

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
**FORM 10-K**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 28, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 1-1183



**PepsiCo, Inc.**

(Exact Name of Registrant as Specified in Its Charter)

**North Carolina**

**13-1584302**

(State or Other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification No.)

**700 Anderson Hill Road, Purchase, New York 10577**  
(Address of Principal Executive Offices and Zip Code)

**914-253-2000**

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

<b>Title of each class</b>	<b>Trading Symbols</b>	<b>Name of each exchange on which registered</b>
Common Stock, par value 1-2/3 cents per share	PEP	The Nasdaq Stock Market LLC
2.500% Senior Notes Due 2022	PEP22a	The Nasdaq Stock Market LLC
1.750% Senior Notes Due 2021	PEP21a	The Nasdaq Stock Market LLC
2.625% Senior Notes Due 2026	PEP26	The Nasdaq Stock Market LLC
0.875% Senior Notes Due 2028	PEP28	The Nasdaq Stock Market LLC
0.750% Senior Notes Due 2027	PEP27	The Nasdaq Stock Market LLC
1.125% Senior Notes Due 2031	PEP31	The Nasdaq Stock Market LLC
0.875% Senior Notes Due 2039	PEP39	The Nasdaq Stock Market LLC

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

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

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

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

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 14, 2019, the last day of business of our most recently completed second fiscal quarter, was \$185.4 billion (based on the closing sale price of PepsiCo, Inc.’s Common Stock on that date as reported on the Nasdaq Global Select Market).

The number of shares of PepsiCo, Inc. Common Stock outstanding as of February 6, 2020 was 1,389,544,618.

### **Documents Incorporated by Reference**

Portions of the Proxy Statement relating to PepsiCo, Inc.’s 2020 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 28, 2019**

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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 in this report is by no means all-inclusive but is designed to highlight what we believe are important factors to consider when evaluating our future performance.*

## PART I

### Item 1. Business.

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

### Company Overview

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

### Our Operations

#### *Changes to Organizational Structure*

During the fourth quarter of 2019, we realigned our Europe Sub-Saharan Africa (ESSA) and Asia, Middle East and North Africa (AMENA) reportable segments to be consistent with a recent strategic realignment of our organizational structure and how our Chief Executive Officer assesses the performance of, and allocates resources to, our reportable segments. As a result, our beverage, food and snack businesses in North Africa, the Middle East and South Asia that were part of our former AMENA segment and our businesses in Sub-Saharan Africa that were part of our former ESSA segment are now reported together as our Africa, Middle East and South Asia (AMESA) segment. The remaining beverage, food and snack businesses that were part of our former AMENA segment are now reported together as our Asia Pacific, Australia and New Zealand and China region (APAC) segment and our beverage, food and snack businesses in Europe are now reported as our Europe segment.

These changes did not impact our Frito-Lay North America (FLNA), Quaker Foods North America (QFNA),

PepsiCo Beverages North America (PBNA), formerly named North America Beverages, or Latin America (LatAm) reportable segments or our consolidated financial results.

Our historical segment reporting presented in this report has been retrospectively revised to reflect the new organizational structure.

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

- 1) FLNA, which includes our branded food and snack businesses in the United States and Canada;
- 2) QFNA, which includes our cereal, rice, pasta and other branded food businesses in the United States and Canada;
- 3) PBNA, which includes our beverage businesses in the United States and Canada;
- 4) LatAm, which includes all of our beverage, food and snack businesses in Latin America;
- 5) Europe, which includes all of our beverage, food and snack businesses in Europe;
- 6) AMESA, which includes all of our beverage, food and snack businesses in Africa, the Middle East and South Asia; and
- 7) APAC, which includes all of our beverage, food and snack businesses in Asia Pacific, Australia and New Zealand, and China region.

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

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

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

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

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

Either independently or in conjunction with third parties, PBNA makes, markets and sells beverage concentrates, fountain syrups and finished goods under various beverage brands including Aquafina, Diet Mountain Dew, Diet Pepsi, Gatorade, Mountain Dew, Pepsi, Propel, Sierra Mist and Tropicana. PBNA also, either independently or in conjunction with third parties, makes, markets, distributes and sells ready-to-drink tea and coffee products through joint ventures with Unilever (under the Lipton brand name) and Starbucks, respectively. Further, PBNA manufactures and distributes certain brands licensed from Keurig Dr Pepper Inc., including Crush, Dr Pepper and Schweppes, and certain juice brands licensed from Dole Food Company, Inc. (Dole) and Ocean Spray Cranberries, Inc. (Ocean Spray). PBNA operates its own bottling plants and distribution facilities and sells branded finished goods directly to independent distributors and retailers. PBNA 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, LatAm makes, markets, distributes and sells a number of snack food brands including Cheetos, Doritos, Emperador, Lay's, Marias Gamesa, Rosquinhas Mabel, Ruffles, Sabritas, Saladitas and Tostitos, as well as many Quaker-branded cereals and snacks. LatAm

also, either independently or in conjunction with third parties, makes, markets, distributes and sells beverage concentrates, fountain syrups and finished goods under various beverage brands including 7UP, Gatorade, H2oh!, Manzanita Sol, Mirinda, Pepsi, Pepsi Black, San Carlos and Toddy. These branded products are sold to authorized bottlers, independent distributors and retailers. LatAm also, either independently or in conjunction with third parties, makes, markets, distributes and sells ready-to-drink tea products through an international joint venture with Unilever (under the Lipton brand name).

### ***Europe***

Either independently or in conjunction with third parties, Europe makes, markets, distributes and sells a number of leading snack food brands including Cheetos, Chipita, Doritos, Lay's, Ruffles and Walkers, as well as many Quaker-branded cereals and snacks, through consolidated businesses, as well as through noncontrolled affiliates. Europe also, either independently or in conjunction with third parties, makes, markets, distributes and sells beverage concentrates, fountain syrups and finished goods under various beverage brands including 7UP, Diet Pepsi, Mirinda, Pepsi, Pepsi Max and Tropicana. These branded products are sold to authorized bottlers, independent distributors and retailers. In certain markets, however, Europe operates its own bottling plants and distribution facilities. Europe also, either independently or in conjunction with third parties, makes, markets, distributes and sells ready-to-drink tea products through an international joint venture with Unilever (under the Lipton brand name). In addition, Europe makes, markets, distributes and sells a number of leading dairy products including Agusha, Chudo and Domik v Derevne. Further, as part of its beverage business, Europe manufactures and distributes sparkling water makers through SodaStream International Ltd. (SodaStream). See Note 14 to our consolidated financial statements for further information about our acquisition of SodaStream.

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

Either independently or in conjunction with third parties, AMESA makes, markets, distributes and sells a number of leading snack food brands including Cheetos, Chipsy, Doritos, Kurkure and Lay's, as well as many Quaker branded cereals and snacks, through consolidated businesses, as well as through noncontrolled affiliates. AMESA also makes, markets, distributes and sells beverage concentrates, fountain syrups and finished goods under various beverage brands including 7UP, Aquafina, Mirinda, Mountain Dew and Pepsi. These branded products are sold to authorized bottlers, independent distributors and retailers. In certain markets, however, AMESA operates its own bottling plants and distribution facilities. AMESA also, either independently or in conjunction with third parties, makes, markets, distributes and sells ready-to-drink tea products through an international joint venture with Unilever (under the Lipton brand name). In 2019, we entered into an agreement to acquire Pioneer Food Group Ltd. (Pioneer Foods), a food and beverage company in South Africa with exports to countries across the globe. The transaction is subject to certain regulatory approvals and other customary conditions and is expected to close in the first half of 2020. See Note 14 to our consolidated financial statements for further information about our acquisition of Pioneer Foods.

### ***Asia Pacific, Australia and New Zealand and China Region***

Either independently or in conjunction with third parties, APAC makes, markets, distributes and sells a number of leading snack food brands including Cheetos, Doritos, Lay's and Smith's, as well as many Quaker branded cereals and snacks, through consolidated businesses, as well as through noncontrolled affiliates. APAC also makes, markets, distributes and sells beverage concentrates, fountain syrups and finished goods under various beverage brands including 7UP, Aquafina, Mirinda, Mountain Dew and Pepsi. These branded products are sold to authorized bottlers, independent distributors and retailers. APAC 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, APAC licenses the Tropicana brand for use in China on co-branded juice products in connection with a strategic alliance with Tingyi (Cayman Islands) Holding Corp. (Tingyi).

## **Our Distribution Network**

Our products are primarily brought to market through direct-store-delivery (DSD), customer warehouse and distributor networks and are also sold directly to consumers through e-commerce platforms and retailers. 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.

### ***E-commerce***

Our products are also available and sold directly to consumers on a growing number of company-owned and third-party e-commerce websites and mobile commerce applications.

## **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, glass, closures, cardboard and paperboard cartons. In addition, we continue to integrate recyclability into our product development process and support the increased use of recycled content, including recycled PET, in our packaging. Fuel, electricity and natural gas are also important commodities for our businesses due to their use in our and our business partners' facilities and the vehicles delivering our products. We employ specialists to secure adequate supplies of many of these items and have not experienced any significant continuous shortages that would prevent us from meeting our requirements. Many of these ingredients, raw materials and commodities are purchased in the open market. The prices we pay for such items are subject to fluctuation, and we manage this risk through the use of fixed-price contracts and purchase orders, pricing agreements and derivative instruments, including swaps and futures. In addition, risk to our supply of certain raw materials is mitigated through purchases from multiple geographies and suppliers. When prices increase, we may or may not pass on such increases to our customers. In addition, we continue to make investments to improve the sustainability and resources of our agricultural supply chain, including the development of our initiative to advance sustainable farming practices by our suppliers and expanding it further globally. See Note 9 to our consolidated financial statements for further information on how we manage our exposure to commodity prices.

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

We own numerous valuable trademarks which are essential to our worldwide businesses, including 1893, Agusha, Amp Energy, Aquafina, Aquafina Flavorsplash, Arto Lifewater, Aunt Jemima, Bare, Bolt24, bubly, Cap'n Crunch, Cheetos, Chester's, Chipita, Chippy, Chokis, Chudo, Cracker Jack, Crunchy, Diet Mountain Dew, Diet Mug, Diet Pepsi, Diet 7UP (outside the United States), Domik v Derevne, Doritos, Duyvis, Elma Chips, Emperador, Evolve, Frito-Lay, Fritos, Fruktovy Sad, G2, Gamesa, Gatorade, Grandma's, H2oh!, Health Warrior, Imunele, Izze, J-7 Tonus, Kas, KeVita, Kurkure, Lay's, Life, Lifewtr, Lubimy, Manzanita Sol, Marias Gamesa, Matutano, Mirinda, Miss Vickie's, Mother's, Mountain Dew, Mountain Dew Amp Game Fuel, Mountain Dew Code Red, Mountain Dew Ice, Mountain Dew Kickstart, Mountain Dew Zero Sugar, Mug, Munchies, Muscle Milk, Naked, Near East, Off the Eaten Path, O.N.E., Paso de los Toros, Pasta Roni, Pepsi, Pepsi Black, Pepsi Max, Pepsi Zero Sugar, Propel, Quaker, Quaker Chewy, Rice-A-Roni, Rold Gold, Rosquinhas Mabel, Ruffles, Sabritas, Sakata, Saladitas, San Carlos, Sandora, Santitas, 7UP (outside the United States), 7UP Free (outside the United States), Sierra Mist, Sierra Mist Zero Sugar, Simba, Smartfood, Smith's, Snack a Jacks, SoBe, SodaStream, Sonric's, Stacy's, Sting, Stubborn Soda, SunChips, Toddy, Toddynho, Tostitos, Trop 50, Tropicana, 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 and various Keurig Dr Pepper Inc. brands, including Dr Pepper in certain markets, Crush and Schweppes. Joint ventures in which we have an ownership interest either own or have the right to use certain trademarks, such as Lipton, Sabra and Starbucks. Trademarks remain valid so long as they are used properly for identification purposes, and we emphasize correct use of our trademarks. We have authorized, through licensing arrangements, the use of many of our trademarks in such contexts as snack food joint ventures and beverage bottling appointments. In addition, we license the use of our trademarks on merchandise that is sold at retail, which enhances brand awareness.

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

## **Seasonality**

Our businesses are affected by seasonal variations. Our beverage, food and snack sales are generally highest in the third quarter due to seasonal and holiday-related patterns, and generally lowest in the first quarter. However, taken as a whole, seasonality has not had a material impact on our consolidated financial results.

## **Our Customers**

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

We rely on and provide financial incentives to our customers to assist in the distribution and promotion of our products to the consumer. For our independent distributors and retailers, these incentives include volume-based rebates, product placement fees, promotions and displays. For our independent bottlers, these incentives are referred to as bottler funding and are negotiated annually with each bottler to support a variety of trade and consumer programs, such as consumer incentives, advertising support, new product support, and vending and cooler equipment placement. Consumer incentives include pricing discounts and promotions, and other

promotional offers. Advertising support is directed at advertising programs and supporting independent bottler media. New product support includes targeted consumer and retailer incentives and direct marketplace support, such as point-of-purchase materials, product placement fees, media and advertising. Vending and cooler equipment placement programs support the acquisition and placement of vending machines and cooler equipment. The nature and type of programs vary annually.

Changes to the retail landscape, including increased consolidation of retail ownership, the rapid growth of sales through e-commerce websites and mobile commerce applications, including through subscription services and other direct-to-consumer businesses, the integration of physical and digital operations among retailers, as well as the growth in hard discounters, and the current economic environment continue to increase the importance of major customers. In 2019, sales to Walmart Inc. (Walmart) and its affiliates, including Sam's Club (Sam's), represented approximately 13% of our consolidated net revenue, with sales reported across all of our divisions. Our top five retail customers represented approximately 34% of our 2019 net revenue in North America, with Walmart and its affiliates (including Sam's) representing approximately 19%. These percentages include concentrate sales to our independent bottlers, which were used in finished goods sold by them to these retailers.

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

## **Our Competition**

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

Many of our food and snack products hold significant leadership positions in the food and snack industry in the United States and worldwide. In 2019, we and The Coca-Cola Company represented approximately 22% and 20%, respectively, of the U.S. liquid refreshment beverage category by estimated retail sales in measured channels, according to Information Resources, Inc. However, The Coca-Cola Company has significant carbonated soft drink (CSD) share advantage in many markets outside the United States.

Our beverage, food and snack products compete primarily on the basis of brand recognition and loyalty, taste, price, value, quality, product variety, innovation, distribution, advertising, marketing and promotional activity (including digital), packaging, convenience, service and the ability to anticipate and effectively respond to consumer preferences and trends, including increased consumer focus on health and wellness and the continued acceleration of e-commerce and other methods of distributing and purchasing products. Success in this competitive environment is dependent on effective promotion of existing products, effective introduction of new products and reformulations of existing products, increased efficiency in production techniques, effective incorporation of technology and digital tools across all areas of our business, the effectiveness of our advertising campaigns, marketing programs, product packaging and pricing, 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, marketing and merchandising equipment, dispensing equipment, packaging technology (including investments in recycling-focused technologies), package design (including development of sustainable, bio-based packaging) and portion sizes; efforts focused on identifying opportunities to transform, grow and broaden our product portfolio, including by developing products with improved nutrition profiles that reduce added sugars, sodium or saturated fat, including through the use of natural flavors, sweetener alternatives and flavor modifiers and innovation in existing sweeteners and flavoring, further expanding our beyond the bottle portfolio, including further growing our SodaStream business, and offering more products with positive nutrition including whole grains, fruits and vegetables, dairy, protein and hydration; investments in building our capabilities to support our global e-commerce business; investments in technology and digitalization, including data analytics to enhance our consumer insights; and efforts focused on reducing our impact on the environment, including improvements in energy efficiency, water use in our operations and our agricultural practices. Our research centers are located around the world, including Brazil, China, India, Ireland, Mexico, Russia, the United Kingdom and the United States, and leverage nutrition science, food science, engineering and consumer insights to meet our strategy to continue to innovate in nutritious and convenient beverages, foods and snacks.

