



Water Stewardship

Good for Business. Good for Society.



PEPSICO

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No resource is more vital to humanity than water. Yet supplies of safe water are shrinking as demand for it is on the rise. Today, 70 percent of the earth's surface is covered by hundreds of major bodies of water. But less than three percent is fresh water — the rest is seawater.¹

About one billion people are currently without access to clean drinking water, according to a recent United Nations Children's Fund (UNICEF) report.² Many of the world's governments have identified access to clean water as one of the key building blocks to ending global poverty.

While clean, available water is becoming more scarce, the planet's thirst for it is only increasing. The global population is growing and existing populations are migrating, putting even more stress on supplies.

In April 2010, we unveiled a new set of global goals organized around a straightforward premise: We will respect the human right to water through world-class efficiency in our operations, preserving water resources and enabling access to safe water. Specifically, we have committed to:

IMPROVING our water use efficiency by 20 percent per unit of production by 2015;

STRIVING for "positive water balance" in our operations in water-distressed areas; and

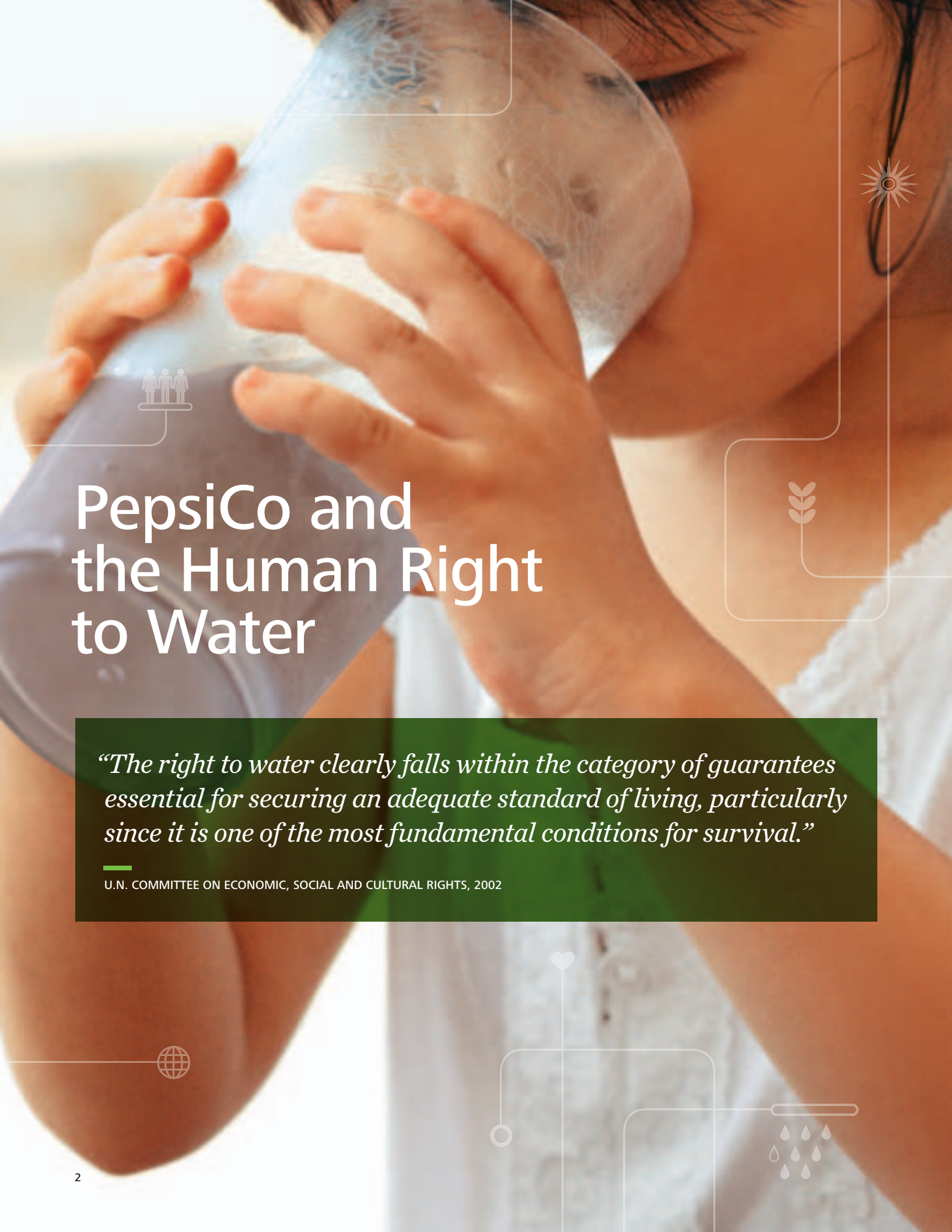
PROVIDING access to safe water to three million people in developing countries by the end of 2015.

We are working hard to reach these goals by minimizing the impact our business has on the environment and collaborating with industry peers, governments, academia, nongovernmental organizations (NGOs) and communities.

At the same time, a sufficient supply of safe water is essential for businesses to operate. A recent report on water risk published by Ceres, a national network of investors, environmental organizations and other public interest groups that work with companies to address sustainability challenges, states, "Our global economy runs on water. Fresh water powers industrial production, is the essential ingredient in many products, and is perhaps the most important natural resource for human survival."³

At PepsiCo, we are particularly aware of our responsibility, because water is fundamental to our ability to operate efficiently. Water stewardship is a central part of "Performance with Purpose"—our mission to deliver sustainable growth by investing in a healthier future for people and our planet. In 2007, PepsiCo set a global goal to reduce water consumption by 20 percent per unit of production by 2015. To date, the company has achieved a more than 15 percent improvement in water use efficiency as compared with our 2006 baseline.

