charges ^(d)	<u>7.25</u>	<u>7.09</u>	<u>8.49</u>	<u>8.84</u>	<u>8.53</u>

(a) Income before income taxes for the year ended December 26, 2015 included a pre-tax charge of \$1.4 billion related to our change in accounting for our investments in our wholly-owned Venezuelan subsidiaries and beverage joint venture.

(b) Excludes interest related to our reserves for income taxes as such interest is included in provision for income taxes and includes net amortization of debt premium/discount. In the year ended December 31, 2016 pre-tax charges related to the debt redemption of \$233 million were excluded from interest expense.

(c) One-third of rent expense is the portion deemed representative of the interest factor.

(d) Based on unrounded amounts.

PEPSICO, INC. SUBSIDIARIES**NAME OF ENTITY**

Abbeyflex Limited
 Abechuko Inversiones, S.L.
 Alikate Inversiones, S.L.
 Alimentos del Istmo, S.A.
 Alimentos Quaker Oats y Compania Limitada
 Alimesa S.A.
 Amavale Agricola Ltda.
 Anderson Hill Insurance Limited
 Aquafina Inversiones, S.L.
 BAESA Capital Corporation Ltd.
 Barrett Investments S.à r.l.
 Beaman Bottling Company
 Beech Limited
 Beimiguel Inversiones, S.L.
 Bell Taco Funding Syndicate
 Bendler Investments S. à r.L.
 Beverage Services Limited
 Beverages, Foods & Service Industries, Inc.
 Bishkeksut, OJSC
 Blaue NC, S. de R.L. de C.V.
 Blind Brook Global Holdings Partnership
 Blind Brook Global Holdings S. à r.l.
 Bluebird Foods Limited
 Bolsherechensky Molkombinat JSC
 Boquitas Fiestas S.R.L.
 Boquitas Fiestas, LLC
 Bottling Group Financing, LLC
 Bottling Group Holdings, Inc.
 Bottling Group, LLC
 Brading Holding S. à r.l.
 BUG de Mexico, S.A. de C.V.
 C & I Leasing, Inc.
 Canguro Rojo Inversiones, S.L.
 Caroni Investments, LLC
 CEME Holdings, LLC
 Centro-Mediterranea de Bebidas Carbonicas PepsiCo, S.L.
 China Concentrate Holdings (Hong Kong) Limited
 Chipiga, S. de R.L. de C.V.
 Chipsy for Food Industries S.A.E.
 Chipsy International for Food Industries S.A.E.
 Cipa Industrial de Produtos Alimentares Ltda.
 Cipa Nordeste Industrial de Produtos Alimentares Ltda.
 CMC Investment Company
 Cocina Autentica, Inc.

JURISDICTION

Cyprus
 Spain
 Spain
 Panama
 Guatemala
 Argentina
 Brazil
 Bermuda
 Spain
 Cayman Islands
 Luxembourg
 United States, Delaware
 Cayman Islands
 Spain
 Australia
 Luxembourg
 Bermuda
 United States, Delaware
 Kyrgyzstan
 Mexico
 Canada
 Luxembourg
 New Zealand
 Russia
 Honduras
 United States, Delaware
 United States, Delaware
 United States, Delaware
 United States, Delaware
 Luxembourg
 Mexico
 United States, Maryland
 Spain
 United States, Delaware
 United States, Delaware
 Spain
 Hong Kong
 Mexico
 Egypt
 Egypt
 Brazil
 Brazil
 Bermuda
 United States, Delaware