In 2019, we continued to make investments to further digitalize our business including: continuing to strengthen our omnichannel capabilities, particularly in e-commerce; and leveraging technology and data analytics to capture and analyze consumer level data to increasingly structure personalized communications with consumers and satisfy demand at the store level. In addition, we continued to refine our beverage, food and snack portfolio to meet changing consumer demands by reducing added sugars in many of our beverages and sodium and saturated fat in many of our foods and snacks, and by developing a broader portfolio of product choices, including: continuing to expand our beverage options that contain no high-fructose corn syrup and that are made with natural flavors; expanding our beyond the bottle offerings by offering bubbly in fountain dispensing; developing 100% recycled PET packaging for LIFEWTR and aluminum can packaging for Aquafina; expanding our state of the art food and beverage healthy vending initiative to increase the availability of nutritious and convenient beverages, foods and snacks; further expanding our portfolio, through a combination of brand extensions, product reformulations, new product innovations and acquisitions to offer products with more of the nutritious ingredients and hydration our consumers are looking for, such as Quaker (grains), Tropicana (juices, lemonades, fruit and vegetable drinks), Gatorade (sports nutrition for athletes), Naked Juice (cold-pressed juices and smoothies), KeVita (probiotics, tonics and fermented teas), Bare (baked apple chips and other baked fruits and vegetables), Health Warrior (nutrition bars), Evolve (plant-based protein products) and Muscle Milk (protein shakes); further expanding our whole grain products globally; and further expanding our portfolio in growing categories, such as dairy, hummus and other refrigerated dips, and baked grain snacks. In addition, we continued to make investments to reduce our impact on the environment, including: efforts to conserve raw materials and energy, such as by working to achieve reductions in greenhouse gas emissions across our global businesses, by helping to protect and conserve global water supply especially in high-water-risk locations (including replenishing watersheds that source our operations in high-water-risk locations and promoting the efficient use of water in our agricultural supply chain), and by incorporating improvements in the sustainability and resources of our agricultural supply chain into our operations; efforts to reduce waste generated by our operations and disposed of in landfills; efforts to 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, including

through the use of data and technology to optimize yields and efficiency and promote responsible use of pesticides; and efforts to create a circular future for packaging, including the increased use of recycled content and alternative packaging, support for increased packaging recovery and recycling rates globally, optimization of packaging technology and design to minimize the amount of plastic in our packaging and to make our packaging increasingly recoverable or recyclable with lower environmental impact, and our continued investments in developing compostable and biodegradable packaging.

## **Regulatory Matters**

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

The U.S. laws and regulations that we are subject to include: the Federal Food, Drug and Cosmetic Act and various state laws governing food safety; the Food Safety Modernization Act; the Occupational Safety and Health Act; various federal, state and local environmental protection laws, as discussed below; the Federal Motor Carrier Safety Act; the Federal Trade Commission Act; the Lanham Act; various federal and state laws and regulations governing competition and trade practices; various federal and state laws and regulations governing our employment practices, including those related to equal employment opportunity, such as the Equal Employment Opportunity Act and the National Labor Relations Act and those related to overtime compensation, such as the Fair Labor Standards Act; data privacy and personal data protection laws and regulations, including the California Privacy Act of 2018; customs and foreign trade laws and regulations, including laws regarding the import or export of our products or ingredients used in our products and tariffs; laws regulating the sale of certain of our products in schools; laws regulating our supply chain, including the 2010 California Transparency in Supply Chains Act and laws relating to the payment of taxes. We are also required to comply with the Foreign Corrupt Practices Act and the Trade Sanctions Reform and Export Enhancement Act. We are also subject to various state and local statutes and regulations, including state consumer protection laws such as Proposition 65 in California, which requires that a specific warning appear on any product that contains a substance listed by the State of California as having been found to cause cancer or birth defects, unless the amount of such substance in the product is below a safe harbor level.

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

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

rate on beverages containing a particular substance or ingredient, regardless of the level of such substance or ingredient.

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

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

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

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

## **Employees**

As of December 28, 2019, we and our consolidated subsidiaries employed approximately 267,000 people worldwide, including approximately 116,000 people within the United States. In certain countries, our employment levels are subject to seasonal variations. We or our subsidiaries are party to numerous collective bargaining agreements. We expect that we will be able to renegotiate these collective bargaining agreements on satisfactory terms when they expire. We believe that relations with our employees are generally good.

## **Available Information**

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

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

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

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

You should carefully consider the risks described below in addition to the other information set forth in this Annual Report on Form 10-K, including the Management's Discussion and Analysis of Financial Condition and Results of Operations section and the consolidated financial statements and related notes. These risks, some of which have occurred and any of which may occur in the future, can have a material adverse effect on our business, financial condition, results of operations or the price of our publicly traded securities. The risks described 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 adversely affect our business, reputation, financial condition, results of operations or the price of our publicly traded securities. Therefore, historical operating results, financial and business performance, events and trends are often not a reliable indicator of future operating results, financial and business performance, events or trends.

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

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

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

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

Demand for our products is also dependent in part on product quality, product and marketing innovation and production and distribution, including our ability to: maintain a robust pipeline of new products; improve the quality of existing products; extend our portfolio of products in growing markets and categories (through acquisitions and innovation, such as increasing non-carbonated beverage offerings and other alternatives to, or reformulations of, carbonated beverage offerings); respond to cultural differences and regional consumer preferences (whether through developing or acquiring new products that are responsive to such preferences); monitor and adjust our use of ingredients and packaging materials (including to respond to applicable regulations); develop sweetener alternatives and innovation; increase the recyclability or recoverability of our packaging; create more relevant and personalized experiences for consumers whether in a digital environment or through digital devices in an otherwise physical environment; improve the production and distribution of our products; enhance our data analytics capabilities to develop new commercial insights; respond to competitive product and pricing pressures and changes in distribution channels, including in the e-commerce channel; maintain our labeling certifications (e.g., non-GMO) from independent organizations and regulatory authorities for certain of our products; and implement effective advertising campaigns and marketing programs, including successfully adapting to a rapidly changing media environment through the use of social media and online advertising campaigns and marketing programs.

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

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

Certain of our food and beverage products are sold in plastic or other packaging designed to be recoverable for recycling but not all packaging is recovered, whether due to lack of infrastructure or otherwise. In addition, certain of our packaging is not currently recyclable, compostable or biodegradable. There is a growing concern with the accumulation of plastic, including microplastics, and other packaging waste in the environment, particularly in the world's oceans and waterways. As a result, packaging waste that displays one or more of our brands has in the past and could continue to result in negative publicity (whether or not valid) or reduce consumer demand and overall consumption of our products, resulting in adverse effects on our business, financial condition or results of operations.

In response to these concerns, the United States and many other jurisdictions have imposed or are considering imposing regulations or policies designed to increase the sustainability of packaging, encourage waste reduction and increase recycling rates or facilitate the waste management process or restrict the sale of products in certain packaging. These regulations vary in scope and form from taxes or fees designed to incentivize behavior to restrictions or bans on certain products and materials. For example, 24 countries in the European Union (EU) have established extended producer responsibility (EPR) policies, which make manufacturers such as us responsible for the costs of recycling beverage and food packaging after consumers have used them. EPR policies are also being contemplated in other jurisdictions around the world, including certain states in the United States. In addition, 10 states in the United States as well as a growing number of European countries have a bottle deposit return system in effect, which requires a deposit charged to consumers to incentivize the return of the beverage container. Further, certain jurisdictions have imposed or are considering imposing other types of regulations or policies, including packaging taxes, requirements for bottle caps to be tethered to the plastic bottle, minimum recycled content mandates, which would require packaging to include a certain percentage of post-consumer recycled material in a new package, and even bans on the use of some plastic beverage bottles and other single-use plastics. These laws and regulations, whatever their scope or form, have in the past and could continue to increase the cost of our products, reduce consumer demand and overall consumption of our products or result in negative publicity (whether or not valid), resulting in adverse effects on our business, financial condition or results of operations.

While we continue to devote significant resources to increase the recyclability and sustainability of our packaging, the increased focus on reducing plastic waste has required and could continue to require us to increase capital expenditures, including requiring additional investments to minimize the amount of plastic across our packaging, including to increase the use of alternative packaging materials (e.g., glass and aluminum) in certain markets; increase the amount of recycled content in our packaging; and develop sustainable, bio-based packaging as a replacement for fossil fuel-based plastic packaging, including flexible film alternatives for our snacks packaging. Our failure to minimize our plastics use, increase the amount of recycled content in our packaging or develop sustainable packaging or consumers' failure to accept such sustainable packaging has in the past and could continue to reduce consumer demand and overall consumption of our products and erode our competitive and financial position. Further, our reputation can be damaged for failure to achieve our sustainability goals with respect to our plastics use, including our goal to reduce 35% of virgin plastic content across our beverage portfolio by 2025, or if we or others in our industry do not act, or are perceived not to act, responsibly with respect to packaging or disposal of our products.

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

The conduct of our business is subject to various laws and regulations administered by federal, state and local governmental agencies in the United States, as well as government entities and agencies outside the United States, including laws and regulations relating to the production, storage, distribution, sale, display, advertising, marketing, labeling, content, quality, safety, transportation, packaging, disposal, recycling and use of our products, as well as our employment and occupational health and safety practices and protection of personal information. In addition, in many jurisdictions, compliance with competition laws is of special

importance to us due to our competitive position in those jurisdictions, as is compliance with anti-corruption laws. Many of these laws and regulations have differing or conflicting legal standards across the various markets where our products are made, manufactured, distributed or sold and, in certain markets, such as developing and emerging markets, may be less developed or certain. For example, products containing genetically engineered ingredients are subject to differing regulations and restrictions in the jurisdictions in which our products are made, manufactured, distributed or sold, as is the packaging, disposal and recyclability of our products. For example, the EU has mandated tethered caps for all beverage bottles by 2024 and minimum recycled content of 25% for PET bottles by 2025 and 30% for all plastic bottles by 2030 and laws mandating various minimum recycled content thresholds for PET bottles are also in place in Turkey, Bolivia, Ecuador and Peru, while the use of recycled content in food and beverage packaging is prohibited in a range of countries, for example, in Asia. In addition, these laws and regulations and related interpretations have changed and could continue to change, sometimes dramatically and unexpectedly, as a result of a variety of factors, including political, economic or social events. Such changes have included and could continue to include changes in: food and drug laws; laws related to product labeling, advertising and marketing practices, including restrictions on the audience to whom products are marketed; laws and treaties related to international trade, including laws regarding the import or export of our products or ingredients used in our products and tariffs; laws and programs aimed at reducing, restricting or eliminating ingredients or substances in, or attributes of, certain of our products; laws related to pesticide used by farmers in our supply chain or residual amounts of pesticide that may be found in certain of our ingredients or products; laws related to traceability requirements for our supply chain; laws and programs aimed at discouraging the consumption or altering the package or portion size of certain of our products, including laws imposing restrictions on the use of government funds or programs to purchase certain of our products; increased regulatory scrutiny of, and increased litigation involving product claims and concerns (whether or not valid) regarding the effects on health of ingredients or substances in, or attributes of, certain of our products, including without limitation those found in energy drinks; state consumer protection laws; laws regulating the protection of personal information; cyber-security regulations; regulatory initiatives, including the imposition or proposed imposition of new or increased taxes or other measures impacting the manufacture, distribution or sale of our products; accounting rules and interpretations; employment laws; privacy laws; laws regulating the price we may charge for our products; laws regulating water rights and access to and use of water or utilities; environmental laws, including laws relating to the regulation of water treatment and discharge of wastewater and air emissions and laws relating to the disposal, recovery or recycling of our products and their packaging. Changes in regulatory requirements or changing interpretations thereof, and differing or competing regulations and standards across the markets where our products are made, manufactured, distributed or sold, have in the past and could continue to result in higher compliance costs, capital expenditures and higher production costs, resulting in adverse effects on our business, reputation, financial condition or results of operations.

The imposition of new laws, regulations or governmental policy and their related interpretations, or changes in any of the foregoing, including taxes, labeling, product, production, recovery or recycling requirements, or other limitations on, or pertaining to, the sale or advertisement of certain of our products, ingredients or substances contained in, or attributes of, our products, commodities used in the production of our products or use, disposal, recovery or recyclability of our products and their packaging, may further alter the way in which we do business and, therefore, may continue to increase our costs or liabilities or reduce demand for our products, resulting in adverse effects on our business, financial condition or results of operations. If one jurisdiction imposes or proposes to impose new requirements or restrictions, other jurisdictions often follow. For example, if one jurisdiction imposes a tax on sugar-sweetened beverages or foods, or imposes a specific labeling or warning requirement, other jurisdictions may impose similar or other measures that impact the manufacture, distribution or sale of our products. The foregoing has in the past and could continue to result

in decreased demand for certain of our products, adverse publicity or increased concerns about the health implications of consumption of ingredients or substances in our products (whether or not valid).

In addition, studies (whether or not scientifically valid) have been and continue to be underway by third parties purporting to assess the health implications of consumption of certain ingredients or substances present in certain of our products or packaging materials, such as 4-MeI, acrylamide, caffeine, pesticides (e.g., glyphosate), furfuryl alcohol, added sugars, sodium, saturated fat and plastic. Third parties have also published documents or studies claiming (whether or not valid) that taxes can address consumer consumption of sugar-sweetened beverages and foods high in sugar, sodium or saturated fat. The results of these studies and documents have contributed to or resulted in and could continue to contribute to or result in an increase in consumer concerns (whether or not valid) about the health implications of consumption of certain of our products, an increase in the number of jurisdictions that impose taxes on our products, or an increase in new labeling, product or production requirements or other restrictions on the manufacturing, sale or display of our products, resulting in reduced demand for our products, our Company being subject to lawsuits or new regulations that can adversely affect sales of our products, and other adverse effects on 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 can take actions, intentional or not, that violate these policies and procedures or applicable laws or regulations or can fail to maintain required documentation sufficient to evidence our compliance with applicable laws or regulations. Failure to comply with such laws or regulations can subject us to criminal or civil enforcement actions, including fines, injunctions, product recalls, penalties, disgorgement of profits or activity restrictions, any of which can adversely affect our business, reputation, financial condition or results of operations. In addition, certain regulatory authorities under whose laws we operate have enforcement powers that can subject us to actions such as product recall, seizure of products or assets or other sanctions, resulting in an adverse effect on the sales of products in our portfolio or 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 can adversely affect our business, financial condition or results of operations.***

Certain jurisdictions in which our products are made, manufactured, distributed or sold have either imposed, or are considering imposing, new or increased taxes on the manufacture, distribution or sale of our products, ingredients or substances contained in, or attributes of, our products or commodities used in the production of our products. These taxes vary in scope and form: some apply to all beverages, including non-caloric beverages, while others apply only to beverages with a caloric sweetener (e.g., sugar). Similarly, some measures apply a single tax rate per ounce/liter on beverages containing over a certain level of added sugar (or other sweetener) while others apply a graduated tax rate depending upon the amount of added sugar (or other sweetener) in the beverage and some apply a flat tax rate on beverages containing a particular substance or ingredient, regardless of the particular substance or ingredient levels. For example, Peru revised an existing threshold tax to become a graduated tax, effective June 2019, in which the per-ounce tax rate is tied to the amount of added sugar present in the beverage: the higher the amount of added sugar, the higher the per-

ounce tax rate, while Saudi Arabia expanded an existing flat tax rate of 50% on the retail price of carbonated soft drinks to include all sweetened beverages, including non-caloric beverages, effective December 2019. These tax measures, whatever their scope or form, have in the past and could continue to increase the cost of certain of our products, reduce consumer demand and overall consumption of our products, lead to negative publicity (whether based on scientific fact or not) or leave consumers with the perception (whether or not valid) that our products do not meet their health and wellness needs, resulting in adverse effects on our business, financial condition or results of operations.