We believe we have constructed a solid foundation, but recognize we have much more to do in order to achieve our ambitious water goals. This report details how seriously we take our responsibilities as water stewards, and the steps we are taking to fulfill those responsibilities.



PepsiCo and the Human Right to Water



“The right to water clearly falls within the category of guarantees essential for securing an adequate standard of living, particularly since it is one of the most fundamental conditions for survival.”

U.N. COMMITTEE ON ECONOMIC, SOCIAL AND CULTURAL RIGHTS, 2002



PepsiCo and the Human Right to Water

In 2002, the United Nations (U.N.) Committee on Economic, Social and Cultural Rights, recognized for the first time that water is a fundamental human right. “The right to water,” the U.N. declared, “clearly falls within the category of guarantees essential for securing an adequate standard of living, particularly since it is one of the most fundamental conditions for survival.” And in July of this year, the U.N. General Assembly passed without opposition a resolution declaring the right to water an essential human right.

PepsiCo has long embraced the concept of water’s importance to the communities in which it operates. In May 2009, we went a step further by formally and publicly acknowledging water as a human right, making us one of the first companies of our size to do so.

Why does defining water as a human right make a difference? As the World Health Organization (WHO) and U.N. have said, “[F]or the global community, ensuring that access to sufficient safe water is a human right constitutes an important step towards making it a reality for everyone.”⁴ In applying this principle to PepsiCo, we have made a strategic decision to implement protective policies and procedures, rather than apply mitigating measures reactively.

PepsiCo has described its public commitment this way:

“We at PepsiCo respect the human rights recognized by the countries in which we operate, and will not take any action that would undermine a state’s obligation to its citizens to protect and fulfill the Human Right to Water and, absent of a country’s Human Right to Water Policy, we commit to operate within the principles of the Human Right to Water Policy as defined by the United Nations.”

PepsiCo supports the basic elements of the WHO/U.N. joint declaration on the human right to water, and commits to the following:

SAFETY: Ensure that our operations preserve the quality of the water resources in the communities in which we do business;

SUFFICIENCY: Our operating objective is to ensure that our use of water will not diminish the availability of community water resources to the individuals or the communities in the areas in which we operate;

ACCEPTABILITY: We will involve communities in plans to develop water resources, and assure transparency of any risks or challenges to the local governments and community members in an ongoing manner;

PHYSICAL ACCESSIBILITY: We will ensure that our operations will not adversely impact physical accessibility of community members to community water resources and will address community concerns in a cooperative manner; and

AFFORDABILITY: We will appropriately advocate to applicable government bodies that safe water supplies should be available in a fair and equitable manner to members of the community. Such water should be safe and of consistent and adequate supply and affordable within local practices.

At PepsiCo, we have embraced the spirit of these elements for years, but now we are entrenching these principles into our global business.

We are currently embedding the elements of this commitment into best practice tools to ensure that all aspects of our business incorporate our PepsiCo pledge. For example, we apply the PepsiCo Sustainable Engineering Guidelines, to guide the new construction of many of our facilities around the world. These guidelines—which are based on the U.S. Green Building Council’s Leadership in Energy and Environmental Design (LEED) criteria (which are becoming the internationally recognized green building certification system)—are now being revised to include the five elements of our Human Right to Water Commitment.



The PepsiCo Chicago Sustainability Center was one of a select group of 21 buildings around the world in April 2009 to achieve LEED Commercial Interior Platinum certification from the U.S. Green Building Council (USGBC).

We are also updating our successful pan-PepsiCo training program for resource conservation, called “ReCon” (applicable to energy, water, greenhouse gas emissions and solid waste), to incorporate aspects of our commitment to respect water as a human right. In doing so, we are elevating the letter and spirit of our commitment beyond something regarded as exclusively philanthropic, to a commitment which is core to our business and day-to-day operations.

We realize that our positive impact can be much greater by expanding our efforts beyond our direct operations, which is why we have made our best practice tools and subject matter expertise available to both our suppliers and bottlers and initiated supplier and bottler outreach programs.

In 2009, PepsiCo conducted the due diligence to support our public commitment, which we issued in early 2010, to “strive for ‘positive water balance’ in our operations in water-distressed areas.” To support this commitment, we have engaged in a significant initiative with The Nature Conservancy to pilot potential interventions to achieve and measure “positive water balance” at multiple geographies across the world.

In each of these ways, and others, we are working to ensure that our recognition of water as a human right becomes fundamental to the way we operate every day.



Water and Societal Impact

“We will spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty, to which more than a billion of them are currently subjected. We are committed to making the right to development a reality for everyone and to freeing the entire human race from want.”

U.N. MILLENNIUM DECLARATION, SEPTEMBER 2000



Water and Societal Impact

At the dawn of the new century, the U.N. set eight goals for development, called the Millennium Development Goals (MDGs)—to which 147 heads of state and governments, and 189 nations, committed themselves. The MDGs set an ambitious agenda for improving the lives of people all over the world by 2015. Access to safe water is a critical building block in this endeavor. Without it, none of the MDGs will be met. The MDGs include an explicit commitment to reduce by half the proportion of people without sustainable access to safe drinking water.

PepsiCo Chairman and CEO Indra Nooyi supports the MDGs, and has said, “We believe that the world water crisis is one of the most pressing challenges of our age. As a global food and beverage company, our success depends on being responsible stewards of this limited resource.”