<u>NAME OF ENTITY</u>	<u>JURISDICTION</u>
Comercializadora Nacional SAS Ltda.	Colombia
Comercializadora PepsiCo Mexico, S de R.L. de C.V.	Mexico
Compania de Bebidas PepsiCo, S.L.	Spain
Concentrate Manufacturing (Singapore) Pte. Ltd.	Singapore
Confiteria Alegre, S. de R.L. de C.V.	Mexico
Copper Beech International, LLC	United States, Delaware
Corina Snacks Limited	Cyprus
Corporativo Internacional Mexicano, S. de R.L. de C.V.	Mexico
Davlyn Realty Corporation	United States, Delaware
Defosto Holdings Limited	Cyprus
Desarrollo Inmobiliario Gamesa, S. de R.L. de C.V.	Mexico
Devon Holdings S.a r.l.	Luxembourg
Dilexis S.A.	Argentina
Dominion Investments S. à r.l.	Luxembourg
Donon Holdings Limited	Cyprus
Dorset Properties Limited	Cyprus
Drinkfinity USA, Inc.	United States, Delaware
Duo Juice Company	United States, Delaware
Duo Juice Company B.V.	Netherlands
Dutch Snacks Holding, S.A. de C.V.	Mexico
Duyvis Production B.V.	Netherlands
Echo Bay Holdings, Inc.	United States, Delaware
Egmont Holdings Luxembourg S. à r.l.	Luxembourg
Elaboradora Argentina de Cereales S.R.L.	Argentina
Enfolg Inversiones, S.L.	Spain
Enter Logistica, LLC	Russia
Environ at Inverrary Partnership	United States, Florida
Environ of Inverrary, Inc.	United States, Florida
EPIC Enterprises, Inc.	United States, Massachusetts
Eridanus Investments S. à r.l.	Luxembourg
Essentuksky plant of mineral waters on KMV Ltd.	Russia
Evercrisp Snack Productos de Chile S.A.	Chile
Fabrica de Productos Alimenticios Rene y Cia S.C.A.	Guatemala
Fabrica de Productos Rene LLC	United States, Delaware
Fabrica PepsiCo Mexicali, S. de R.L. de C.V.	Mexico
Far East Bottlers (Hong Kong) Limited	Hong Kong
Fester Industria Alimenticia Ltda.	Brazil
FL Transportation, Inc.	United States, Delaware
FLI Andean, LLC	United States, Delaware
FLI Colombia, LLC	United States, Delaware
FLI Snacks Andean GP, LLC	United States, Delaware
Food Production, CJSC	Russia
Forest Akers Nederland B.V.	Netherlands
Fovarosí Asványviz és Uditoipari Zártkörűen Működő Részvénytársaság	Hungary
Frito Lay (Hungary) Trading and Manufacturing Limited Liability Company	Hungary
Frito Lay de Guatemala y Compania Limitada	Guatemala
Frito Lay Gıda Sanayi Ve Ticaret Anonim Şirketi	Turkey
Frito Lay Sp. z o.o.	Poland
Frito-Lay Australia Holdings Pty Limited	Australia