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

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

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

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

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

Our beverage, food and snack products compete primarily on the basis of brand recognition and loyalty, taste, price, value, quality, product variety, innovation, distribution, advertising, marketing and promotional activity, packaging, convenience, service and the ability to anticipate and effectively respond to consumer preferences and trends, including increased consumer focus on health and wellness and the continued acceleration of e-commerce and other methods of distributing and purchasing products. If we are unable to effectively promote our existing products or introduce new products, if our advertising or marketing campaigns are not effective, if we fail to invest in and incorporate technology and digital tools across all areas of our business (including the use of data analytics to enhance our ability to effectively market to consumers), if our competitors spend more aggressively than we do or if we are otherwise unable to effectively respond to pricing pressure or

compete effectively (including in distributing our products effectively and cost efficiently through all existing and emerging channels of trade, including through e-commerce and hard discounters), we may be unable to grow or maintain sales or category share or we may need to increase capital, marketing or other expenditures, which could adversely affect our business, financial condition or results of operations.

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

Our future success and earnings growth depend, in part, on our ability to continue to reduce costs and improve efficiencies, including implementing shared business service organizational models while reinvesting back into the business. Our productivity initiatives help support our growth initiatives and contribute to our results of operations. We continue to implement productivity initiatives that we believe will position our business for long-term sustainable growth by allowing us to achieve a lower cost structure, improve decision-making and operate more efficiently in the highly competitive beverage, food and snack categories and markets. Some of these measures have yielded and could continue to 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 lead and execute our plans, including to effectively manage personnel adjustments and transitions resulting from these initiatives and increased competition for employees with the skills necessary to implement our plans. If we are unable to successfully implement our productivity initiatives as planned, fail to implement these initiatives as timely as we anticipate, do not achieve expected savings as a result of these initiatives or incur higher than expected or unanticipated costs in implementing these initiatives, fail to identify and implement additional productivity opportunities in the future, or fail to successfully manage business disruptions or unexpected employee consequences on our workforce, morale or productivity, we may not realize all or any of the anticipated benefits, resulting in adverse effects on our business, financial condition or results of operations. Further, in order to continue to capitalize on our cost reduction efforts and operating model, it will be necessary to make certain investments in our business, which may be limited due to capital constraints. From time to time, we have in the past and could continue to implement these investment initiatives to enable us to compete more effectively, including investments to increase manufacturing capacity, improve innovation, transform our manufacturing, commercial and corporate operations through digital technologies and artificial intelligence, and enhance brand management through our use of data analytics to develop new commercial and consumer insights. If we fail to realize all or any of the anticipated benefits of these reinvestment initiatives, our business, financial condition or results of operations can be adversely affected.

***Our business, financial condition or results of operations can 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 have been and could continue to be difficult to predict, resulting in adverse effects on our business, financial condition and results of operations. The results of elections, referendums or other political conditions (including government shutdowns) in these markets have in the past and could continue to impact how existing laws, regulations and government programs or policies are implemented or create uncertainty as to how such laws, regulations and government programs or policies may change, including with respect to tariffs, sanctions, climate change regulation, taxes, benefit programs, the movement of goods, services and people between countries, relationships between countries, customer or consumer perception of a particular country or its government and other matters, and has resulted in and could continue to result in exchange rate fluctuation, volatility in global stock markets and global economic uncertainty or adversely affect demand for our products. For example, the United Kingdom's withdrawal from the European Union (commonly referred to as Brexit) is likely to lead to differing laws and regulations in the United Kingdom and European Union and further global economic, trade and regulatory 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 can have an adverse impact on our business, financial condition or results of operations.

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

Our success depends in part on our ability to grow our business in developing and emerging markets, including Mexico, Russia, the Middle East, Brazil, China and India. However, there can be no assurance that our existing products, variants of our existing products or new products that we make, manufacture, distribute or sell will be accepted or be successful in any particular developing or emerging market, due to local or global competition, product price, cultural differences, consumer preferences as to distribution or otherwise. The following factors can reduce demand for our products or otherwise impede the growth of our business in developing and emerging markets: unstable economic, political or social conditions; acts of war, terrorist acts, and civil unrest; increased competition; volatility in the economic growth of certain of these markets and the related impact on developed countries who export to these markets; volatile oil prices and the impact on the local economy in certain of these markets; our inability to acquire businesses, form strategic business alliances or to make necessary infrastructure investments; our inability to complete divestitures or refranchisings; imposition of new or increased labeling, product or production requirements, or other restrictions; our inability to hire or retain a highly skilled workforce; imposition of new or increased tariffs and other impositions on imported goods or sanctions against, or other regulations restricting contact with, certain countries in these markets, or imposition of new or increased sanctions against U.S. multinational corporations or tariffs on the products of such corporations operating in these markets; actions, such as removing our products from shelves, taken by retailers in response to U.S. trade sanctions, tariffs or other governmental action or policy; foreign ownership restrictions; nationalization of our assets or the assets of our suppliers, bottlers, contract manufacturers, distributors, joint venture partners or other third parties; imposition of taxes on our products or the ingredients or substances used in our products; government-mandated closure, or threatened closure, of our operations or the operations of our suppliers, bottlers, contract manufacturers, distributors, joint venture partners, customers or other third parties; restrictions on the import or export of our products or ingredients or substances used in our products; regulations relating to the repatriation of funds currently held in foreign jurisdictions to the United States; highly inflationary economies and potential highly inflationary economies, devaluation or fluctuation, such as the devaluation of the Russian ruble, Turkish lira, Brazilian real, Argentine peso and the Mexican peso, or demonetization of currency; regulations on the transfer of funds to and from foreign countries, currency controls or other currency exchange restrictions, which result in significant cash balances in foreign countries, from time to time, or can significantly affect our ability to effectively manage our operations in certain of these markets and can result in the deconsolidation of such businesses, such as occurred with respect to our Venezuelan businesses which were deconsolidated at the end of the third quarter of 2015; the lack of well-established or reliable legal systems; increased costs of doing business due to compliance with complex foreign and U.S. laws and regulations that apply to our international operations, including the Foreign Corrupt Practices Act, the U.K. Bribery Act and the Trade Sanctions Reform and Export Enhancement Act; and adverse consequences, such as the assessment of fines or penalties, for any failure to comply with these laws and regulations. If we are unable to expand our businesses in developing and emerging markets, effectively operate, or manage the risks associated with operating, in these markets, or achieve the return on capital we expect from our investments in these markets, our business, reputation, financial condition or results of operations can be adversely affected.

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

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

In addition, some of the major financial institutions with which we execute transactions, including U.S. and non-U.S. commercial banks, insurance companies, investment banks and other financial institutions, may be exposed to a ratings downgrade, bankruptcy, liquidity events, default or similar risks as a result of unfavorable economic conditions, changing regulatory requirements or other factors beyond our control. A ratings downgrade, bankruptcy, receivership, default or similar event involving a major financial institution, or changes in the regulatory environment, can 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; can leave us with reduced borrowing capacity or exposed to certain currencies or price risk associated with forecasted purchases of raw materials, including through our use of fixed-price contracts and purchase orders, pricing agreements and derivative instruments, including swaps and futures; or can result in a decline in the market value of our investments in debt securities, resulting in an adverse impact on our business, financial condition or results of operations. Similar risks exist with respect to our customers, suppliers, bottlers, contract manufacturers, distributors and joint venture partners and can result in their inability to obtain credit to purchase our products or to finance the manufacture and distribution of our products resulting in canceled orders and/or product delays, which can also have an adverse impact on our business, reputation, financial condition or results of operations.

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

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

suppliers, bottlers, contract manufacturers, distributors, joint venture partners and other third parties; and to communicate with our investors.

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

If we do not allocate and effectively manage the resources necessary to build and maintain our information technology infrastructure, including monitoring networks and systems, upgrading our security policies and the skills and training of our employees, and requiring our third-party service providers, customers, suppliers, bottlers, contract manufacturers, distributors, joint venture partners or other third parties to do the same, if we or they fail to timely identify or appropriately respond to cyberattacks or other cyber incidents, or if our or their information systems are damaged, compromised, destroyed or shut down (whether as a result of natural disasters, fires, power outages, acts of terrorism or other catastrophic events, network outages, software, equipment or telecommunications failures, technology development defects, user errors, lapses in our controls or the malicious or negligent actions of employees (including misuse of information they are entitled to access), or from deliberate cyberattacks such as malicious or disruptive software, phishing, denial of service attacks, malicious social engineering, hackers or otherwise), our business can be disrupted and, among other things, be subject to: transaction errors or financial loss; processing inefficiencies; the loss of, or failure to attract, new customers and consumers; lost revenues or other costs 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 can cause errors or delays in our financial reporting; damage to our reputation or brands; damage to employee, customer and consumer relations; litigation; regulatory enforcement actions or fines; unauthorized disclosure of confidential personal information of our employees, customers or consumers; the loss of information and/or business operations disruption resulting from the failure of security patches to be developed and installed on a timely basis; violation of data privacy, security or other laws and regulations; and remediation costs.

Further, our information systems and those of our third-party providers, and the information stored therein can be compromised, including through cyberattacks or other external or internal methods, resulting in unauthorized parties accessing or extracting sensitive data or confidential information. In the ordinary course of business, we receive, process, transmit and store information relating to identifiable individuals, primarily employees and former employees. Privacy and data protection laws may be interpreted and applied differently from country to country or, within the United States, from state to state, and can create inconsistent or

conflicting requirements. Our efforts to comply with privacy and data protection laws, including with respect to data from residents of the European Union who are covered by the General Data Protection Regulation, which went into effect in May 2018, and residents of the State of California covered by the California Consumer Privacy Act of 2018, which went into effect on January 1, 2020, impose significant costs or challenges that are likely to increase over time. Failure to comply with existing or future data privacy laws and regulations can result in litigation, claims, legal or regulatory proceedings, inquiries or investigations.

We continue to devote significant resources to network security, backup and disaster recovery, enhancing our internal controls, and other security measures, including training, to protect our systems and data. In addition, our risk management program also includes periodic review and discussion by our Board of Directors of analyses of emerging cybersecurity threats and our plans and strategies to address them. However, these security measures and processes cannot provide absolute security or guarantee that we will be successful in preventing or responding to every such breach or disruption. In addition, due to the constantly evolving nature of these security threats, the form and impact of any future incident cannot be predicted.

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

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

We and our business partners use various raw materials, energy and other supplies in our business. The principal ingredients we use in our beverage, food and snack products are apple, orange and pineapple juice and other juice concentrates, aspartame, corn, corn sweeteners, flavorings, flour, grapefruit, oats, oranges and other fruits, potatoes, raw milk, rice, seasonings, sucralose, sugar, vegetable and essential oils, and wheat. 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. In addition, we continue to integrate recyclability into our product development process and support the increased use of recycled content, including recycled PET, in our packaging. Fuel, electricity and natural gas are also important commodities for our businesses due to their use in our and our business partners' facilities and the vehicles delivering our products.

Some of these raw materials and supplies are sourced from countries experiencing civil unrest, political instability or unfavorable economic conditions, and some are available from a limited number of suppliers or a sole supplier or are in short supply when seasonal demand is at its peak. We cannot assure that we will be able to maintain favorable arrangements and relationships with these suppliers or that our contingency plans, including development of ingredients, materials or supplies to replace ingredients, materials or supplies sourced from such suppliers, will be effective in preventing disruptions that may arise from shortages or discontinuation of any ingredient that is sourced from such suppliers. In addition, increasing focus on climate

change, deforestation, the use of plastics and energy, animal welfare and human rights concerns and other risks associated with the global food system is leading to increased activism focusing on consumer goods companies, governmental intervention and consumer response, and can adversely affect our or our suppliers' reputation and business and our ability to procure the materials we need to operate our business. The raw materials and energy, including fuel, that we use for the manufacturing, production and distribution of our products are largely commodities that are subject to price volatility and fluctuations in availability caused by many factors, including changes in global supply and demand, weather conditions (including any potential effects of climate change), fire, natural disasters (such as a hurricane, tornado, earthquake, wildfire or flooding), disease or pests (including the impact of greening disease on the citrus industry), agricultural uncertainty, health epidemics or pandemics or other contagious outbreaks, such as the recent coronavirus, governmental incentives and controls (including import/export restrictions, such as new or increased tariffs, sanctions, quotas or trade barriers), limited or sole sources of supply, political uncertainties, acts of terrorism, governmental instability or currency exchange rates. For example, concerns regarding trade relations between the United States and China escalated during fiscal 2019, with the United States imposing tariffs on the importation of certain Chinese goods and retaliatory Chinese tariffs on U.S. goods. Higher duties on existing tariffs or additional tariffs imposed by the United States on a broader range of imports, or further retaliatory trade measures taken by China or other countries in response, could result in an increase in supply chain costs that we are not able to offset or otherwise adversely impact our results of operations. Shortage of some of these raw materials and other supplies, sustained interruption in their supply or an increase in their costs can adversely affect our business, financial condition or results of operations. Many of our ingredients, raw materials and commodities are purchased in the open market. The prices we pay for such items are subject to fluctuation, and we manage this risk through the use of fixed-price contracts and purchase orders, pricing agreements and derivative instruments, including swaps and futures. If commodity price changes result in unexpected or significant increases in raw materials and energy costs, we may be unwilling or unable to increase our product prices or unable to effectively hedge against commodity price increases to offset these increased costs without suffering reduced volume, revenue, margins and operating results. In addition, certain of the derivatives used to hedge price risk do not qualify for hedge accounting treatment and, therefore, can result in increased volatility in our net earnings in any given period due to changes in the spot prices of the underlying commodities.

***Water scarcity can have an adverse impact on our business, financial condition or results of operations.***

We and our suppliers, bottlers, contract manufacturers, joint venture partners and other third parties use water in the manufacturing of our products. Water is a limited resource in many parts of the world. The lack of available water of acceptable quality, increasing focus by governmental and non-governmental organizations, investors, customers and consumers on water scarcity and increasing pressure to conserve and replenish water in areas of scarcity and stress may lead to: supply chain disruption; adverse effects on our operations or the operations of our suppliers, bottlers, contract manufacturers, distributor, joint venture partners or other third parties; higher compliance costs; capital expenditures (including additional investments in the development of technologies to enhance water efficiency and reduce water consumption); higher production costs, including less favorable pricing for water; 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; failure to achieve our sustainability goals relating to water use; perception (whether or not valid) of our failure to act responsibly with respect to water use or to effectively respond to new, or changes in, legal or regulatory requirements concerning water scarcity; or damage to our reputation, any of which can adversely affect our business, financial condition or results of operations.

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

Our ability, and that of our suppliers and other third parties, including our bottlers, contract manufacturers, distributors, joint venture partners and customers, to make, manufacture, transport, distribute and sell products in our portfolio is critical to our success. Damage or disruption to our or their operations has occurred in the past and could continue to occur due to any of the following factors which can impair the ability to make, manufacture, transport, distribute or sell products in our portfolio: adverse weather conditions (including any potential effects of climate change) or natural disasters, such as a hurricane, tornado, earthquake, wildfire 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 or other contagious outbreaks, such as the recent coronavirus; supply and commodity shortages; unplanned delays or unexpected problems associated with repairs or enhancements of facilities in which such products are made, manufactured, distributed or sold; loss or impairment of key manufacturing sites; cyber incidents, including the disruption or shutdown of computer systems or other information technology systems at our offices, plants, warehouses, distribution centers or other facilities or those of our suppliers and other third parties who make, manufacture, transport, distribute and sell products in our portfolio; industrial accidents or other occupational health and safety issues; telecommunications failures; power, fuel or water shortages; strikes, labor disputes or lack of availability of qualified personnel, such as truck drivers; or other reasons beyond our control or the control of our suppliers and other third parties. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, has in the past resulted and could continue to result in adverse effects on 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 can 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 can 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 can decide to, or be required to, recall products in our portfolio and/or we may be subject to liability or government action, which can 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 can 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 can adversely affect our reputation or brands. Our business can 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 can 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 can materially adversely affect our business, financial condition or results of operations.