In 2007 PepsiCo reaffirmed its commitment to helping achieve the MDGs, and has taken a number of steps to fulfill that commitment. In addition to formally recognizing water as a human right, PepsiCo has set a goal to provide access to safe water to three million people in developing countries by the end of 2015. We have already made great progress toward that benchmark; by 2011, we will have provided access to clean water to one million people from the world’s most drought-stricken regions.

This progress is a result of the more than \$15 million PepsiCo and the PepsiCo Foundation have pledged to safe water and sanitation initiatives in developing countries since 2005. At the core of our commitment is establishing strategic public-private partnerships with innovative organizations to make an impact on water scarcity. Through the PepsiCo Foundation, we are working with the Columbia University Earth Institute’s Global Water Center, Water.org, the Safe Water Network, The Energy Resources Institute (TERI), the China Women’s Development Foundation (CWDF), and many others to launch a host of projects which are helping to install village water and irrigation systems; establish water health centers; construct rainwater harvesting cisterns; improve sanitation programs; and recharge aquifers in developing communities. These programs are making a real and sustainable impact on people in countries including Ghana, Kenya, Brazil, China and India.

The PepsiCo Foundation’s \$6 million, three-year partnership with the Columbia University Earth Institute, launched in 2008, supports a range of projects that test novel methods of managing water, including a series of high-impact, community-based activities and practical solutions across water, agriculture and climate in critical settings. Teams in China, India, Mali and Brazil, for example, are currently leading demonstration pilots with small-acreage farmers, villages and watershed authorities by teaching improved irrigation, planting and distribution systems. This pilot will serve 338,220 people by the end of 2010.

“Water is at the core of economic development and human well-being,” says Jeffrey Sachs, Director of the Earth Institute. “With water there can be productive agriculture, good nutrition, sanitation, and health. Without water there is only poverty and disease. Yet water is under unprecedented stress, from inadequate farm practices, climate change, population pressures and pollution. New technologies, new business strategies and new public policies can overcome the growing water crisis. Our new project and partnership with PepsiCo will help to develop and demonstrate the best options for future years in the Americas, Africa and Asia.”⁵

Water.org, a U.S.-based nonprofit committed to providing safe drinking water and sanitation, is managing a unique microfinance program that is bringing water to villages in developing countries. The PepsiCo Foundation made a \$4.1 million grant to Water.org in 2008, which is helping to significantly expand and develop the organization’s WaterCredit program, an innovative initiative that facilitates microcredit loans for water and sanitation.

As of March 2010, 90,000 people in India have been served with improved water and sanitation. In addition, more than 20,000 household water/sanitation connections have been installed to date. This partnership will not only provide safe water for people living in India, but it will also create a sustainable and scalable model that can be used to accelerate access to safe water and sanitation for hundreds of millions of people throughout the developing world. One of the most valuable aspects of WaterCredit is that it fuels itself by attracting additional capital to the program, which can be further leveraged through loans.

The PepsiCo Foundation has also pledged \$3.5 million to the Safe Water Network, a nonprofit organization of which PepsiCo was a founding member. The Safe Water Network is helping to implement safe water initiatives for village water systems in Ghana, India, Kenya and Bangladesh, as well as rainwater harvesting systems in India. In addition to direct funding, PepsiCo is providing considerable technical and operating advisory support as well as local market knowledge and experience from our associates in the local geographies.

The program has decentralized water treatment systems that produce potable water for rural populations and funded the construction of rainwater harvesting cisterns to ensure safe and sustained water supply for those living in water-scarce areas. Since the Safe Water Network program was established, 56,000 people have been served in Ghana, India and Kenya. In addition, nearly 1,000 rainwater harvesting cisterns have been constructed in India, and five village water health centers have been created in Ghana.



Working together with Water.org, PepsiCo Foundation commits to accelerating greater access to safe water and sanitation for those currently living without these basic necessities in India. This goal is being met through programs delivered via grants and WaterCredit, an innovative initiative that facilitates microcredit loans for water and sanitation.

PepsiCo also believes that the true impact of our efforts will be helping communities, particularly those at—and near—the base of the economic pyramid, to develop. Water provides the opportunity to catalyze this social and economic development, but it is important to understand what these individuals want. The Safe Water Network is helping to do this with its partner, the Johns Hopkins University Center for Communications Research, by asking people who have traditionally been the beneficiaries of philanthropy many of the same questions we would ask our consumers in developed markets. Applying sophisticated market research techniques to gain a more nuanced understanding of what motivates the people we are seeking to assist is crucial to long-term, sustainable success.

In Asia, the PepsiCo Foundation and the PepsiCo China business have contributed \$2.5 million to bring access to safe water to 56,000 people in western rural areas of China since 2001. In the Philippines, we teamed up with the renowned social entrepreneur, David Bussau, to launch a pilot program called WaterHope, which uses innovative microfinance and business models to partner with communities and bring them clean and safe water in a sustainable way. In metro Manila, PepsiCo funded the building of an affordable water purification plant, which produces 20,000 liters of clean water daily and empowers the community through ownership of the business.