<u>NAME OF ENTITY</u>	<u>JURISDICTION</u>
Frito-Lay Dip Company, Inc.	United States, Delaware
Frito-Lay Dominicana, S.A.	Dominican Republic
Frito-Lay Global Investments B.V.	Netherlands
Frito-Lay Investments B.V.	Netherlands
Frito-Lay Manufacturing LLC	Russia
Frito-Lay Netherlands Holding B.V.	Netherlands
Frito-Lay North America, Inc.	United States, Delaware
Frito-Lay Poland Sp.z.o.o.	Poland
Frito-Lay Sales, Inc.	United States, Delaware
Frito-Lay Trading Company (Europe) GmbH	Switzerland
Frito-Lay Trading Company (Poland) GmbH	Switzerland
Frito-Lay Trading Company GmbH	Switzerland
Frito-Lay Trinidad Unlimited	Trinidad And Tobago
Frito-Lay, Inc.	United States, Delaware
Fruko Mesrubat Sanayi Limited Sirketi	Turkey
Fundacion Frito Lay de Guatemala	Guatemala
Fundacion Frito Lay Dominicana	Dominican Republic
Fundacion PepsiCo	Peru
Fundacion PepsiCo de Argentina	Argentina
Fundacion PepsiCo Mexico, A.C.	Mexico
Gambrinus Investments Limited	Cayman Islands
Gamesa LLC	United States, Delaware
Gamesa, S. de R.L. de C.V.	Mexico
Gas Natural de Merida, S. A. de C. V.	Mexico
Gatika Inversiones, S.L.	Spain
Gatorade Puerto Rico Company	United States, Delaware
GB Czech, LLC	United States, Delaware
GB International, Inc.	United States, Delaware
GB Russia LLC	United States, Delaware
GB Slovak, LLC	United States, Delaware
General Bottlers of Hungary, Inc.	United States, Delaware
Golden Grain Company	United States, California
Goveh S.R.L.	Peru
Grayhawk Leasing, LLC	United States, Delaware
Green Hemlock International, LLC	United States, Delaware
Greip Inversiones, S.L.	Spain
Grupo Frito Lay y Compania Limitada	Guatemala
Grupo Gamesa, S. de R.L. de C.V.	Mexico
Grupo Sabritas, S. de R.L. de C.V.	Mexico
Gulkevichskiy Maslozavod, CJSC	Russia
Heathland, LP	United States, Delaware
Helioscope Limited	Cyprus
Hillbrook, Inc.	United States, Vermont
Hillwood Bottling, LLC	United States, Delaware
Holding Company "Opolie" JSC	Russia
Homefinding Company of Texas	United States, Texas
Hudson Valley Insurance Company	United States, New York
IC Equities, Inc.	United States, Delaware
Inmobiliaria Interamericana, S.A. De C.V.	Mexico

NAME OF ENTITY

Integrated Beverage Services (Bangladesh) Limited
Integrated Foods & Beverages Pvt. Ltd.
International Bottlers Management Co. LLC
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 LLC
IZZE Beverage Co.
Jatabe Inversiones, S.L.
Jordan Ice & Aerated Water Ltd.
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.
Large Investments S. à r.l.
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
Marbo Produkt d.o.o.
Matudis - Comercio de Produtos Alimentares, Limitada
Matutano - Sociedade de Produtos Alimentares, Lda.
Mid-America Improvement Corporation
Miglioni Inversiones, S.L.

JURISDICTION

Bangladesh
Bangladesh
United States, Delaware
Kazakhstan
Liechtenstein
Thailand
Peru
Chile
United States, Delaware
United States, Delaware
Spain
Jordan
Spain
Costa Rica
Luxembourg
Spain
United States, California
Mexico
Russia
Ecuador
Luxembourg
United States, Delaware
United States, Delaware
United States, Delaware
United States, Delaware
United States, Delaware
United States, Delaware
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
Croatia
Portugal
Portugal
United States, Illinois
Spain

NAME OF ENTITY

Mountainview Insurance Company, Inc.
Nadamas Inversiones, S.L.
Naked Juice Co.
Naked Juice Co. of Glendora, Inc.
NCJV, LLC
New Bern Transport Corporation
New Century Beverage Company
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
Papas Chips S.A.
PAS Beverages Ltd.
PAS International Ltd.
PAS Luxembourg, S. à r.l.
PAS Netherlands B.V.
PBG Beverages Ireland
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 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

JURISDICTION

United States, Vermont
Spain
United States, Pennsylvania
United States, California
United States, Delaware
United States, Delaware
United States, California
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
Germany
Netherlands
United States, Delaware
Egypt
Colombia
Egypt
Turkey
Ireland