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

In addition, we operate globally, which requires us to comply with numerous local regulations, including, without limitation, anti-corruption laws, competition laws and tax laws and regulations of the jurisdictions in which our products are made, manufactured, distributed or sold. In the event that we or our employees or agents engage in or are believed to have engaged in improper activities, we have in the past and could continue to be subject to regulatory proceedings, including enforcement actions, litigation, loss of sales or other consequences, resulting in damage to our reputation in the United States or abroad. Failure to comply with local laws and regulations, to maintain an effective system of internal control or to provide accurate and timely financial information can also hurt our reputation.

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

Damage to our reputation or brand image or loss of consumer confidence in our products or employees for any of these or other reasons has in the past and could continue to result in decreased demand for our products,

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

With respect to joint ventures, we share ownership and management responsibility with one or more parties who may or may not have the same goals, strategies, priorities, resources or values as we do. Joint ventures are intended to be operated for the benefit of all co-owners, rather than for our exclusive benefit. Business decisions or other actions or omissions of our joint venture partners have in the past and could continue to 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 have in the past and could continue to be unable to complete or effectively manage such transactions on terms commercially favorable to us or at all, resulting in failure to achieve the anticipated benefits or cost savings from the divestiture or refranchising. Further, as divestitures and refranchisings 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 can adversely impact our sales or business performance.

Acquisitions or joint ventures that are not successfully completed, integrated into our existing operations or managed effectively, or divestitures or refranchisings that are not successfully completed or managed

effectively or do not result in the benefits or cost savings we expect, have in the past and could continue to result in adverse effects on our business, financial condition or results of operations.

***A change in our estimates and underlying assumptions regarding the future performance of our businesses can result in an impairment charge that materially affects our results of operations.***

We conduct impairment tests on our goodwill, indefinite-lived intangible assets, as well as other investments and other long-lived assets annually, during our third quarter, or more frequently if circumstances indicate that the carrying value may not be recoverable and have recorded impairments in the past. Any changes in our estimates or underlying assumptions regarding the future performance of our reporting units or in determining the fair value of any such reporting unit, including goodwill, indefinite-lived intangible assets, as well as other investments and other long-lived assets, can adversely affect our results of operations. Factors considered to determine if an impairment exist include, but are not limited to: significant negative economic or industry trends or competitive operating conditions; significant macroeconomic conditions that can result in a future increase in the weighted-average cost of capital used to estimate fair value; and significant changes in the nature and timing of decisions regarding assets or markets that do not perform consistent with our expectations, including factors we use to estimate future levels of sales, operating profit or cash flows. While no material impairment charges have been recorded in the periods presented in this Form 10-K, we may in the future record impairment charges that have a material adverse effect on our results of operations in the periods recognized. See Note 4 to our consolidated financial statements for further information.

***Increases in income tax rates, changes in income tax laws or disagreements with tax authorities can 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 can reduce our after-tax income from such jurisdiction and adversely affect our business, financial condition or results of operations. Our operations outside the United States generate a significant portion of our income. In addition, existing tax laws in the United States and many of the other countries in which our products are made, manufactured, distributed or sold, including countries in which we have significant operations, have been and could in the future be subject to significant change. For example, in December 2017, the Tax Cuts and Jobs Act (TCJ Act) was signed into law in the United States. While our accounting for the recorded impact of the TCJ Act is deemed to be complete, these amounts are based on prevailing regulations and currently available information, and additional guidance issued by the Internal Revenue Service (IRS) may continue to impact our recorded amounts in future periods. In addition, on May 19, 2019, a public referendum held in Switzerland passed the Federal Act on Tax Reform and AHV Financing (TRAF), effective January 1, 2020. Certain provisions of the TRAF were enacted in fiscal year 2019, resulting in adjustments to our deferred taxes. The future impact of the TRAF cannot currently be estimated and we continue to monitor and assess the impact of TRAF on our business and financial results. For further information regarding the impact and potential impact of the TCJ Act and the TRAF, see “Our Liquidity and Capital Resources” and “Our Critical Accounting Policies” in Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations and Note 5 to our consolidated financial statements.

Additional changes in the U.S. tax regime or in how U.S. multinational corporations are taxed on foreign earnings, including changes in how existing tax laws are interpreted or enforced, can adversely affect our business, financial condition or results of operations. For example, the Organization for Economic Cooperation and Development (OECD) has recommended changes to numerous long-standing international tax principles through its base erosion and profit shifting (BEPS) project. These changes have been or are being adopted by many of the countries in which we do business. In connection with the OECD’s BEPS project, the OECD has undertaken a new project focused on “Addressing the Tax Challenges of the Digitalization of the Economy.” This project may impact all multinational businesses by reallocating where some profits are taxed and implementing a global model for minimum taxation. The increasingly complex

global tax environment has in the past and could continue to increase tax uncertainty, resulting in higher compliance costs and adverse effects on our provision for income taxes, results of operations and/or cash flow.

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

***If we are unable to recruit, hire or retain key employees or a highly skilled and diverse workforce, it can 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 failure to hire and retain a highly skilled and diverse workforce, including with key capabilities such as e-commerce and digital marketing and data analytic skills, can deplete our institutional knowledge base, 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 can adversely affect our business, reputation, financial condition or results of operations.

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

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

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

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

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

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

***Our borrowing costs and access to capital and credit markets would 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, can 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 can 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 can 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 can adversely affect our financial condition and results of operations.

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

We have entered into agreements with third-party service providers to utilize information technology support services and administrative functions in certain areas of our business, including payroll processing, health and benefit plan administration and certain finance and accounting functions. We may enter into new or additional agreements for shared services in other functions in the future to achieve cost savings and efficiencies as we continue to migrate to shared business service organizational models across our business

operations. In addition, we increasingly 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. Failure by these third-party service providers or vendors to perform effectively, or our failure to adequately monitor their performance (including compliance with service level agreements or regulatory or legal requirements), has in the past and could continue to result in our inability to achieve the expected cost savings, additional costs to correct errors made by such service providers, damage to our reputation or our being subject to litigation, claims, legal or regulatory proceedings, inquiries or investigations. Depending on the function involved, such errors can also lead to business disruption, processing inefficiencies, the loss of or damage to intellectual property or sensitive data through security breaches or otherwise, incorrect or adverse effects on financial reporting, litigation or remediation costs, damage to our reputation or have a negative impact on employee morale. In addition, the management of multiple third-party service providers increases operational complexity and decreases our control.

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

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

We hold assets, incur liabilities, earn revenues and pay expenses in a variety of currencies other than the U.S. dollar. Because our consolidated financial statements are presented in U.S. dollars, the financial statements of our subsidiaries outside the United States, where the functional currency is other than the U.S. dollar, are translated into U.S. dollars. Our operations outside of the United States, particularly in Mexico, Russia, Canada, the United Kingdom, China 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 could continue to have, an adverse impact on our business, financial condition and results of operations.

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

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

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. 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, we may experience disruptions in, or significant increases in our costs of, operation and delivery and be required to make additional investments in facilities and equipment or relocate our facilities. In particular, increasing regulation of fuel emissions can 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 can negatively affect our business and operations

In addition, any failure to achieve our goals with respect to reducing our impact on the environment or perception (whether or not valid) of our failure to act responsibly with respect to the environment or to effectively respond to new, or changes in, legal or regulatory requirements concerning climate change can lead to adverse publicity, resulting in an adverse effect on 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 recyclability or recoverability of packaging, including plastic. Our reputation can be damaged if we or others in our industry do not act, or are perceived not to act, responsibly with respect to our impact on the environment.

***A portion of our workforce is represented by unions. Failure to successfully negotiate collective bargaining agreements, or strikes or work stoppages, can 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 can occur if we are unable to renew these agreements on satisfactory terms or enter into new agreements on satisfactory terms or if we are unable to otherwise manage changes in, or that affect, our workforce, which can impair manufacturing and distribution of our products or lead to a loss of sales, resulting in an adverse impact on our business, financial condition or results of operations. The terms and conditions of existing, renegotiated or new collective bargaining agreements can 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, can be reduced, resulting in 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, although the laws of various jurisdictions have differing levels of protection of 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, can be reduced, resulting in 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 can have an adverse impact on our business, reputation, financial condition or results of operations and may limit our ability to introduce new products or improve the quality of existing products.

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

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

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

Many factors can adversely affect the price of our common stock and publicly traded debt. Such factors, some of which are beyond our control, have in the past and could continue to include, but are not limited to: unfavorable economic conditions; changes in financial or tax reporting and changes in accounting principles or practices that materially affect our reported financial condition and results; investor perceptions of our business, strategies and performance or those of our competitors; actions by shareholders or others seeking to influence our business strategies; speculation by the media or investment community regarding our business, strategies and performance or those of our competitors; developments relating to pending litigation, claims, inquiries or investigations; changes in laws and regulations applicable to our products or business operations; trading activity in our securities or trading activity in derivative instruments with respect to our securities; changes in our credit ratings; the impact of our share repurchase programs or dividend policy; and the outcome of referenda and elections. In addition, corporate actions, such as those we have or have not taken in the past or may or may not take in the future as part of our continuous review of our corporate structure and our strategy, including as a result of business, legal, regulatory and tax considerations, have not and may not in the future have the impact we intend, resulting in adversely effects on the price of our securities. The above factors, as well as the other risks included in this "Item 1A. Risk Factors," can 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 2019 year and that remain unresolved.

## **Item 2. Properties.**

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

In connection with making, marketing, distributing and selling our products, each division utilizes manufacturing, processing, bottling and production plants, warehouses, distribution centers, storage facilities, offices, including division headquarters, research and development facilities and other facilities, all of which are either owned or leased.

Significant properties by division are as follows:

- FLNA's research and development facility in Plano, Texas, which is owned.
- QFNA's food plant in Cedar Rapids, Iowa, which is owned.
- PBNA's research and development facility in Valhalla, New York, and a Tropicana plant in Bradenton, Florida, both of which are owned.
- LatAm's three snack plants in Mexico (one in Celaya and two in Vallejo), all of which are owned.
- Europe's snack plant in Kashira, Russia, its dairy plant in Moscow, Russia, and its fruit juice plant in Zeebrugge, Belgium, all of which are owned.
- AMESA's snack plant in Riyadh, Saudi Arabia, which is leased.
- APAC's snack plant in Wuhan, China, which is owned.
- Our primary concentrate plants in Cork, Ireland and in Singapore, all of which are either owned or leased. Our concentrate plants in Cork, Ireland are shared by our PBNA, Europe and AMESA segments and our concentrate plant in Singapore is shared by our PBNA and APAC segments.
- A shared service center in Winston-Salem, North Carolina, which is primarily shared by our FLNA, QFNA and PBNA segments, which is 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.**

We and our subsidiaries are party to a variety of litigation, claims, legal or regulatory proceedings, inquiries and investigations. While the results of such litigation, claims, legal or regulatory proceedings, inquiries and investigations cannot be predicted with certainty, management believes that the final outcome of the foregoing will not have a material adverse effect on our financial condition, results of operations or cash flows. See also "Item 1. Business – Regulatory Matters" and "Item 1A. Risk Factors."

## **Item 4. Mine Safety Disclosures.**

Not applicable.

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## Information About Our Executive Officers

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

<u>Name</u>	<u>Age</u>	<u>Title</u>
Marie T. Gallagher	60	Senior Vice President and Controller, PepsiCo
Hugh F. Johnston	58	Vice Chairman, PepsiCo; Executive Vice President and Chief Financial Officer, PepsiCo
Ramon L. Laguarta	56	Chairman of the Board of Directors and Chief Executive Officer, PepsiCo
Silviu Popovici	52	Chief Executive Officer, Europe
Paula Santilli	55	Chief Executive Officer, Latin America
Ronald Schellekens	55	Executive Vice President and Chief Human Resources Officer, PepsiCo
Kirk Tanner	51	Chief Executive Officer, PepsiCo Beverages North America
Eugene Willemsen	52	Chief Executive Officer, Africa, Middle East, South Asia
Steven Williams	54	Chief Executive Officer, PepsiCo Foods North America
David Yawman	51	Executive Vice President, Government Affairs, General Counsel and Corporate Secretary, PepsiCo

**Marie T. Gallagher** was appointed PepsiCo's Senior Vice President and Controller in 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** was appointed Vice Chairman, PepsiCo in 2015 and Executive Vice President and Chief Financial Officer, PepsiCo in 2010. In addition to providing strategic financial leadership for PepsiCo, Mr. Johnston's portfolio has included a variety of responsibilities, including leadership of the Company's information technology function since 2015, the Company's global e-commerce business from 2015 to 2019, and the Quaker Foods North America division from 2014 to 2016. He has also held a number of leadership roles throughout his PepsiCo career, serving as Executive Vice President, Global Operations from 2009 to 2010, President of Pepsi-Cola North America from 2007 to 2009, Executive Vice President, Operations from 2006 to 2007, and Senior Vice President, Transformation from 2005 to 2006. 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.

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

**Silviu Popovici** was appointed Chief Executive Officer, Europe, effective August 2019. Prior to this role, he

served as Chief Executive Officer, Europe Sub-Saharan Africa from March 2019 to August 2019 and as President, Europe Sub-Saharan Africa from 2017 to March 2019. Mr. Popovici previously served as President, Russia, Ukraine and CIS (The Commonwealth of Independent States) from 2015 to 2017, and as President, PepsiCo Russia from 2013 to 2015. Mr. Popovici joined PepsiCo in 2011 following PepsiCo's acquisition of Wimm-Bill-Dann Foods OJSC (WBD) and served as General Manager, WBD Foods Division from 2011 until 2012. Prior to the acquisition, Mr. Popovici held senior leadership roles at WBD, running its dairy business from 2008 to 2011 and its beverages business from 2006 to 2008.

**Paula Santilli** was appointed Chief Executive Officer, Latin America, effective May 2019. Previously, she served in various leadership positions at PepsiCo Mexico Foods, as President from 2017 to 2019, as Chief Operating Officer from 2016 to 2017 and as Vice President and General Manager from 2011 to 2016. Prior to joining PepsiCo Mexico Foods, she held a variety of roles, including leadership positions in Beverages in Mexico, as well as in Foods and Snacks in the Latin America Southern Cone region comprising Argentina, Uruguay and Paraguay. Ms. Santilli joined PepsiCo in 2001 following PepsiCo's acquisition of the Quaker Oats Company. At Quaker, she held various roles of increasing responsibility from 1992 to 2001, including running the regional Quaker Foods and Gatorade businesses in Argentina, Chile and Uruguay.

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

**Kirk Tanner** was appointed Chief Executive Officer, PepsiCo Beverages North America, effective January 2019. Prior to that, Mr. Tanner served as President and Chief Operating Officer, North America Beverages from 2016 to 2018, Chief Operating Officer, North America Beverages and President, Global Foodservice from 2015 to 2016, and President, Global Foodservice from 2014 to 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 U.K. and Ireland from 2008 to 2009, Region Vice President of Frito-Lay North America's Mountain region from 2005 to 2008, Region Vice President of Frito-Lay North America's Mid-America region from 2002 to 2005 and Region Vice President of Frito-Lay North America's California region from 2000 to 2002.