As part of the "positive water balance" effort, the India manufacturing team has reduced water usage by more than

45%

since 2005, conserving more than

**3 billion
liters of water**

Globally the number of people living under severe water stress is expected to rise to

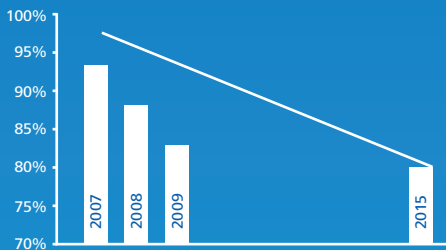
3.9 billion,

nearly half of the world's projected population



Water Performance

vs. 2006 baseline year



In 2009, PepsiCo saved more than 12 billion liters of water through efficiency improvements within our operations. This water savings represents the improvement in the efficiency of our water use, expressed per unit of production, in 2009 vs. a 2006 baseline year. The global PepsiCo foods businesses reduced water use intensity in 2009 by 18 percent vs. 2006 baseline, and the beverage businesses reduced water use intensity by 16 percent. This puts us well on track to meet our public enterprise-wide commitment of reducing water use per unit of production by 20 percent by 2015, compared to a 2006 baseline.

The data presented in this chart represents consumption for company-owned manufacturing operations, indexed to production. 2009 and 2008 data have been verified Bureau Veritas, an independent data verification agency.

At the Casa Grande, Arizona, Frito-Lay facility, a state-of-the-art water filtration and purification system recycles and reuses approximately



of the process water used in production

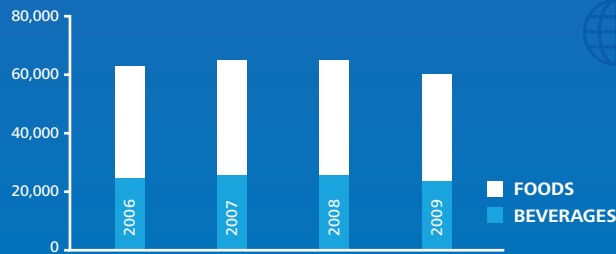
Since 2005, PepsiCo and the PepsiCo Foundation have pledged more than

\$15 million

to safe water and sanitation initiatives in developing countries

Water Consumption*

vs. 2006 baseline year



Since PepsiCo first announced its water goals in 2007, the company has achieved more than

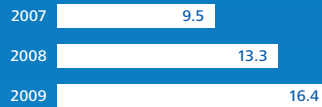
15%

improvement in water use efficiency as compared with 2006

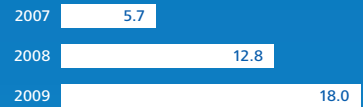
Water Efficiency**

Percentage efficiency improvement vs. 2006

BEVERAGES



FOODS



Potatoes naturally contain a lot of water, and PepsiCo's Walkers business in the U.K. is working to capture that moisture and use it to make its facilities essentially self-sufficient in water