<u>NAME OF ENTITY</u>	<u>JURISDICTION</u>
Pepsi Logistics Company, Inc.	United States, Delaware
Pepsi Northwest Beverages LLC	United States, Delaware
Pepsi Overseas (Investments) Partnership	Canada
Pepsi Promotions, Inc.	United States, Delaware
PepsiAmericas Nemzetközi Szolgáltató Korlátolt Felelősségű Társaság	Hungary
PepsiCo (China) Limited	China
PepsiCo (Gibraltar) Limited	Gibraltar
PepsiCo (Ireland)	Ireland
PepsiCo (Malaysia) Sdn. Bhd.	Malaysia
PepsiCo Alimentos Colombia Ltda.	Colombia
PepsiCo Alimentos de Bolivia S.R.L.	Bolivia
PepsiCo Alimentos Ecuador Cia. Ltda.	Ecuador
PepsiCo Alimentos Z.F., Ltda.	Colombia
PepsiCo Amacoco Bebidas Do Brasil Ltda.	Brazil
PepsiCo Antilles Holdings N.V.	Curacao
PepsiCo ANZ Holdings Pty Ltd	Australia
PepsiCo Armenia LLC	Armenia
PepsiCo Asia Research & Development Center Company Limited	China
PepsiCo Australia Financing Pty Ltd	Australia
PepsiCo Australia Holdings Pty Limited	Australia
PepsiCo Australia International	Australia
PepsiCo Azerbaijan Limited Liability Company	Azerbaijan
PepsiCo BeLux BVBA	Belgium
PepsiCo Beverage Singapore Pty Ltd	Australia
PepsiCo Beverages (Hong Kong) Limited	Hong Kong
PepsiCo Beverages Bermuda Limited	Bermuda
PepsiCo Beverages International Limited	Nigeria
PepsiCo Beverages Italia Societa' A Responsabilita' Limitata	Italy
PepsiCo Beverages Switzerland GmbH	Switzerland
PepsiCo Canada (Holdings) ULC	Canada
PepsiCo Canada Finance, LLC	United States, Delaware
PepsiCo Canada Investment ULC	Canada
PepsiCo Canada ULC	Canada
PepsiCo Captive Holdings, Inc.	United States, Delaware
PepsiCo Caribbean, Inc.	Puerto Rico
PepsiCo Consulting Polska Sp. z o.o.	Poland
PepsiCo CZ s.r.o.	Czech Republic
PepsiCo Dairy Beverages (Shanghai) Limited	China
PepsiCo Dairy Management (Hong Kong) Limited	Hong Kong
PepsiCo de Argentina S.R.L.	Argentina
PepsiCo De Bolivia S.R.L.	Bolivia
PepsiCo de Mexico S. de R.L. de C.V.	Mexico
PepsiCo Del Paraguay S.R.L.	Paraguay
PepsiCo Deutschland GmbH	Germany
PepsiCo do Brasil Ltda.	Brazil
PepsiCo Eesti AS	Estonia
PepsiCo Euro Bermuda Limited	Bermuda
PepsiCo Euro Finance Antilles B.V.	Curacao
PepsiCo Europe Support Center, S.L.	Spain