**Eugene Willemsen** was appointed Chief Executive Officer, Africa, Middle East, South Asia, effective October 2019. Previously he served as Chief Executive Officer, Sub-Saharan Africa in 2019 and as Executive Vice President, Global Categories and Franchise Management from 2015 to 2019. Before that, he led the global Pepsi-Lipton Joint Venture as President from 2014 to 2015. Prior to such role, Mr. Willemsen served as PepsiCo's Senior Vice President and General Manager, South East Europe from 2011 to 2013, as Senior Vice President and General Manager, Commercial, Europe from 2008 to 2011, as Senior Vice President and General Manager, Northern Europe from 2006 to 2008, as Vice President, General Manager, Benelux from 2000 to 2005 and as Commercial Director, Benelux for the snacks business from 1998 to 2000. Mr. Willemsen joined PepsiCo in 1995 as a business development manager.

**Steven Williams** was appointed Chief Executive Officer, PepsiCo Foods North America, effective April 2019. Prior to this role, Mr. Williams served in leadership positions for Frito-Lay's U.S. operations, as Senior Vice President, Commercial Sales and Chief Commercial Officer from 2017 to 2019 and as General Manager

and Senior Vice President, East Division from 2016 to 2017. Prior to that, he served as General Manager and Senior Vice President, Customer Management for PepsiCo's global Walmart business from 2013 to 2016, as Sales Senior Vice President, North American Nutrition from 2011 to 2013 and as Vice President, Sales, Central Division from 2009 to 2011. Mr. Williams joined PepsiCo in 2001 as a part of PepsiCo's acquisition of the Quaker Oats Company, which he joined in 1997 and has held leadership positions of increasing responsibility in sales and customer management.

**David Yawman** was appointed Executive Vice President, Government Affairs, General Counsel and Corporate Secretary, PepsiCo in 2017. Prior to that, Mr. Yawman served as Senior Vice President and Deputy General Counsel for PepsiCo and General Counsel for North America and Corporate in 2017. He previously served as Senior Vice President, PepsiCo Deputy General Counsel, General Counsel, North America Beverages and Quaker Foods North America from 2015 to 2017, as Senior Vice President, PepsiCo Deputy General Counsel, General Counsel, PepsiCo America Beverages from 2014 to 2015, as Senior Vice President, PepsiCo Chief Compliance and Ethics Officer from 2012 to 2014, and as Senior Vice President, General Counsel, Pepsi Beverages Company from 2010 to 2012. Prior to that, he served five years in the law department of The Pepsi Bottling Group, Inc. (PBG) and, prior to that, was a member of PepsiCo's corporate law department from the time he joined PepsiCo in 1998 until 2003.

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

**PART II**

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

Stock Trading Symbol – PEP

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

Shareholders – As of February 6, 2020, there were approximately 109,312 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 10, 2020, the Board of Directors declared a quarterly dividend of \$0.955 payable March 31, 2020, to shareholders of record on March 6, 2020. For the remainder of 2020, the record dates for these dividend payments are expected to be June 5, September 4 and December 4, 2020, subject to approval of the Board of Directors. On February 13, 2020, we announced a 7% increase in our annualized dividend to \$4.09 per share from \$3.82 per share, effective with the dividend expected to be paid in June 2020. We expect to return a total of approximately \$7.5 billion to shareholders in 2020 through share repurchases of approximately \$2 billion and dividends of approximately \$5.5 billion.

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 2019 is set forth in the table below.

**Issuer Purchases of Common Stock**

<b>Period</b>	<b>Total Number of Shares Repurchased<sup>(a)</sup></b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs</b>
9/7/2019				\$ 11,783
9/8/2019 - 10/5/2019	1.5	\$ 135.74	1.5	(204) 11,579
10/6/2019 - 11/2/2019	1.3	\$ 136.76	1.3	(170) 11,409
11/3/2019 - 11/30/2019	1.5	\$ 133.90	1.5	(202) 11,207
12/1/2019 - 12/28/2019	0.9	\$ 136.52	0.9	(123)
<b>Total</b>	<b>5.2</b>	<b>\$ 135.58</b>	<b>5.2</b>	<b>\$ 11,084</b>

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

## Item 6. Selected Financial Data.

### Five-Year Summary

(unaudited, in millions except per share amounts)

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

	2019	2018	2017	2016	2015
Net revenue <sup>(a)</sup>	\$ 67,161	\$ 64,661	\$ 63,525	\$ 62,799	\$ 63,056
Operating profit	\$ 10,291	\$ 10,110	\$ 10,276	\$ 9,804	\$ 8,274
Provision for/(benefit from) income taxes <sup>(b)</sup>	\$ 1,959	\$ (3,370)	\$ 4,694	\$ 2,174	\$ 1,941
Net income attributable to PepsiCo <sup>(b)</sup>	\$ 7,314	\$ 12,515	\$ 4,857	\$ 6,329	\$ 5,452
Net income attributable to PepsiCo per common share – basic <sup>(b)</sup>	\$ 5.23	\$ 8.84	\$ 3.40	\$ 4.39	\$ 3.71
Net income attributable to PepsiCo per common share – diluted <sup>(b)</sup>	\$ 5.20	\$ 8.78	\$ 3.38	\$ 4.36	\$ 3.67
Cash dividends declared per common share	\$ 3.7925	\$ 3.5875	\$ 3.1675	\$ 2.96	\$ 2.7625
Total assets <sup>(c)</sup>	\$ 78,547	\$ 77,648	\$ 79,804	\$ 73,490	\$ 68,976
Long-term debt obligations	\$ 29,148	\$ 28,295	\$ 33,796	\$ 30,053	\$ 29,213

- (a) Our 2016 results included an extra week of results (53<sup>rd</sup> reporting week). The 53<sup>rd</sup> reporting week increased 2016 net revenue by \$657 million, including \$294 million in our FLNA segment, \$43 million in our QFNA segment, \$300 million in our PBNA segment and \$20 million in our Europe segment.
- (b) Our 2019, 2018 and 2017 results included the impact of the TCJ Act. Additionally, our 2018 results included other net tax benefits related to the reorganization of our international operations. See Note 5 to our consolidated financial statements for further information.
- (c) During the first quarter of 2019, we prospectively adopted the guidance requiring lessees to recognize most leases on the balance sheet. See Note 2 and Note 13 to our consolidated financial statements for further information.

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

	2019					
	Operating profit	Other pension and retiree medical benefits expense	(Provision for)/benefit from income taxes <sup>(d)</sup>	Net income attributable to noncontrolling interests	Net income attributable to PepsiCo	Net income attributable to PepsiCo per common share – diluted
Mark-to-market net impact <sup>(e)</sup>	\$ 112	\$ —	\$ (25)	\$ —	\$ 87	\$ 0.06
Restructuring and impairment charges <sup>(f)</sup>	\$ (368)	\$ (2)	\$ 67	\$ 5	\$ (298)	\$ (0.21)
Inventory fair value adjustments and merger and integration charges <sup>(g)</sup>	\$ (55)	\$ —	\$ 8	\$ —	\$ (47)	\$ (0.03)
Pension-related settlement charges <sup>(h)</sup>	\$ —	\$ (273)	\$ 62	\$ —	\$ (211)	\$ (0.15)
Net tax related to the TCJ Act <sup>(i)</sup>	\$ —	\$ —	\$ 8	\$ —	\$ 8	\$ 0.01
Gains on sales of assets <sup>(i)</sup>	\$ 77	\$ —	\$ (19)	\$ —	\$ 58	\$ 0.04

2018

	Operating profit	Other pension and retiree medical benefits income	Interest expense	Benefit from/ (provision for) income taxes <sup>(d)</sup>	Net income attributable to noncontrolling interests	Net income attributable to PepsiCo	Net income attributable to PepsiCo per common share – diluted
Mark-to-market net impact <sup>(e)</sup>	\$ (163)	\$ —	\$ —	\$ 38	\$ —	\$ (125)	\$ (0.09)
Restructuring and impairment charges <sup>(f)</sup>	\$ (272)	\$ (36)	\$ —	\$ 56	\$ 1	\$ (251)	\$ (0.18)
Merger and integration charges <sup>(g)</sup>	\$ (75)	\$ —	\$ —	\$ —	\$ —	\$ (75)	\$ (0.05)
Net tax related to the TCJ Act <sup>(i)</sup>	\$ —	\$ —	\$ —	\$ 28	\$ —	\$ 28	\$ 0.02
Other net tax benefits <sup>(k)</sup>	\$ —	\$ —	\$ —	\$ 5,064	\$ —	\$ 5,064	\$ 3.55
Charges related to cash tender and exchange offers <sup>(l)</sup>	\$ —	\$ —	\$ (253)	\$ 62	\$ —	\$ (191)	\$ (0.13)
Tax reform bonus <sup>(m)</sup>	\$ (87)	\$ —	\$ —	\$ 21	\$ —	\$ (66)	\$ (0.05)
Gains on beverage refranchising <sup>(n)</sup>	\$ 202	\$ —	\$ —	\$ (30)	\$ —	\$ 172	\$ 0.12
Gains on sale of assets <sup>(j)</sup>	\$ 76	\$ —	\$ —	\$ (19)	\$ —	\$ 57	\$ 0.04

2017

	Operating profit	Other pension and retiree medical benefits income	(Provision for)/ benefit from income taxes <sup>(d)</sup>	Net income attributable to PepsiCo	Net income attributable to PepsiCo per common share – diluted
Mark-to-market net impact <sup>(e)</sup>	\$ 15	\$ —	\$ (7)	\$ 8	\$ 0.01
Restructuring and impairment charges <sup>(f)</sup>	\$ (229)	\$ (66)	\$ 71	\$ (224)	\$ (0.16)
Provisional net tax related to the TCJ Act <sup>(i)</sup>	\$ —	\$ —	\$ (2,451)	\$ (2,451)	\$ (1.70)
Gain on sale of Britvic plc (Britvic) securities <sup>(o)</sup>	\$ 95	\$ —	\$ (10)	\$ 85	\$ 0.06
Gain on beverage refranchising <sup>(n)</sup>	\$ 140	\$ —	\$ (33)	\$ 107	\$ 0.07
Gain on sale of assets <sup>(j)</sup>	\$ 87	\$ —	\$ (25)	\$ 62	\$ 0.04

2016

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

2015

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

- (d) Provision for/benefit from income taxes is the expected tax charge/benefit on the underlying item based on the tax laws and income tax rates applicable to the underlying item in its corresponding tax jurisdiction and tax year.
- (e) Mark-to-market net gains and losses on commodity derivatives in corporate unallocated expenses.
- (f) Expenses related to the 2019 Multi-Year Productivity Plan (2019 Productivity Plan), 2014 Multi-Year Productivity Plan (2014 Productivity Plan) and 2012 Multi-Year Productivity Plan (2012 Productivity Plan). See Note 3 to our consolidated financial statements for further discussion of our 2019 and 2014 Productivity Plans.
- (g) In 2019, inventory fair value adjustments and merger and integration charges primarily related to our acquisition of SodaStream. \$46 million of this charge was recorded in our Europe segment, \$7 million in our AMESA segment and \$2 million in corporate unallocated expenses. In 2018, merger and integration charges related to our acquisition of SodaStream. \$57 million of this charge was recorded in our Europe segment, with the balance recorded in corporate unallocated expenses. See Note 14 to our consolidated financial statements for further information.
- (h) In 2019, pension settlement charges of \$220 million related to the purchase of a group annuity contract and settlement charges of \$53 million related to one-time lump sum payments to certain former employees who had vested benefits, recorded in other pension and retiree medical benefits expense/income. See Note 7 to our consolidated financial statements for further information. In 2016, pension settlement charge related to the purchase of a group annuity contract. In 2015, benefits in the PBNA segment associated with the settlement of pension-related liabilities from previous acquisitions.
- (i) In 2019, 2018 and 2017, net tax related to the TCJ Act. See Note 5 to our consolidated financial statements for further information.
- (j) In 2019, gains associated with the sale of assets in the following segments: \$31 million in FLNA and \$46 million in PBNA. In 2018, gains associated with the sale of assets in the following segments: \$64 million in PBNA and \$12 million in AMESA. In 2017, gains associated with the sale of assets in the following segments: \$17 million in FLNA, \$21 million in PBNA, \$21 million in AMESA and \$28 million in corporate unallocated expenses.
- (k) In 2018, other net tax benefits of \$4.3 billion resulting from the reorganization of our international operations, including the intercompany transfer of certain intangible assets. Also in 2018, non-cash tax benefits of \$717 million associated with both the conclusion of certain international tax audits and our agreement with the IRS resolving all open matters related to the audits of taxable years 2012 and 2013. See Note 5 to our consolidated financial statements for further information. In 2015, non-cash tax benefit associated with our agreement with the IRS resolving substantially all open matters related to the audits for taxable years 2010 through 2011, which reduced our reserve for uncertain tax positions for the tax years 2010 through 2011.
- (l) In 2018, interest expense in connection with our cash tender and exchange offers, primarily representing the tender price paid over the carrying value of the tendered notes. See Note 8 to our consolidated financial statements for further information. In 2016, interest expense primarily representing the premium paid in accordance with the “make-whole” redemption provisions to redeem all of our outstanding 7.900% senior notes due 2018 and 5.125% senior notes due 2019 for the principal amounts of \$1.5 billion and \$750 million, respectively.
- (m) In 2018, bonus extended to certain U.S. employees related to the TCJ Act in the following segments: \$44 million in FLNA, \$2 million in QFNA and \$41 million in PBNA.
- (n) In 2018, gains of \$58 million and \$144 million associated with refranchising our entire beverage bottling operations and snack distribution operations in Czech Republic, Hungary and Slovakia (CHS) in the Europe segment and refranchising a portion of our beverage business in Thailand in the APAC segment, respectively. In 2017, gain in the AMESA segment associated with refranchising a portion of our beverage business in Jordan. See Note 14 to our consolidated financial statements. In 2015, gain in the AMESA segment associated with refranchising a portion of our beverage businesses in India.
- (o) In 2017, gain in the Europe segment associated with the sale of our minority stake in Britvic.
- (p) In 2016, impairment charge in the APAC segment to reduce the value of our 5% indirect equity interest in KSF Beverage Holding Co., Ltd. (KSFB), formerly known as Tingyi-Asahi Beverages Holding Co. Ltd., to its estimated fair value. In 2015, write-off in the APAC segment of the value of a call option to increase our holding in KSFB to 20%.
- (q) Our 2016 results included the 53<sup>rd</sup> reporting week, the impact of which was fully offset by incremental investments in our business.

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- (r) In 2015, charges in the LatAm segment related to the impairment of investments in our wholly-owned Venezuelan subsidiaries and beverage joint venture. Beginning in the fourth quarter of 2015, our financial results have not included the results of our Venezuelan businesses.
- (s) In 2015, impairment charges in the QFNA segment associated with our MQD joint venture investment, including a charge related to ceasing its operations.
- (t) In 2015, expenses related to other productivity initiatives outside the scope of the 2014 and 2012 Productivity Plans.
- (u) In 2015, impairment charge in the AMESA segment associated with a joint venture in the Middle East.

**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. Unless otherwise noted, 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**

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

Everything we do is driven by an approach we call Winning with Purpose. Winning with Purpose is our guide for achieving accelerated, sustainable growth that includes our mission, to Create More Smiles with Every Sip and Every Bite; our vision, to Be the Global Leader in Convenient Foods and Beverages by Winning with Purpose; and The PepsiCo Way, seven behaviors that define our shared culture.

Winning with Purpose is designed to help us meet the needs of our shareholders, customers, consumers, partners and communities, while caring for our planet and inspiring our associates.