In 2009 alone, PepsiCo saved more than

12 billion liters of water

through efficiency improvements within its operations

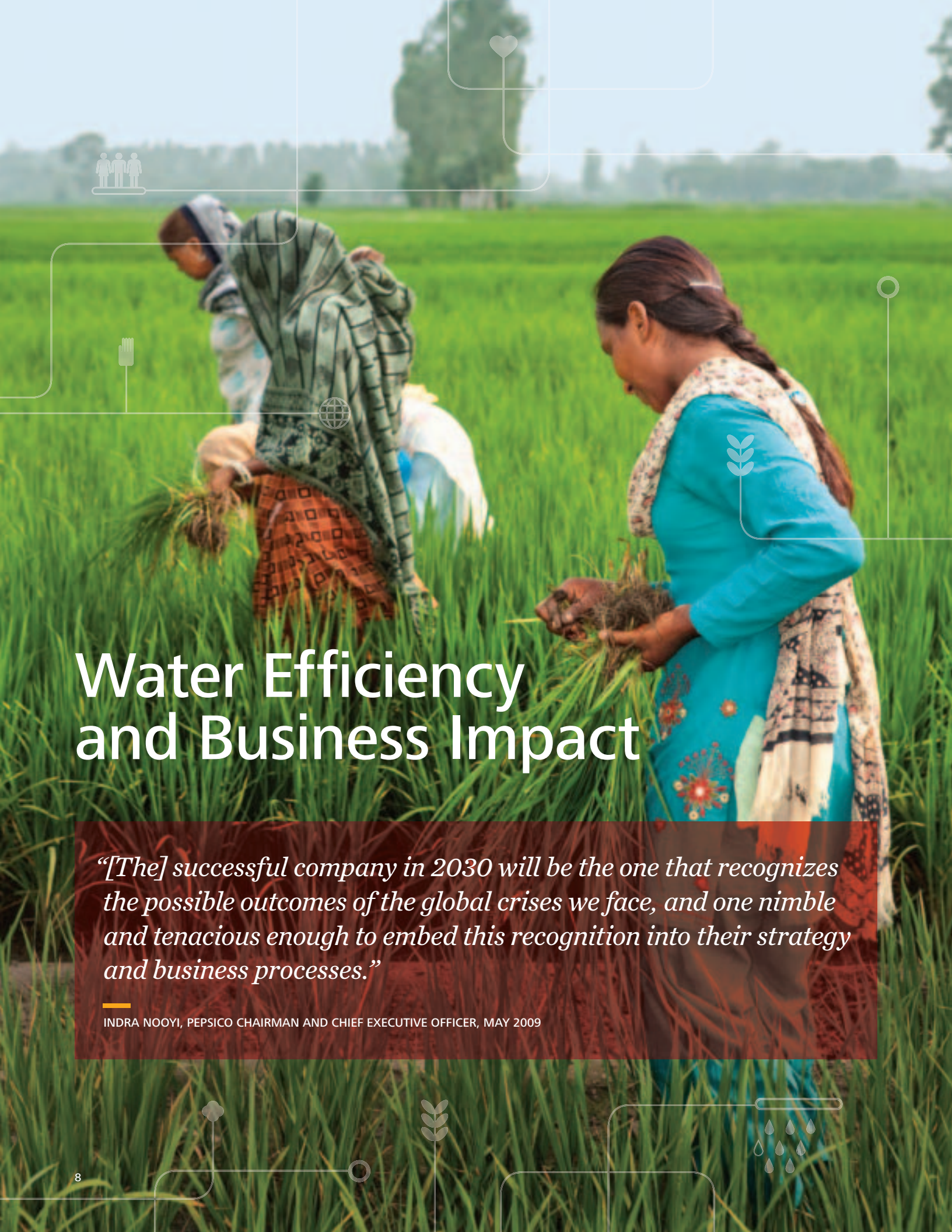
The PepsiCo Foundation made a

\$4.1 million

grant to Water.org in 2008, which is helping to significantly expand and develop WaterCredit, an innovative initiative that facilitates microcredit loans for water and sanitation

* The data presented in this chart includes energy consumption for company-owned manufacturing facilities, office buildings, and warehouses. 2009 and 2008 data have been verified by Bureau Veritas, an independent data verification agency.

** The data presented in this chart represents consumption for company-owned manufacturing operations, indexed to production. 2009 and 2008 data have been verified Bureau Veritas, an independent data verification agency.



Water Efficiency and Business Impact

“[The] successful company in 2030 will be the one that recognizes the possible outcomes of the global crises we face, and one nimble and tenacious enough to embed this recognition into their strategy and business processes.”

INDRA NOOYI, PEPSICO CHAIRMAN AND CHIEF EXECUTIVE OFFICER, MAY 2009

Water Efficiency and Business Impact

A broader range of stakeholders—large investors, financial analysts, insurance companies and others—now recognizes that water scarcity poses business risks for all companies in a host of sectors.

Water scarcity presents physical, regulatory and reputation risks to companies, according to J.P. Morgan. Physical risks affect those companies whose ability to make their products would be threatened by a lack of water; regulatory water risks are related to the conditions imposed by governments under which water may be used or discharged; and reputation risks are particularly acute for multinational companies, especially in developing countries, whose license to operate in those countries may be threatened by their use of a scarce local resource.

In May 2009, Indra Nooyi said the “successful company in 2030 will be the one that recognizes the possible outcomes of the global crises we face, and one nimble and tenacious enough to embed this recognition into their strategy and business processes.”

In 2009, a dedicated team of PepsiCo senior executives, working closely with the sustainable development nonprofit Forum for the Future, produced an in-depth report, “Future Scenarios and Strategy,” that closely examined numerous sustainability issues—including water—and projected how those issues could, in many respects, remake the global economic and environmental landscape by 2030, and what those changes could mean for PepsiCo.

Over the next 20 years, the magnitude of water scarcity and water quality challenges will increase, exacerbated by population growth and climate change, the report concluded. By 2030, for example, 3.9 billion people, or nearly half of the world’s projected population, will be living under severe water stress.

Since PepsiCo first announced its water goals in 2007, the company has achieved more than 15 percent improvement in water use efficiency as compared with 2006. In 2009 alone, PepsiCo saved more than 12.6 billion liters of water through efficiency improvements within its operations. The global PepsiCo foods businesses reduced water use intensity in 2009 by 16 percent, and the beverage businesses reduced water use intensity by 17 percent.

PepsiCo is also working to conserve water, and provide clean water to communities without adequate sources. In India in 2009, our business achieved a “positive water balance”—giving back more water to the community than our facilities consumed, which was verified externally by Deloitte LLP. As part of this effort, the India manufacturing team has reduced water usage by more than 45 percent since 2005, conserving more than three billion liters of water. We understand that “positive water balance” is not globally recognized nor defined, which is why the India case study is important to continue the dialog. The Deloitte report is available for comment at www.pepsiindia.co.in/CSR.aspx.

At the same time, we began working with local groups such as The Energy Resources Institute (TERI) of India and the Punjab State Government to find ways to increase water access to Indian communities. We also launched a groundbreaking effort with “direct seeding” of rice paddies, which utilizes farm equipment developed by PepsiCo in conjunction with the Punjab Agricultural University, and has allowed local farmers to vastly reduce the amount of water they use. In sum, we replenished nearly six billion liters of water across India, which exceeds the total intake of approximately five billion liters of water by our manufacturing facilities.

This model of water stewardship will be expanded globally toward our goal of achieving a “positive water balance” in our operations in other water-distressed areas. In 2010, we began working with The Nature Conservancy to test possible ways to credibly and scientifically achieve “positive water balance” across our global business.

In the U.S., PepsiCo has launched a number of initiatives to reduce water use. In Casa Grande, Ariz., for example, we are equipping our Frito-Lay facility with a state-of-the-art water filtration and purification system to recycle and reuse approximately 80 percent of the water used in production. Similar technology is also being deployed in Australia to diligently conserve water during one of the worst droughts in history. We also began cleaning new Gatorade bottles in the U.S. with purified air instead of rinsing with water, a method that works so well that it is being adopted, along with other conservation techniques, by bottling facilities around the world, saving billions of liters of water.

Agriculture represents about 70 percent of global water consumption, and more than 90 percent in developing economies. Since agriculture is vital to our business, reducing water use in our agriculture supply chain is critical, and we have implemented a number of programs to achieve this goal.