<u>NAME OF ENTITY</u>	<u>JURISDICTION</u>
PepsiCo Finance (Antilles A) N.V.	Curacao
PepsiCo Finance (Antilles A) N.V.	United States, Delaware
PepsiCo Finance (Antilles B) N.V.	Curacao
PepsiCo Finance (South Africa) (Proprietary) Limited	South Africa
PepsiCo Finance Europe Limited	United Kingdom
PepsiCo Financial Shared Services, Inc.	United States, Delaware
PepsiCo Financiera Y Promocion De Empresas, S.L.	Spain
PepsiCo Food & Beverage Holdings Hong Kong Limited	Hong Kong
PepsiCo Foods (China) Company Limited	China
PepsiCo Foods (Private) Limited	Pakistan
PepsiCo Foods and Beverages International Limited	United Kingdom
PepsiCo Foods Group Pty Ltd	Australia
PepsiCo Foods Taiwan Co., Ltd.	Taiwan
PepsiCo Foods Vietnam Company	Vietnam
PepsiCo Foods, A.I.E.	Spain
PepsiCo France SNC	France
PepsiCo Global Investments B.V.	Netherlands
PepsiCo Global Investments S. à r.l.	Luxembourg
PepsiCo Global Mobility, LLC	United States, Delaware
PepsiCo Global Real Estate, Inc.	United States, Delaware
PepsiCo Group Finance International B.V.	Netherlands
PepsiCo Group Holdings International B.V.	Netherlands
PepsiCo Group Spotswood Holdings S.C.S.	Luxembourg
PepsiCo Group, Societe Cooperative	Luxembourg
PepsiCo Gulf International FZE	United Arab Emirates
PepsiCo Holding de Espana S.L.	Spain
PepsiCo Holdings	United Kingdom
PepsiCo Holdings Hong Kong Limited	Hong Kong
PepsiCo Holdings Luxembourg S. à r.l.	Luxembourg
PepsiCo Holdings, LLC	Russia
PepsiCo Hong Kong, LLC	United States, Delaware
PepsiCo Iberia Servicios Centrales, S.L.	Spain
PepsiCo India Holdings Private Limited	India
PepsiCo India Sales Private Limited	India
PepsiCo Internacional México, S. de R. L. de C. V.	Mexico
PepsiCo International Limited	United Kingdom
PepsiCo International Pte Ltd.	Singapore
PepsiCo Investments (Europe) I B.V.	Netherlands
PepsiCo Investments Ltd.	Mauritius
PepsiCo Investments Luxembourg S. à r.L.	Luxembourg
PepsiCo Ireland Food & Beverages	Ireland
PepsiCo Japan Co., Ltd.	Japan
PepsiCo Light B.V.	Netherlands
PepsiCo Logistyka Sp. z.o.o.	Poland
PepsiCo Management Services SAS	France
PepsiCo Manufacturing, A.I.E.	Spain
PepsiCo Max B.V.	Netherlands
PepsiCo Mexico R&D Biscuits, S.C.	Mexico
PepsiCo Mexico R&D Savory, S.C.	Mexico

<u>NAME OF ENTITY</u>	<u>JURISDICTION</u>
PepsiCo Nederland B.V.	Netherlands
PepsiCo Nordic Denmark ApS	Denmark
PepsiCo Nordic Finland Oy	Finland
PepsiCo Nordic Norway AS	Norway
PepsiCo Nutrition Trading DMCC	United Arab Emirates
PepsiCo One B.V.	Netherlands
PepsiCo Overseas Corporation	United States, Delaware
PepsiCo Pacific Trading Company, Limited	Hong Kong
PepsiCo Panimex Inc	Mauritius
PepsiCo Products B.V.	Netherlands
PepsiCo Products FLLC	Belarus
PepsiCo Puerto Rico, Inc.	United States, Delaware
PepsiCo Sales, Inc.	United States, Delaware
PepsiCo Sales, LLC	United States, Delaware
PepsiCo Services Asia Ltd.	Thailand
PepsiCo Services, LLC	United States, Delaware
PepsiCo Twist B.V.	Netherlands
PepsiCo UK Pension Plan Trustee Limited	United Kingdom
PepsiCo Wave Holdings LLC	United States, Delaware
PepsiCo World Trading Company, Inc.	United States, Delaware
PepsiCo-IVI EPE	Greece
Pepsi-Cola (Bermuda) Limited	Bermuda
Pepsi-Cola (Thai) Trading Co., Ltd.	Thailand
Pepsi-Cola Advertising and Marketing, Inc.	United States, Delaware
Pepsi-Cola Beverages (Thailand) Co., Ltd.	Thailand
Pepsi-Cola Bottlers Holding C.V.	Netherlands
Pepsi-Cola Bottling Company of Ft. Lauderdale-Palm Beach, LLC	United States, Florida
Pepsi-Cola Bottling Company Of St. Louis, Inc.	United States, Missouri
Pepsi-Cola Bottling Finance B.V.	Netherlands
Pepsi-Cola Bottling Global B.V.	Netherlands
Pepsi-Cola Company	United States, Delaware
Pepsi-Cola de Honduras S.R.L.	Honduras
Pepsi-Cola Ecuador Cia. Ltda.	Ecuador
Pepsi-Cola Far East Trade Development Co., Inc.	Philippines
Pepsi-Cola Finance, LLC	United States, Delaware
Pepsi-Cola General Bottlers Poland SP, z.o.o.	Poland
Pepsi-Cola Industrial da Amazonia Ltda.	Brazil
PepsiCola Interamericana de Guatemala S.A.	Guatemala
Pepsi-Cola International (Cyprus) Limited	Cyprus
Pepsi-Cola International (PVT) Limited	Pakistan
Pepsi-Cola International Limited	Bermuda
Pepsi-Cola International Limited (U.S.A.)	United States, Delaware
Pepsi-Cola International, Cork	Ireland
Pepsi-Cola Kft.	Hungary
Pepsi-Cola Korea Co., Limited	Korea, Republic Of
Pepsi-Cola Maghreb	Morocco
Pepsi-Cola Management and Administrative Services, Inc.	United States, Delaware
Pepsi-Cola Manufacturing (Ireland)	Ireland
Pepsi-Cola Manufacturing (Mediterranean) Limited	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 Panamericana, LLC.
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.
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
United States, Delaware
Slovakia
United States, Delaware
Ukraine
Spain
United Kingdom
Cayman Islands
United States, Delaware
United States, Delaware
United States, Delaware
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.
Ramenskoe Moloko Co. Ltd.
Rare Fare Foods, LLC
Rare Fare Holdings, Inc.
Rasines Inversiones, S.L.
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
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.
Snacks Guatemala, Ltd.
South Beach Beverage Company, Inc.