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

To adapt to these challenges, we intend to continue to focus on becoming Faster, Stronger, and Better:

- Faster by winning in the marketplace, being more consumer-centric and accelerating investment for topline growth. This includes broadening our portfolios to win locally in convenient foods and beverages, fortifying our North American businesses, and accelerating our international expansion, with disciplined focus on markets where we see a strong likelihood of prevailing over our competition.
- Stronger by continuing to transform our capabilities, cost, and culture by leveraging scale and technology in global markets across our operations and winning locally. This includes continuing to focus on driving savings through holistic cost management to reinvest to succeed in the marketplace, developing and scaling core capabilities through technology, and building differentiated talent and culture.
- Better by continuing to focus our sustainability agenda on helping to build a more sustainable food system and investing in six priority areas: next generation agriculture, water stewardship, plastic packaging, products, climate change, and people.

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

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

### **Our Operations**

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

## **Other Relationships**

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

## **Our Business Risks**

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

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

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

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

During the fourth quarter of 2017, the TCJ Act was enacted in the United States. Our provisional measurement period ended in the fourth quarter of 2018 and while our accounting for the recorded impact of the TCJ Act was deemed to be complete, additional guidance issued by the IRS impacted, and may continue to impact, our recorded amounts after December 29, 2018. For further information, see “Our Liquidity and Capital Resources,” “Our Critical Accounting Policies” and Note 5 to our consolidated financial statements.

On May 19, 2019, a public referendum held in Switzerland passed the TRAF, effective January 1, 2020. The enactment of certain provisions of the TRAF in 2019 resulted in adjustments to our deferred taxes. During 2019, we recorded net tax expense of \$24 million related to the impact of the TRAF. Enactment of the TRAF provisions subsequent to December 28, 2019 is expected to result in adjustments to our consolidated financial statements and related disclosures in future periods. The future impact of the TRAF cannot currently be reasonably estimated; we will continue to monitor and assess the impact the TRAF may have on our business and financial results. See “Our Critical Accounting Policies” and Note 5 to our consolidated financial statements for further information.

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

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

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

- PepsiCo’s Board of Directors has oversight responsibility for PepsiCo’s integrated risk management framework. One of the Board’s primary responsibilities is overseeing and interacting with senior management with respect to key aspects of the Company’s business, including risk assessment and risk mitigation of the Company’s top risks. The Board receives updates on key risks throughout the year, including risks related to cybersecurity. In addition, the Board has tasked designated Committees of the Board with oversight of certain categories of risk management, and the Committees report to the Board regularly on these matters.
  - The Audit Committee of the Board reviews and assesses the guidelines and policies governing PepsiCo’s risk management and oversight processes, and assists the Board’s oversight of financial, compliance and employee safety risks facing PepsiCo;
  - The Compensation Committee of the Board reviews PepsiCo’s employee compensation policies and practices to assess whether such policies and practices could lead to unnecessary risk-taking behavior;
  - The Nominating and Corporate Governance Committee assists the Board in its oversight of the Company’s governance structure and other corporate governance matters, including succession planning; and
  - The Public Policy and Sustainability Committee of the Board assists the Board in its oversight of PepsiCo’s policies, programs and related risks that concern key sustainability and public policy 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, the Audit Committee of the Board and other Committees of the Board;

- PepsiCo's Corporate Audit Department evaluates the ongoing effectiveness of our key internal controls through periodic audit and review procedures; and
- PepsiCo's Compliance & Ethics and Law Departments lead and coordinate our compliance policies and practices.

### ***Market Risks***

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

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

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

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

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

#### *Commodity Prices*

Our commodity derivatives had a total notional value of \$1.1 billion as of December 28, 2019 and December 29, 2018. At the end of 2019, the potential change in fair value of commodity derivative instruments, assuming a 10% decrease in the underlying commodity price, would have increased our net unrealized losses in 2019 by \$106 million.

#### *Foreign Exchange*

Our operations outside of the United States generated 42% of our consolidated net revenue in 2019, with Mexico, Russia, Canada, the United Kingdom, China and Brazil, collectively, comprising approximately 22% of our consolidated net revenue in 2019. 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, foreign currency assets and liabilities created in the normal course of business, as well as the proposed acquisition of Pioneer Foods. During 2019, unfavorable foreign exchange reduced net revenue growth by 2 percentage points, reflecting declines in the euro, Turkish lira, Brazilian real, Russian ruble and Argentine peso. Currency declines against the U.S. dollar which are not offset could adversely impact our future financial results.

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

Our foreign currency derivatives had a total notional value of \$1.9 billion as of December 28, 2019 and \$2.0 billion as of December 29, 2018. At the end of 2019, we estimate that an unfavorable 10% change in the underlying exchange rates would have increased our net unrealized losses in 2019 by \$135 million.

The total notional amount of our debt instruments designated as net investment hedges was \$2.5 billion as of December 28, 2019 and \$0.9 billion as of December 29, 2018.

#### *Interest Rates*

Our interest rate derivatives had a total notional value of \$5.0 billion as of December 28, 2019 and \$10.5 billion as of December 29, 2018. Assuming year-end 2019 investment levels and variable rate debt, a 1-percentage-point increase in interest rates would have decreased our net interest expense in 2019 by \$25 million due to higher cash and cash equivalents as compared with our variable rate debt.

## OUR FINANCIAL RESULTS

### Results of Operations — Consolidated Review

#### *Volume*

Beverage volume reflects sales of concentrate and beverage products bearing company-owned or licensed trademarks to authorized bottlers, independent distributors and retailers. Concentrate beverage volume is sold to franchised-owned bottlers and independent distributors. Finished goods beverage volume is sold to retailers and independent distributors and includes direct shipments to retailers. Beverage volume is measured in bottler case sales (BCS), which converts all beverage volume to an 8-ounce-case metric. We believe that BCS is a valuable measure as it quantifies the sell-through of our beverage products at the customer level. In our franchised-owned business, beverage revenue is based on concentrate shipments and equivalents (CSE), representing physical concentrate volume shipments to such customers. As a result, for our franchise-owned businesses, BCS and CSE are not typically equal during any given period due to seasonality, timing of product launches, product mix, bottler inventory practices and other factors. Sales of products from our unconsolidated joint ventures are reflected in our reported volume. PBNA, LatAm, Europe, AMESA and APAC, 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 PBNA, 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, APAC licenses the Tropicana brand for use in China on co-branded juice products in connection with a strategic alliance with Tingyi.

Food and snack volume 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. In addition, FLNA makes, markets, distributes and sells Sabra refrigerated dips and spreads through a joint venture with Strauss Group.

#### *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 2019, total servings increased 4% compared to 2018, primarily reflecting our acquisition of SodaStream. In 2018, total servings increased 1% compared to 2017.

#### *Consolidated Net Revenue and Operating Profit*

	2019	2018	2017	Change	
				2019	2018
Net revenue	\$ 67,161	\$ 64,661	\$ 63,525	4%	2 %
Operating profit	\$ 10,291	\$ 10,110	\$ 10,276	2%	(2)%
Operating profit margin	15.3%	15.6%	16.2%	(0.3)	(0.5)

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

2019

Operating profit grew 2% and operating profit margin declined 0.3 percentage points. Operating profit growth was driven by productivity savings of more than \$1 billion and net revenue growth, partially offset by certain operating cost increases, a 5-percentage-point impact of higher commodity costs and higher advertising and marketing expenses. The operating profit margin decline primarily reflects higher advertising and marketing expenses.

Favorable mark-to-market net impact on commodity derivatives included in corporate unallocated expenses (see “Items Affecting Comparability”) contributed 3 percentage points to operating profit growth. Gains on the refranchising of a portion of our beverage business in Thailand and our entire beverage bottling operations and snack distribution operations in CHS in the prior year reduced operating profit growth by 2 percentage points.

2018

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

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

### **Results of Operations — Division Review**

During the fourth quarter of 2019, we realigned certain of our reportable segments to be consistent with a recent strategic realignment of our organizational structure and how our Chief Executive Officer assesses the performance of, and allocates resources to, our reportable segments. Our historical segment reporting presented in this report has been retrospectively revised to reflect the new organizational structure. See “Our Operations” in “Item 1. Business” for further information.

See “Non-GAAP Measures” and “Items Affecting Comparability” for a discussion of items to consider when evaluating our results and related information regarding measures not in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

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” 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.

## Net Revenue and Organic Revenue Growth

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

	2019						
	Reported % Change, GAAP Measure	Impact of			Organic % Change, Non-GAAP Measure <sup>(a)</sup>	Impact of	
		Foreign exchange translation	Acquisitions and divestitures			Volume <sup>(b)</sup>	Effective net pricing
FLNA	4.5 %	—	—	4.5%	2	3	
QFNA	1 %	—	—	1%	—	1	
PBNA	3 %	—	(1)	3%	(1)	4	
LatAm	3 %	4	—	7%	—	7	
Europe	7 %	5	(6)	5.5%	(1)	6	
AMESA	— %	2	4	6%	4	2.5	
APAC	4.5 %	3	2	9%	7	2	
Total	4 %	2	(1)	4.5%	0.5	4	

	2018						
	Reported % Change, GAAP Measure	Impact of			Organic % Change, Non-GAAP Measure <sup>(a)</sup>	Impact of	
		Foreign exchange translation	Acquisitions and divestitures	Sales and certain other taxes		Volume <sup>(b)</sup>	Effective net pricing
FLNA	3.5 %	—	—	—	3 %	1	2
QFNA	(1.5)%	—	—	—	(2)%	(0.5)	(1)
PBNA	1 %	—	—	—	0.5 %	(1)	2
LatAm	2 %	6	—	—	8 %	1	7
Europe	4 %	2	—	0.5	7 %	5	3
AMESA	(0.5)%	2	4	—	5 %	1.5	4
APAC	(3)%	(1)	11	0.5	8 %	6	2
Total	2 %	1	1	—	4 %	1	3

(a) Amounts may not sum due to rounding.

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

**Operating Profit, Operating Profit Adjusted for Items Affecting Comparability and Operating Profit Growth Adjusted for Items Affecting Comparability on a Constant Currency Basis**

Operating profit adjusted for items affecting comparability and operating profit growth adjusted for items affecting comparability on a constant currency basis are both non-GAAP financial measures. For further information on these measures see “Non-GAAP Measures” and “Items Affecting Comparability.”

*Operating Profit and Operating Profit Adjusted for Items Affecting Comparability*

	2019				
	Reported, GAAP Measure	Items Affecting Comparability <sup>(a)</sup>			Core, Non-GAAP Measure
		Mark-to-market net impact	Restructuring and impairment charges	Inventory fair value adjustments and merger and integration charges	
FLNA	\$ 5,258	\$ —	\$ 22	\$ —	\$ 5,280
QFNA	544	—	2	—	546
PBNA	2,179	—	51	—	2,230
LatAm	1,141	—	62	—	1,203
Europe	1,327	—	99	46	1,472
AMESA	671	—	38	7	716
APAC	477	—	47	—	524
Corporate unallocated expenses	(1,306)	(112)	47	2	(1,369)
<b>Total</b>	<b>\$ 10,291</b>	<b>\$ (112)</b>	<b>\$ 368</b>	<b>\$ 55</b>	<b>\$ 10,602</b>

	2018				
	Reported, GAAP Measure	Items Affecting Comparability <sup>(a)</sup>			Core, Non-GAAP Measure
		Mark-to-market net impact	Restructuring and impairment charges	Merger and integration charges	
FLNA	\$ 5,008	\$ —	\$ 36	\$ —	\$ 5,044
QFNA	637	—	7	—	644
PBNA	2,276	—	88	—	2,364
LatAm	1,049	—	40	—	1,089
Europe	1,256	—	59	57	1,372
AMESA	661	—	18	—	679
APAC	619	—	14	—	633
Corporate unallocated expenses	(1,396)	163	10	18	(1,205)
<b>Total</b>	<b>\$ 10,110</b>	<b>\$ 163</b>	<b>\$ 272</b>	<b>\$ 75</b>	<b>\$ 10,620</b>

	2017				
	Reported, GAAP Measure	Items Affecting Comparability <sup>(a)</sup>			Core, Non-GAAP Measure
		Mark-to-market net impact	Restructuring and impairment charges	Merger and integration charges	
FLNA	\$ 4,793	\$ —	\$ 54	\$ —	\$ 4,847
QFNA	640	—	9	—	649
PBNA	2,700	—	43	—	2,743
LatAm	924	—	56	—	980
Europe	1,199	—	53	—	1,252
AMESA	789	—	2	—	791
APAC	401	—	(5)	—	396
Corporate unallocated expenses	(1,170)	(15)	17	—	(1,168)
<b>Total</b>	<b>\$ 10,276</b>	<b>\$ (15)</b>	<b>\$ 229</b>	<b>\$ —</b>	<b>\$ 10,490</b>

(a) See “Items Affecting Comparability.”

*Operating Profit Growth and Operating Profit Growth Adjusted for Items Affecting Comparability on a Constant Currency Basis*

	2019						
	Impact of Items Affecting Comparability <sup>(a)</sup>				Impact of		
	Reported % Change, GAAP Measure	Mark-to-market net impact	Restructuring and impairment charges	Inventory fair value adjustments and merger and integration charges	Core % Change, Non-GAAP Measure <sup>(b)</sup>	Foreign exchange translation	Core Constant Currency % Change, Non-GAAP Measure <sup>(b)</sup>
FLNA	5 %	—	—	—	5 %	—	5 %
QFNA	(15)%	—	(0.5)	—	(15)%	—	(15)%
PBNA	(4)%	—	(1)	—	(6)%	—	(6)%
LatAm	9 %	—	2	—	10 %	2	13 %
Europe	6 %	—	2	(1)	7 %	5	13 %
AMESA	1.5 %	—	3	1	5.5 %	2.5	8 %
APAC	(23)%	—	6	—	(17)%	2	(16)%
Corporate unallocated expenses	(6)%	22	(3)	1	14 %	—	14 %
Total	2 %	(3)	1	—	— %	1	1 %

	2018						
	Impact of Items Affecting Comparability <sup>(a)</sup>				Impact of		
	Reported % Change, GAAP Measure	Mark-to-market net impact	Restructuring and impairment charges	Merger and integration charges	Core % Change, Non-GAAP Measure <sup>(b)</sup>	Foreign exchange translation	Core Constant Currency % Change, Non-GAAP Measure <sup>(b)</sup>
FLNA	4.5 %	—	—	—	4 %	—	4 %
QFNA	— %	—	—	—	(1)%	—	(1)%
PBNA	(16)%	—	2	—	(14)%	—	(14)%
LatAm	13 %	—	(2)	—	11 %	2	13 %
Europe	5 %	—	—	4	10 %	3	13 %
AMESA	(16)%	—	2	—	(14)%	—	(14)%
APAC	54 %	—	5	—	60 %	(2)	58 %
Corporate unallocated expenses	19 %	(15)	1	(1.5)	3 %	—	3 %
Total	(2)%	2	—	1	1 %	0.5	2 %

(a) See “Items Affecting Comparability” for further information.

(b) Amounts may not sum due to rounding.

**FLNA**

**2019**

Net revenue grew 4.5% and volume grew 1%. The net revenue growth was driven by effective net pricing and volume growth. The volume growth reflects mid-single-digit growth in trademark Doritos, Cheetos and Ruffles and low-single-digit growth in variety packs, partially offset by a double-digit decline in trademark Santitas.

Operating profit grew 5%, primarily reflecting the net revenue growth and productivity savings, partially offset by certain operating cost increases and higher advertising and marketing expenses. Additionally, a prior-year bonus extended to certain U.S. employees in connection with the TCJ Act contributed 1 percentage point to operating profit growth.