DIRECT SEEDING

In India, our team has educated farmers to adopt an agronomic practice in paddy cultivation called “direct seeding.” Rather than growing the seedlings in a nursery, planting them, then flooding their fields, we are advocating direct seeding, which allows the seed to be planted directly into the ground, bypassing the nursery.

DIRECT SEEDING
REDUCES WATER USE
BY AS MUCH AS

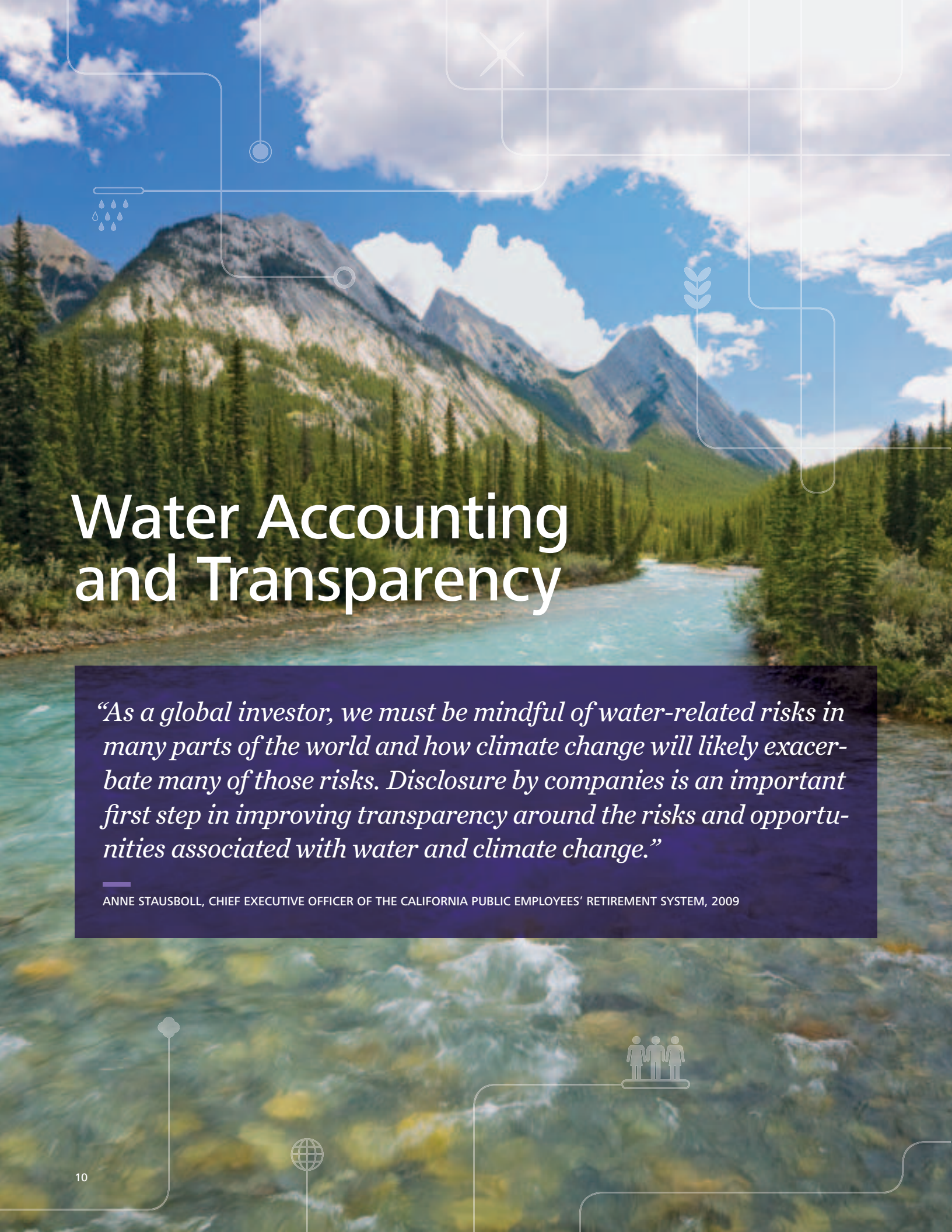
30%

This also removes the need for flood irrigation, reducing water use by as much as 30 percent. In 2009, we extended direct seeding to 6,500 acres of paddy fields, saving more than 5 billion liters of water.

In China, PepsiCo invested in a potato farm in the inner Mongolian desert. We installed the necessary infrastructure including roads and electric supply, water-conserving pivot irrigators, and soil-conserving crops such as sea willows and trees to protect from erosion due to sandstorms. By partnering with the local farmers, we established a rotation of commercially viable crops, including winter wheat, potato, sorghum and corn, with an initial water savings of 30 percent by moving from traditional flood irrigation to pivot. We are continuing this evolution from pivot to drip irrigation with the aim of conserving 50 percent of the water needed over traditional farming methods—the equivalent of avoiding additional water consumption of nearly 0.25 billion liters per year for the operation. We are also sharing our water conservation techniques with our local farmers, which has cut the water usage required to grow potatoes for Lay’s potato chips in China by more than half. In addition, we are applying state-of-the-art water conservation techniques to our production facilities in the region. In June 2009, we opened a facility in Chongqing, China, that uses 22 percent less water than the previous industry standard.

In the U.K., PepsiCo Walkers business reduced water usage by 42 percent at its largest potato chip facility between 2001 and 2007. Potatoes naturally contain a lot of water, and Walkers is working to capture that moisture and use it to make the U.K. facilities essentially self-sufficient in water, unplugged from the water mains.

While these achievements put us well on track to meet our enterprise-wide commitments, we believe that there is a long road ahead to further reduce the components of our water footprint, and the local and temporal impacts that our water use can have.