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
Russia
United States, Delaware
United States, Delaware
Spain
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
United States, Delaware
United Kingdom
Switzerland
Switzerland
Bermuda
Hong Kong
Peru
Bermuda
United States, Delaware

<u>NAME OF ENTITY</u>	<u>JURISDICTION</u>
South Properties, Inc.	United States, Illinois
Spruce Limited	Cayman Islands
Stacy's Pita Chip Company, Incorporated	United States, Massachusetts
Star Foods E.M. S.R.L.	Romania
Steppplan Inversiones, S.L.	Spain
Stokely-Van Camp, Inc.	United States, Indiana
SVC Logistics, Inc.	United States, Delaware
SVC Manufacturing, Inc.	United States, Delaware
SVE Russia Holdings GmbH	Germany
Tanglewood Finance S. à r.l.	Luxembourg
Tasman Finance S.a r.l.	Luxembourg
Tasty Foods S.A.	Greece
TFL Holdings, LLC	United States, Delaware
The Concentrate Manufacturing Company Of Ireland	Ireland
The Gatorade Company	United States, Delaware
The Gatorade Company of Australia Pty Limited	Australia
The Original Pretzel Company Pty Limited	Australia
The Pepsi Bottling Group (Canada) ULC	Canada
The Quaker Oats Company	United States, New Jersey
The Radical Fruit Company New York	Ireland
The Smith's Snackfood Company Pty Limited	Australia
Tobago Snack Holdings, LLC	United States, Delaware
Tropicana Alvalle S.L.	Spain
Tropicana Beverages Greater China Limited	Hong Kong
Tropicana Beverages Limited	Hong Kong
Tropicana Europe N.V.	Belgium
Tropicana Manufacturing Company, Inc.	United States, Delaware
Tropicana Products Sales, Inc.	United States, Delaware
Tropicana Products, Inc.	United States, Delaware
Tropicana Services, Inc.	United States, Florida
Tropicana Transportation Corp.	United States, Delaware
Tropicana United Kingdom Limited	United Kingdom
Troya-Ultra LLC	Russia
United Foods Companies Restaurantes S.A.	Brazil
Veurne Snack Foods BVBA	Belgium
Vitamin Brands Ltd.	United Kingdom
Walkers Crisps Limited	United Kingdom
Walkers Group Limited	United Kingdom
Walkers Snack Foods Limited	United Kingdom
Walkers Snack Services Limited	United Kingdom
Walkers Snacks (Distribution) Limited	United Kingdom
Walkers Snacks Limited	United Kingdom
Wesellsoda Inversiones, S.L.	Spain
Whitman Corporation	United States, Delaware
Whitman Insurance Co. Ltd.	United States, Vermont
Wimm-Bill-Dann Beverages, JSC	Russia
Wimm-Bill-Dann Brands Co. Ltd.	Russia
Wimm-Bill-Dann Central Asia-Almaty, LLP	Kazakhstan
Wimm-Bill-Dann Finance Cyprus Ltd.	Cyprus