2018

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

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

## **QFNA**

2019

Net revenue grew 1% and volume was flat. The net revenue growth primarily reflects favorable mix. The volume performance was driven by double-digit growth in trademark Gamesa and mid-single-digit growth in Aunt Jemima mixes and syrups, offset by a mid-single-digit decline in oatmeal and a low-single-digit decline in ready-to-eat cereals.

Operating profit decreased 15%, reflecting certain operating cost increases, a 5-percentage-point impact of higher commodity costs, and higher advertising and marketing expenses. These impacts were partially offset by productivity savings.

2018

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

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

## **PBNA**

2019

Net revenue grew 3%, driven by effective net pricing, partially offset by a decline in volume. Acquisitions contributed 1 percentage point to the net revenue growth. Volume decreased 1%, driven by a 3% decline in CSD volume, partially offset by a 2% increase in non-carbonated beverage (NCB) volume. The NCB volume increase primarily reflected a mid-single-digit increase in our overall water portfolio, partially offset by a low-single-digit decrease in our juice and juice drinks portfolio.

Operating profit decreased 4%, reflecting certain operating cost increases, higher advertising and marketing expenses, an 8-percentage-point impact of higher commodity costs and the volume decline. These impacts were partially offset by the effective net pricing and productivity savings. Year-over-year gains on asset sales negatively contributed 1 percentage point to operating profit performance. A gain associated with an insurance recovery positively contributed 1 percentage point to current-year operating profit performance and was offset by less-favorable insurance adjustments compared to the prior year, which negatively impacted the current-year operating profit performance by 1 percentage point. Additionally, a prior-year bonus extended to certain U.S. employees in connection with the TCJ Act positively contributed 2 percentage points to operating profit performance.

2018

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

Operating profit decreased 16%, reflecting certain operating cost increases, including increased transportation costs, a 7-percentage-point impact of higher commodity costs and higher advertising and marketing expenses. These impacts were partially offset by productivity savings and the net revenue growth. Higher gains on asset sales positively contributed 1.5 percentage points to operating profit performance. A bonus extended to certain U.S. employees related to the TCJ Act negatively impacted operating profit performance by 1.5 percentage points and was partially offset by 2017 costs related to hurricanes which positively contributed 1 percentage point to operating profit performance.

## **LatAm**

2019

Net revenue increased 3%, primarily reflecting effective net pricing, partially offset by a 4-percentage-point impact of unfavorable foreign exchange.

Snacks volume experienced a slight decline, reflecting a high-single-digit decline in Brazil, partially offset by low-single-digit growth in Mexico.

Beverage volume grew 4%, reflecting high-single-digit growth in Brazil and Guatemala, partially offset by a mid-single-digit decline in Argentina and a low-single-digit decline in Colombia. Additionally, Honduras experienced low-single-digit growth and Mexico and Chile each experienced mid-single-digit growth.

Operating profit increased 9%, reflecting the effective net pricing and productivity savings, partially offset by certain operating cost increases and a 10-percentage-point impact of higher commodity costs largely due to transaction-related foreign exchange. Unfavorable foreign exchange and higher restructuring and impairment charges each reduced operating profit growth by 2 percentage points.

2018

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

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

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

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

## **Europe**

2019

Net revenue increased 7%, reflecting an 8-percentage-point impact of our SodaStream acquisition and effective net pricing, partially offset by a 5-percentage-point impact of unfavorable foreign exchange.

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

Beverage volume grew 23%, primarily reflecting a 24-percentage-point impact of our SodaStream acquisition, mid-single-digit growth in Poland and low-single-digit growth in the United Kingdom and Germany, partially offset by a mid-single-digit decline in Russia, a high-single-digit decline in Turkey and a slight decline in France.

Operating profit increased 6%, reflecting the net revenue growth, productivity savings and a 10-percentage-point net impact of our SodaStream acquisition. These impacts were partially offset by certain operating cost increases, a 10-percentage-point impact of higher commodity costs largely due to transaction-related foreign exchange, higher advertising and marketing expenses, and a 4-percentage-point impact of a prior-year gain on the refranchising of our entire beverage bottling operations and snack distribution operations in CHS. Unfavorable foreign exchange reduced operating profit growth by 5 percentage points.

## 2018

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

Snacks volume grew 4%, reflecting high-single-digit growth in Poland and France and mid-single-digit growth in the Netherlands, partially offset by a low-single-digit decline in the United Kingdom. Additionally, Spain, Russia, and Turkey each experienced low-single-digit growth.

Beverage volume grew 6%, reflecting double-digit growth in Germany and Poland and high-single-digit growth in France, partially offset by a low-single-digit decline in the United Kingdom. Additionally, Russia and Turkey each experienced mid-single-digit growth.

Operating profit increased 5%, reflecting the net revenue growth, productivity savings and a 4-percentage-point net impact of refranchising our entire beverage bottling operations and snack distribution operations in CHS. These impacts were partially offset by certain operating cost increases and a 9-percentage-point impact of higher commodity costs. Additionally, a 2017 gain on the sale of our minority stake in Britvic and the merger and integration charges related to our acquisition of SodaStream reduced operating profit growth by 8 percentage points and 4 percentage points, respectively.

## AMESA

### 2019

Net revenue decreased slightly, reflecting a 3-percentage-point impact of refranchising a portion of our beverage business in India, partially offset by volume growth and effective net pricing.

Snacks volume grew 7%, reflecting double-digit growth in Pakistan and high-single-digit growth in the Middle East and India, partially offset by a low-single-digit decline in South Africa.

Beverage volume grew 4%, reflecting high-single-digit growth in India and Nigeria, partially offset by low-single-digit declines in the Middle East and Pakistan.

Operating profit increased 1.5%, reflecting productivity savings, the volume growth and the effective net pricing. These impacts were partially offset by certain operating cost increases, a 5-percentage-point impact of higher commodity costs and higher advertising and marketing expenses. Higher restructuring and impairment charges and unfavorable foreign exchange reduced operating profit growth by 3 percentage points and 2.5 percentage points, respectively.

2018

Net revenue decreased 0.5%, reflecting a 4-percentage-point impact of the 2017 refranchising of a portion of our beverage business in Jordan, partially offset by effective net pricing and volume growth.

Snacks volume grew 2.5%, reflecting double-digit growth in India and Pakistan, partially offset by a mid-single-digit decline in the Middle East and a low-single-digit decline in South Africa.

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

Operating profit decreased 16%, reflecting a 22-percentage-point impact of the 2017 refranchising of a portion of our beverage business in Jordan, certain operating cost increases and a 6-percentage-point impact of higher commodity costs. These impacts were partially offset by the effective net pricing and productivity savings.

## **APAC**

2019

Net revenue increased 4.5%, reflecting volume growth and effective net pricing, partially offset by a 3-percentage-point impact of unfavorable foreign exchange and a 2-percentage-point impact of the prior-year refranchising of a portion of our beverage business in Thailand.

Snacks volume grew 6%, reflecting double-digit growth in China and mid-single-digit growth in Thailand, partially offset by a low-single-digit decline in Indonesia. Additionally, Australia and Taiwan each experienced low-single-digit growth.

Beverage volume grew 4%, reflecting double-digit growth in Vietnam and Thailand and mid-single-digit growth in the Philippines. Additionally, China experienced low-single-digit growth.

Operating profit decreased 23%, primarily reflecting a 23-percentage-point impact of the gain on the prior-year refranchising of a portion of our beverage business in Thailand. Additionally, certain operating cost increases and higher advertising and marketing expenses negatively impacted operating profit performance. These impacts were partially offset by the net revenue growth and productivity savings. Higher restructuring and impairment charges negatively impacted operating profit performance by 6 percentage points.

2018

Net revenue decreased 3%, reflecting an 11-percentage-point impact of refranchising a portion of our beverage business in Thailand, partially offset by net volume growth and effective net pricing.

Snacks volume grew 7%, reflecting double-digit growth in China, partially offset by a slight decline in Taiwan. Additionally, Thailand experienced high-single-digit growth and Indonesia and Australia each experienced low-single-digit growth.

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

Operating profit increased 54%, reflecting a 35-percentage-point net impact of refranchising a portion of our beverage business in Thailand. The net volume growth, productivity savings and the effective net pricing also contributed to operating profit growth. These impacts were partially offset by higher advertising and marketing expenses and certain operating cost increases. Higher restructuring and impairment charges reduced operating profit growth by 5 percentage points.

## Other Consolidated Results

	2019	2018	2017	Change	
				2019	2018
Other pension and retiree medical benefits (expense)/income	\$ (44)	\$ 298	\$ 233	\$ (342)	\$ 65
Net interest expense	\$ (935)	\$(1,219)	\$ (907)	\$ 284	\$ (312)
Annual tax rate <sup>(a)</sup>	21.0%	(36.7)%	48.9%		
Net income attributable to PepsiCo	\$ 7,314	\$12,515	\$ 4,857	(42)%	158%
Net income attributable to PepsiCo per common share – diluted	\$ 5.20	\$ 8.78	\$ 3.38	(41)%	160%
Mark-to-market net impact	(0.06)	0.09	(0.01)		
Restructuring and impairment charges	0.21	0.18	0.16		
Inventory fair value adjustments and merger and integration charges	0.03	0.05	—		
Pension-related settlement charges	0.15	—	—		
Net tax related to the TCJ Act <sup>(a)</sup>	(0.01)	(0.02)	1.70		
Other net tax benefits <sup>(a)</sup>	—	(3.55)	—		
Charges related to cash tender and exchange offers	—	0.13	—		
Net income attributable to PepsiCo per common share – diluted, excluding above items <sup>(b)</sup>	<u>\$ 5.53</u> <sup>(c)</sup>	<u>\$ 5.66</u>	<u>\$ 5.23</u>	(2)%	8%
Impact of foreign exchange translation				1	1
Growth in net income attributable to PepsiCo per common share – diluted, excluding above items, on a constant currency basis <sup>(b)</sup>				<u>(1)%</u>	<u>9%</u>

(a) See Note 5 to our consolidated financial statements for further information.

(b) See “Non-GAAP Measures.”

(c) Does not sum due to rounding.

### 2019

Other pension and retiree medical benefits expense increased \$342 million, primarily reflecting settlement charges of \$220 million related to the purchase of a group annuity contract and settlement charges of \$53 million related to one-time lump sum payments to certain former employees who had vested benefits.

Net interest expense decreased \$284 million reflecting the prior-year charge of \$253 million in connection with our cash tender and exchange offers, primarily representing the tender price paid over the carrying value of the tendered notes, as well as gains on the market value of investments used to economically hedge a portion of our deferred compensation liability. This decrease also reflects lower interest expense due to lower average debt balances. These impacts were partially offset by lower interest income due to lower average cash balances.

The reported tax rate increased 57.7 percentage points, primarily reflecting the prior-year other net tax benefits related to the reorganization of our international operations, which increased the current-year reported tax rate by 47 percentage points. Additionally, the prior-year favorable conclusion of certain international tax audits and the favorable resolution with the IRS of all open matters related to the audits of taxable years 2012 and 2013, collectively, increased the current-year reported tax rate by 8 percentage points. See Note 5 to our consolidated financial statements for further information.

Net income attributable to PepsiCo decreased 42% and net income attributable to PepsiCo per common share decreased 41%. Items affecting comparability (see “Items Affecting Comparability”) negatively impacted

both net income attributable to PepsiCo performance and net income attributable to PepsiCo per common share performance by 38 percentage points.

2018

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

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

The reported tax rate decreased 85.6 percentage points, reflecting both other net tax benefits related to the reorganization of our international operations, which reduced the reported tax rate by 45 percentage points, and the 2017 provisional net tax expense related to the TCJ Act, which reduced the 2018 reported tax rate by 25 percentage points. Additionally, the favorable conclusion of certain international tax audits and the favorable resolution with the IRS of all open matters related to the audits of taxable years 2012 and 2013, collectively, reduced the reported tax rate by 7 percentage points. See Note 5 to our consolidated financial statements for further information.

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

### **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. GAAP. We use non-GAAP financial measures internally to make operating and strategic decisions, including the preparation of our annual operating plan, evaluation of our overall business performance and as a factor in determining compensation for certain employees. We believe presenting non-GAAP financial measures in this Form 10-K provides additional information to facilitate comparison of our historical operating results and trends in our underlying operating results, and provides additional transparency on how we evaluate our business. We also believe presenting these measures in this Form 10-K allows investors to view our performance using the same measures that we use in evaluating our financial and business performance and trends.

We consider quantitative and qualitative factors in assessing whether to adjust for the impact of items that may be significant or that could affect an understanding of our ongoing financial and business performance or trends. Examples of items for which we may make adjustments include: amounts related to mark-to-market gains or losses (non-cash); charges related to restructuring plans; amounts associated with mergers, acquisitions, divestitures and other structural changes; pension and retiree medical related items; charges or adjustments related to the enactment of new laws, rules or regulations, such as significant tax law changes; amounts related to the resolution of tax positions; tax benefits related to reorganizations of our operations; debt redemptions, cash tender or exchange offers; asset impairments (non-cash); and remeasurements of net monetary assets. See below and “Items Affecting Comparability” for a description of adjustments to our U.S. GAAP financial measures in this Form 10-K.

Non-GAAP information should be considered as supplemental in nature and is not meant to be considered in isolation or as a substitute for the related financial information prepared in accordance with U.S. GAAP.

In addition, our non-GAAP financial measures may not be the same as or comparable to similar non-GAAP measures presented by other companies.

The following non-GAAP financial measures contained in this Form 10-K are discussed below.

*Cost of sales, gross profit, selling, general and administrative expenses, other pension and retiree medical benefits expense/income, interest expense, provision for/benefit from income taxes, net income attributable to noncontrolling interests and net income attributable to PepsiCo, each adjusted for items affecting comparability, operating profit, adjusted for items affecting comparability, and net income attributable to PepsiCo per common share – diluted, adjusted for items affecting comparability, and the corresponding constant currency growth rates*

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

#### *Organic revenue growth*

We define organic revenue growth as net revenue growth adjusted for the impact of foreign exchange translation, as well as the impact from acquisitions, divestitures and other structural changes. Starting in 2018, our reported results reflected the accounting policy election taken in conjunction with the adoption of the revenue recognition guidance to exclude from net revenue and cost of sales all sales, use, value-added and certain excise taxes assessed by governmental authorities on revenue-producing transactions not already excluded. Our 2018 organic revenue growth excluded the impact of approximately \$75 million of these taxes previously recognized in net revenue.

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

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

#### *Free cash flow*

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

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

*Return on invested capital (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 we believe 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” for further information.