Water Accounting and Transparency

“As a global investor, we must be mindful of water-related risks in many parts of the world and how climate change will likely exacerbate many of those risks. Disclosure by companies is an important first step in improving transparency around the risks and opportunities associated with water and climate change.”

— ANNE STAUSBOLL, CHIEF EXECUTIVE OFFICER OF THE CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM, 2009

Water Accounting and Transparency

Significant changes in water resources can pose risks to large multinational companies—particularly those whose operations rely heavily on a steady and sustainable supply of fresh water. Because investors are concerned by these potential risks, they have started to ask public companies to disclose how water shortages could hurt their businesses, and what those companies are doing about the issue.

The Norwegian government's €276 billion pension fund, for example, has begun requiring the 1,100 companies in its portfolio of holdings to meet certain defined minimum standards of water risk reporting and management. Anne Stausboll, the chief executive officer of the California Public Employees' Retirement System, whose approximately \$170 billion in assets make it the largest public pension fund in the U.S., said in 2009, "As a global investor, we must be mindful of water-related risks in many parts of the world and how climate change will likely exacerbate many of those risks. Disclosure by companies is an important first step in improving transparency around the risks and opportunities associated with water and climate change."⁶

In recognition of this increased focus, the Securities and Exchange Commission (SEC), in January 2010, issued new interpretive guidance clarifying the disclosure requirements public companies must meet about the climate-related risks and opportunities that they face—and specifically cited water's business risk. "Changes in the availability or quality of water, or other natural resources on which the registrant's business depends, or damage to facilities or decreased efficiency of equipment can have material effects on companies," the SEC said.⁷

The food and beverage sector is particularly sensitive to water risks, and has begun to disclose those risks to investors and other stakeholders. According to Ceres, the sector has demonstrated the second-best water risk disclosure of all the sectors it surveyed. PepsiCo is one of only two companies to report reputation risks specific to water, one of only three companies to disclose regulatory risks related to water or wastewater, and one of three companies to disclose litigation risks related to water, noted Ceres.⁸

The United Nations CEO Water Mandate, in particular, has been a key driver of our efforts to improve both our internal accounting and external transparency related to water use. In 2007, PepsiCo Chairman and CEO Indra Nooyi signed the CEO Water Mandate, which obligates PepsiCo to adhere to a holistic approach to water stewardship in six areas: direct operations, supply chain and watershed management, collective action, public policy, community engagement and transparency.

In December 2009, we publicly reported our progress against each of these principles. Like all signatories to the Mandate, our water reporting transparency is independently evaluated by the Pacific Institute, an Oakland, Calif.-based research organization. PepsiCo also serves on the Steering Committee of the Mandate and continues to play an important role advising on a series of policies that will be released in advance of the next round of global climate change negotiations, called COP16, taking place this November in Mexico.

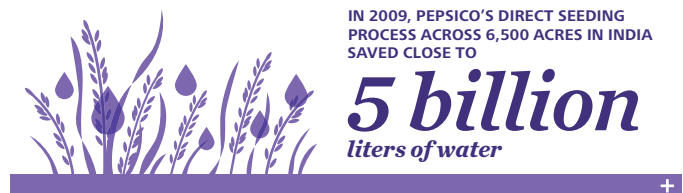
PepsiCo is also working with Ceres to improve the ways in which it discloses its efforts to measure and reduce water use. Ceres has convened stakeholders who have provided candid feedback for ways to improve PepsiCo's disclosures following evaluation of the full suite of the company's environmental reporting efforts. We continue to increase the rigor of our reporting in water and other areas each year in the context of the Global Reporting Initiative (GRI).

In 2010, the U.K.-based Carbon Disclosure Project (CDP), which acts on behalf of 534 institutional investors with \$64 trillion in assets under management, inaugurated the CDP Water Disclosure Project, of which PepsiCo was a Founding Responder, and we have provided our confidential submission for this first year.

We have also asked independent third parties, such as Bureau Veritas and Deloitte LLP, to review and verify our data.

A relatively new concept called "water footprinting" has also emerged as a key water-related metric. Mathematically, water footprints can be calculated for countries, companies, products and even individuals. Simply defined in the context of business, a water footprint is the total volume of fresh water used to produce the goods and services produced by a business. PepsiCo has been active in the Water Footprint Network—a Netherlands-based nonprofit whose mission is to promote the transition towards sustainable, fair and efficient use of fresh water resources—since its inception in 2009. We are also working with the World Business Council for Sustainable Development Water Core Working Group, and on the Steering Committee of the CEO Water Mandate, to map and assess the various methods available for accounting the quantifiable water footprint of companies and processes.

Because water footprinting is a new metric, PepsiCo, along with other multinationals and a host of prominent NGOs and academics, are taking part in a vibrant discussion as to how it should be applied to large businesses. One of the crucial conclusions that has emerged as a result of our engagement in water footprinting is that—unlike a carbon footprint—a single, aggregate number for a water footprint is of little material value. We believe—and fully support the Water Footprint Network's dialog—that what is truly important is the impact of our water use, which is why we are strongly advocating to evolve the discussion from "water footprint as a number" to the "components of a water footprint that have the most impact," with clear distinction of where, how and when the water is sourced and used.



It's also important to work with our peers and competitors on areas that are important as an industry. This is why PepsiCo has been a leading voice in the Beverage Industry Environmental Roundtable (BIER), a coalition of beverage industry companies and supporting partners that work together on environmental and stewardship initiatives.