NAME OF ENTITY

Wimm-Bill-Dann Foods LLC
Wimm-Bill-Dann Georgia Ltd.
Wimm-Bill-Dann JSC
Wimm-Bill-Dann Netherlands B.V.
Wimm-Bill-Dann Ukraine, PJSC

JURISDICTION

Russia
Georgia
Russia
Netherlands
Ukraine

Consent of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
PepsiCo, Inc.:

We consent to incorporation by reference in the registration statements and Forms listed below of PepsiCo, Inc. and subsidiaries ("PepsiCo, Inc.") of our report dated February 15, 2017, with respect to the Consolidated Balance Sheets of PepsiCo, Inc. as of December 31, 2016 and December 26, 2015, 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 31, 2016, and the effectiveness of internal control over financial reporting as of December 31, 2016, which report appears in the December 31, 2016 annual report on Form 10-K of PepsiCo, Inc.

Description, Registration Statement Number

Form S-3

- 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, 2017

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 Tony West, 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 either 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 and the Automatic Shelf Registration Statement No. 333-197640 relating to the offer and sale of PepsiCo Common Stock, Debt Securities, Warrants and Units;
- (ii) Registration Statements No. 33-53232, 33-64243 and 333-102035 relating to the offer and sale of PepsiCo's Debt Securities, Warrants and 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) 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 exchanges 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 the 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.

[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.

By:

<u>/s/ Indra K. Nooyi</u> Indra K. Nooyi	Chairman of the Board of Directors and Chief Executive Officer	February 15, 2017
<u>/s/ Hugh F. Johnston</u> Hugh F. Johnston	Vice Chairman, Executive Vice President and Chief Financial Officer	February 15, 2017
<u>/s/ Marie T. Gallagher</u> Marie T. Gallagher	Senior Vice President and Controller (Principal Accounting Officer)	February 15, 2017
<u>/s/ Shona L. Brown</u> Shona L. Brown	Director	February 15, 2017
<u>/s/ George W. Buckley</u> George W. Buckley	Director	February 15, 2017
<u>/s/ Cesar Conde</u> Cesar Conde	Director	February 15, 2017
<u>/s/ Ian M. Cook</u> Ian M. Cook	Director	February 15, 2017
<u>/s/ Dina Dublon</u> Dina Dublon	Director	February 15, 2017
<u>/s/ Rona A. Fairhead</u> Rona A. Fairhead	Director	February 15, 2017
<u>/s/ Richard W. Fisher</u> Richard W. Fisher	Director	February 15, 2017
<u>/s/ William R. Johnson</u> William R. Johnson	Director	February 15, 2017
<u>/s/ David C. Page</u> David C. Page	Director	February 15, 2017
<u>/s/ Robert C. Pohlada</u> Robert C. Pohlada	Director	February 15, 2017
<u>/s/ Lloyd G. Trotter</u> Lloyd G. Trotter	Director	February 15, 2017
<u>/s/ Daniel Vasella</u> Daniel Vasella	Director	February 15, 2017
<u>/s/ Darren Walker</u> Darren Walker	Director	February 15, 2017
<u>/s/ Alberto Weisser</u> Alberto Weisser	Director	February 15, 2017

CERTIFICATION

I, **Indra K. Nooyi**, 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, 2017

/s/ Indra K. Nooyi

Indra K. Nooyi
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, 2017

/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 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Indra K. Nooyi, 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, 2017

/s/ Indra K. Nooyi

Indra K. Nooyi
Chairman of the Board of Directors and
Chief Executive 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 31, 2016 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, 2017

/s/ Hugh F. Johnston

Hugh F. Johnston
Chief Financial Officer