Internally, PepsiCo utilizes a robust system that tracks and accounts for water used in our operations. The corporate water reduction goals announced in 2007 guide the complementary annual water reduction targets of each of our individual businesses. The individual business goals are then reviewed to ensure that they support our public goals.

PepsiCo measures the actual progress toward the water goals of our operations on a monthly basis, and aggregates the data to produce a quarterly scorecard measuring our results. The company also employs a PepsiCo corporate protocol that details how to report water use intensity and related metrics.

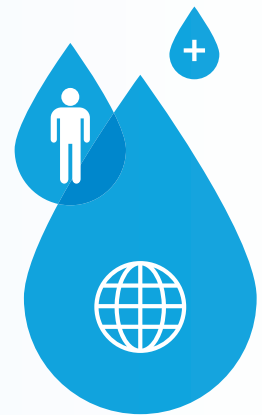
Conclusion

As this report makes clear, many in the public and private sectors recognize the seriousness of the global water crisis and are taking steps to address it. This report also emphasizes the enormity of the task ahead. Much work remains to be done, and only an ongoing, productive partnership between governments, NGOs, businesses and other stakeholders will ensure significant progress.

PepsiCo has come a long way over the last decade, by partnering with numerous global and local organizations to help solve this problem in ways large and small; by constantly looking within its operations to identify solutions to make it a more water-efficient company; and then reaching out into our value chain by seeking ways to help our business, suppliers and community partners find ways to use less water more effectively. We have accomplished much, but we recognize we have much more work to do. Only by continuing to set ambitious goals for ourselves—goals that force us to rethink our way of doing business—will we continue to make steady progress.

At the same time, we are aware that the longer-term implications of the global water challenge reach far beyond the walls of PepsiCo's manufacturing facilities, the fences that ring the farms of our agricultural partners, and the four corners of our balance sheet. The world's dwindling water supply is a global issue, and it requires global solutions.

We know we cannot solve the global water crisis alone. PepsiCo is, however, committed to doing its part to address it. By setting an example for others to follow, we hope that our public commitments will attract our peers and partners in the global business community to move toward more responsible use of water.



“Water sits at the nexus of so many global challenges, including health, hunger, and economic growth. And sadly, water scarcity takes its greatest toll on society’s least fortunate. I am absolutely convinced that the only way to measurably and sustainably improve this dire situation is through broad-scale collaborative efforts between governments, industry, academia and other stakeholders around the world.”

INDRA NOOYI, PEPSICO CHAIRMAN AND CHIEF EXECUTIVE OFFICER

FOOTNOTES

¹ “Learn about the Water Crisis.” Water.org. 2010. www.water.org/learn-about-the-water-crisis/facts/

² “World Population to Exceed 9 billion by 2050.” United Nations. March 11, 2009. <http://www.un.org/esa/population/publications/wpp2008/pressrelease.pdf>

³ “Murky Waters: Corporate Reporting on Water Risk.” Ceres. February 2010.

⁴ “Water as a Human Right.” World Health Organization. February 2003. www.who.int/water_sanitation_health/rtw1.pdf

⁵ “PepsiCo Foundation Announces Major New Grant to the Earth Institute at Columbia University to Promote Global Water Sustainability.” The Earth Institute, Columbia University. 20 July 2010. www.earth.columbia.edu/articles/view/2021

⁶ “Water Scarcity & Climate Change: Growing Risks for Businesses & Investors.” Ceres. February 2009. www.ceres.org/Document.Doc?id=406

⁷ “Commission Guidance Regarding Disclosure Related to Climate Change.” Securities and Exchange Commission. 8 February 2010. www.sec.gov/rules/interp/2010/33-9106.pdf

⁸ “Water Scarcity & Climate Change: Growing Risks for Businesses & Investors.” Ceres. February 2009. www.ceres.org/Document.Doc?id=406

About PepsiCo

PepsiCo offers the world's largest portfolio of billion-dollar food and beverage brands, including 19 different product lines that each generates more than \$1 billion in annual retail sales. Our main businesses—Frito-Lay, Quaker, Pepsi-Cola, Tropicana and Gatorade—also make hundreds of other nourishing, tasty foods and drinks that bring joy to our consumers in more than 200 countries. With annualized revenues of nearly \$60 billion, PepsiCo's people are united by our unique commitment to sustainable growth, called "Performance with Purpose." By dedicating ourselves to offering a broad array of choices for healthy, convenient and fun nourishment, reducing our environmental impact, and fostering a diverse and inclusive workplace culture, PepsiCo balances strong financial returns with giving back to our communities worldwide. In recognition of its continued sustainability efforts, PepsiCo was named for the third time to the Dow Jones Sustainability World Index (DJSI World) and for the fourth time to the Dow Jones Sustainability North America Index (DJSI North America) in 2009. For more information, please visit www.pepsico.com.

World Headquarters

USA – Purchase, New York

PepsiCo International (PI)

Europe – Geneva, Switzerland

Asia, Middle East and Africa – Dubai, United Arab Emirates

Business Unit Headquarters (Foods)

Frito-Lay North America (FLNA) – Plano, Texas, USA

Quaker Foods North America (QFNA) – Chicago, Illinois, USA

South America Foods (SAF) – São Paulo, Brazil

Sabritas – Mexico City, Mexico

Gamesa – Monterrey, Mexico

Business Unit Headquarters (Beverages)

PepsiCo Beverages North America (PBNA) – Purchase, New York, USA

Gatorade – Chicago, Illinois, USA

Tropicana – Chicago, Illinois, USA



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