**Items Affecting Comparability**

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

	2019							
	Cost of sales	Gross profit	Selling, general and administrative expenses	Operating profit	Other pension and retiree medical benefits (expense)/ income	Provision for income taxes <sup>(a)</sup>	Net income attributable to noncontrolling interests	Net income attributable to PepsiCo
Reported, GAAP Measure	\$ 30,132	\$ 37,029	\$ 26,738	\$ 10,291	\$ (44)	\$ 1,959	\$ 39	\$ 7,314
Items Affecting Comparability								
Mark-to-market net impact	57	(57)	55	(112)	—	(25)	—	(87)
Restructuring and impairment charges	(115)	115	(253)	368	2	67	5	298
Inventory fair value adjustments and merger and integration charges	(34)	34	(21)	55	—	8	—	47
Pension-related settlement charges	—	—	—	—	273	62	—	211
Net tax related to the TCJ Act	—	—	—	—	—	8	—	(8)
Core, Non-GAAP Measure	<u>\$ 30,040</u>	<u>\$ 37,121</u>	<u>\$ 26,519</u>	<u>\$ 10,602</u>	<u>\$ 231</u>	<u>\$ 2,079</u>	<u>\$ 44</u>	<u>\$ 7,775</u>

	2018								
	Cost of sales	Gross profit	Selling, general and administrative expenses	Operating profit	Other pension and retiree medical benefits income	Interest expense	(Benefit from)/ provision for income taxes <sup>(a)</sup>	Net income attributable to noncontrolling interests	Net income attributable to PepsiCo
Reported, GAAP Measure	\$ 29,381	\$ 35,280	\$ 25,170	\$ 10,110	\$ 298	\$ 1,525	\$ (3,370)	\$ 44	\$ 12,515
Items Affecting Comparability									
Mark-to-market net impact	(83)	83	(80)	163	—	—	38	—	125
Restructuring and impairment charges	(3)	3	(269)	272	36	—	56	1	251
Merger and integration charges	—	—	(75)	75	—	—	—	—	75
Net tax related to the TCJ Act	—	—	—	—	—	—	28	—	(28)
Other net tax benefits	—	—	—	—	—	—	5,064	—	(5,064)
Charges related to cash tender and exchange offers	—	—	—	—	—	(253)	62	—	191
Core, Non-GAAP Measure	<u>\$ 29,295</u>	<u>\$ 35,366</u>	<u>\$ 24,746</u>	<u>\$ 10,620</u>	<u>\$ 334</u>	<u>\$ 1,272</u>	<u>\$ 1,878</u>	<u>\$ 45</u>	<u>\$ 8,065</u>

	2017							
	Cost of sales	Gross profit	Selling, general and administrative expenses	Operating profit	Other pension and retiree medical benefits income	Provision for income taxes <sup>(a)</sup>	Net income attributable to PepsiCo	
Reported, GAAP Measure	\$ 28,796	\$ 34,729	\$ 24,453	\$ 10,276	\$ 233	\$ 4,694	\$ 4,857	
Items Affecting Comparability								
Mark-to-market net impact	8	(8)	7	(15)	—	(7)	(8)	
Restructuring and impairment charges	—	—	(229)	229	66	71	224	
Provisional net tax related to the TCJ Act	—	—	—	—	—	(2,451)	2,451	
Core, Non-GAAP Measure	<u>\$ 28,804</u>	<u>\$ 34,721</u>	<u>\$ 24,231</u>	<u>\$ 10,490</u>	<u>\$ 299</u>	<u>\$ 2,307</u>	<u>\$ 7,524</u>	

(a) Provision for income taxes is the expected tax charge/benefit 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 energy, agricultural products and metals. Commodity derivatives that do not qualify for hedge accounting treatment are marked to market each period with the resulting gains and losses recorded in corporate unallocated expenses as either cost of sales or selling, general and administrative expenses, depending on the underlying commodity. These gains and losses are subsequently reflected in division results when the divisions recognize the cost of the underlying commodity in operating profit. Therefore, the divisions realize the economic effects of the derivative without experiencing any resulting mark-to-market volatility, which remains in corporate unallocated expenses.

### **Restructuring and Impairment Charges**

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

The 2019 Productivity Plan, publicly announced on February 15, 2019, will leverage new technology and business models to further simplify, harmonize and automate processes; re-engineer our go-to-market and

information systems, including deploying the right automation for each market; and simplify our organization and optimize our manufacturing and supply chain footprint. In connection with this plan, we expect to incur pre-tax charges of approximately \$2.5 billion, of which we have incurred \$508 million plan to date through December 28, 2019 and cash expenditures of approximately \$1.6 billion, of which we have incurred approximately \$261 million plan to date through December 28, 2019. We expect to incur pre-tax charges of approximately \$450 million and cash expenditures of approximately \$400 million in our 2020 financial results, with the balance to be reflected in our 2021 through 2023 financial results. These charges will be funded primarily through cash from operations. We expect to incur the majority of the remaining pre-tax charges and cash expenditures in our 2020 and 2021 results.

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

The 2014 Productivity Plan was completed in 2019. The total plan pre-tax charges and cash expenditures approximated the previously disclosed plan estimates of \$1.3 billion and \$960 million, respectively.

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

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

#### ***Inventory Fair Value Adjustments and Merger and Integration Charges***

In 2019, we recorded inventory fair value adjustments and merger and integration charges of \$55 million (\$47 million after-tax or \$0.03 per share), including \$46 million in our Europe segment, \$7 million in our AMESA segment and \$2 million in corporate unallocated expenses. These charges are primarily related to fair value adjustments to the acquired inventory included in SodaStream's balance sheet at the acquisition date, as well as merger and integration charges, including employee-related costs.

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

See Note 14 to our consolidated financial statements for further information.

#### ***Pension-Related Settlement Charges***

In 2019, we recorded pension settlement charges of \$273 million (\$211 million after-tax or \$0.15 per share), reflecting settlement charges of \$220 million (\$170 million after-tax or \$0.12 per share) related to the purchase of a group annuity contract and settlement charges of \$53 million (\$41 million after-tax or \$0.03 per share) related to one-time lump sum payments to certain former employees who had vested benefits.

See Note 7 to our consolidated financial statements for further information.

#### ***Net Tax Related to the TCJ Act***

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

In 2017, we recorded a provisional net tax expense of \$2.5 billion (\$1.70 per share) associated with the enactment of the TCJ Act.

We recognized net tax benefits of \$8 million (\$0.01 per share) and \$28 million (\$0.02 per share) in 2019 and 2018, respectively, related to the TCJ Act.

See Note 5 to our consolidated financial statements for further information.

***Other Net Tax Benefits***

In 2018, we reorganized our international operations, including the intercompany transfer of certain intangible assets. As a result, we recognized other net tax benefits of \$4.3 billion (\$3.05 per share). Also in 2018, we recognized non-cash tax benefits associated with both the conclusion of certain international tax audits and our agreement with the IRS resolving all open matters related to the audits of taxable years 2012 and 2013. The conclusion of certain international tax audits and the resolution with the IRS, collectively, resulted in non-cash tax benefits totaling \$717 million (\$0.50 per share).

See Note 5 to our consolidated financial statements for further information.

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

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

See Note 8 to our consolidated financial statements for further information.

## Our Liquidity and Capital Resources

We believe that our cash generating capability and financial condition, together with our revolving credit facilities, bridge loan facilities, working capital lines and other available methods of debt financing, such as commercial paper borrowings and long-term debt financing, will be adequate to meet our operating, investing and financing needs. Our primary sources of cash available to fund cash outflows, such as our anticipated share repurchases, dividend payments, debt repayments, the proposed acquisition of Pioneer Foods and the transition tax liability under the TCJ Act, include cash from operations, proceeds obtained from issuances of commercial paper, bridge loan facilities and long-term debt and cash and cash equivalents. 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 revolving credit facilities and bridge loan facilities. See also “Item 1A. Risk Factors” and “Our Business Risks” for further discussion.

As of December 28, 2019, cash, cash equivalents and short-term investments in our consolidated subsidiaries subject to currency controls or currency exchange restrictions were not material.

The TCJ Act imposed a mandatory one-time transition tax on undistributed international earnings, including \$18.9 billion held in our consolidated subsidiaries outside the United States as of December 30, 2017. As of December 28, 2019, our mandatory transition tax liability was \$3.3 billion, which must be paid through 2026 under the provisions of the TCJ Act; we currently expect to pay approximately \$0.1 billion of this liability in 2020. See “Credit Facilities and Long-Term Contractual Commitments.” Any additional guidance issued by the IRS may impact our recorded amounts for this transition tax liability. See Note 5 to our consolidated financial statements for further discussion of the TCJ Act.

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:

	2019	2018	2017
Net cash provided by operating activities	\$ 9,649	\$ 9,415	\$ 10,030
Net cash (used for)/provided by investing activities	\$ (6,437)	\$ 4,564	\$ (4,403)
Net cash used for financing activities	\$ (8,489)	\$(13,769)	\$ (4,186)

### *Operating Activities*

During 2019, net cash provided by operating activities was \$9.6 billion, compared to \$9.4 billion in the prior year. The operating cash flow performance primarily reflects lower pre-tax pension and retiree medical plan contributions in the current year, partially offset by higher net cash tax payments in the current year.

During 2018, net cash provided by operating activities was \$9.4 billion, compared to \$10.0 billion in 2017. The operating cash flow performance primarily reflects discretionary contributions of \$1.5 billion to our pension and retiree medical plans in 2018, partially offset by lower net cash tax payments in 2018.

### *Investing Activities*

During 2019, net cash used for investing activities was \$6.4 billion, primarily reflecting \$4.1 billion of net capital spending, as well as \$1.9 billion of the remaining cash paid in connection with our acquisition of SodaStream.

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

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

We expect 2020 net capital spending to be approximately \$5 billion.

### ***Financing Activities***

During 2019, net cash used for financing activities was \$8.5 billion, primarily reflecting the return of operating cash flow to our shareholders through dividend payments and share repurchases of \$8.3 billion, payments of long-term debt borrowings of \$4.0 billion and debt redemptions of \$1.0 billion, partially offset by proceeds from issuances of long-term debt of \$4.6 billion.

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

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

We annually review our capital structure with our Board of Directors, including our dividend policy and share repurchase activity. On February 13, 2018, we announced the 2018 share repurchase program providing for the repurchase of up to \$15.0 billion of PepsiCo common stock which commenced on July 1, 2018 and will expire on June 30, 2021. On February 13, 2020, we announced a 7% increase in our annualized dividend to \$4.09 per share from \$3.82 per share, effective with the dividend expected to be paid in June 2020. We expect to return a total of approximately \$7.5 billion to shareholders in 2020 through share repurchases of approximately \$2 billion and dividends of approximately \$5.5 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.

	2019	2018	2017	% Change	
				2019	2018
Net cash provided by operating activities	\$ 9,649	\$ 9,415	\$ 10,030	2.5	(6)
Capital spending	(4,232)	(3,282)	(2,969)		
Sales of property, plant and equipment	170	134	180		
Free cash flow	\$ 5,587	\$ 6,267	\$ 7,241	(11)	(13)

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

Any downgrade of our credit ratings by a credit rating agency, especially any downgrade to below investment grade, whether or not as a result of our actions or factors which are beyond our control, could increase our

future borrowing costs and impair our ability to access capital and credit markets on terms commercially acceptable to us, or at all. In addition, any downgrade of our current short-term credit ratings could impair our ability to access the commercial paper market with the same flexibility that we have experienced historically, and therefore require us to rely more heavily on more expensive types of debt financing. See “Item 1A. Risk Factors,” “Our Business Risks” and Note 8 to our consolidated financial statements for further discussion.

### ***Credit Facilities and Long-Term Contractual Commitments***

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

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

	Payments Due by Period <sup>(a)</sup>				
	Total	2020	2021 – 2022	2023 – 2024	2025 and beyond
<b>Recorded Liabilities:</b>					
Long-term debt obligations <sup>(b)</sup>	\$ 29,142	\$ —	\$ 7,156	\$ 3,110	\$ 18,876
Operating leases <sup>(c)</sup>	1,763	501	654	300	308
One-time mandatory transition tax - TCJ Act <sup>(d)</sup>	3,317	75	617	888	1,737
<b>Other:</b>					
Interest on debt obligations <sup>(e)</sup>	12,403	996	1,730	1,388	8,289
Purchasing commitments <sup>(f)</sup>	2,032	874	844	213	101
Marketing commitments <sup>(g)</sup>	1,308	403	548	188	169
<b>Total contractual commitments</b>	<b>\$ 49,965</b>	<b>\$ 2,849</b>	<b>\$ 11,549</b>	<b>\$ 6,087</b>	<b>\$ 29,480</b>

(a) Based on year-end foreign exchange rates.

(b) Excludes \$2,848 million related to current maturities of debt, \$6 million related to the fair value adjustments for debt acquired in acquisitions and interest rate swaps and payments of \$163 million related to unamortized net discounts.

(c) Primarily reflects building leases. See Note 13 to our consolidated financial statements for further information on operating leases.

(d) Reflects our transition tax liability as of December 28, 2019, which must be paid through 2026 under the provisions of the TCJ Act.

(e) Interest payments on floating-rate debt are estimated using interest rates effective as of December 28, 2019. Includes accrued interest of \$305 million as of December 28, 2019.

(f) Reflects non-cancelable commitments, primarily for the purchase of commodities and outsourcing services in the normal course of business and does not include purchases that we are likely to make based on our plans, but are not obligated to incur.

(g) Reflects non-cancelable commitments, primarily for sports marketing in the normal course of business.

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. Bottler funding to independent bottlers is not reflected in the table above as it is negotiated on an annual basis. Accrued liabilities for pension and retiree medical plans are not reflected in the table above. See Note 7 to our consolidated financial statements for further information regarding our pension and retiree medical obligations.

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

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

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

## Return on Invested Capital

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

	2019	2018	2017
Net income attributable to PepsiCo <sup>(a)</sup>	\$ 7,314	\$ 12,515	\$ 4,857
Interest expense	1,135	1,525	1,151
Tax on interest expense	(252)	(339)	(415)
	<u>\$ 8,197</u>	<u>\$ 13,701</u>	<u>\$ 5,593</u>
Average debt obligations <sup>(b)</sup>	\$ 31,975	\$ 38,169	\$ 38,707
Average common shareholders' equity <sup>(c)</sup>	14,317	11,368	12,004
Average invested capital	<u>\$ 46,292</u>	<u>\$ 49,537</u>	<u>\$ 50,711</u>
Return on invested capital	17.7 %	27.7 %	11.0 %

(a) Results include the impact of the TCJ Act. Additionally, our 2018 results included other net tax benefits related to the reorganization of our international operations. See Note 5 to our consolidated financial statements for further information.

(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.

	2019	2018	2017
ROIC	17.7 %	27.7 %	11.0 %
Impact of:			
Average cash, cash equivalents and short-term investments	3.0	7.8	7.6
Interest income	(0.5)	(0.6)	(0.5)
Tax on interest income	0.1	0.1	0.2
Mark-to-market net impact	(0.2)	0.2	—
Restructuring and impairment charges	0.5	0.4	0.3
Inventory fair value adjustments and merger and integration charges	0.1	0.1	—
Pension-related settlement charges	0.5	—	—
Net tax related to the TCJ Act	(1.0)	(1.1)	4.5
Other net tax benefits	2.2	(9.7)	0.1
Charges related to cash tender and exchange offers	(0.1)	(0.1)	—
Charges related to the transaction with Tingyi <sup>(a)</sup>	—	—	(0.1)
Venezuela impairment charges <sup>(a)</sup>	—	—	(0.2)
Net ROIC, excluding items affecting comparability	<u>22.3 %</u>	<u>24.8 %</u>	<u>22.9 %</u>

(a) See “Item 6. Selected Financial Data” for further information.

## OUR CRITICAL ACCOUNTING POLICIES

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

Our critical accounting policies are:

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

## **Revenue Recognition**

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

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

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

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

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

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, as products are delivered, for the expected payout, which may occur after year-end once reconciled and settled. These accruals are based on contract terms and our historical experience with similar programs and require management judgment with respect to estimating customer and consumer 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.

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

## **Goodwill and Other Intangible Assets**

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

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

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

Indefinite-lived intangible assets and goodwill are not amortized and, as a result, are assessed for impairment at least annually, using either a qualitative or quantitative approach. We perform this annual assessment during our third quarter, or more frequently if circumstances indicate that the carrying value may not be recoverable. 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 for indefinite-lived intangible assets and goodwill, estimated fair value is determined using discounted cash flows and requires an analysis of several estimates including future cash flows or income consistent with management's strategic business plans, annual sales growth rates, perpetuity growth assumptions and the selection of assumptions underlying a discount rate (weighted-average cost of capital) based on market data available at the time. Significant management judgment is necessary to estimate the impact of competitive operating, macroeconomic and other factors to estimate future levels of sales, operating profit or cash flows. All assumptions used in our impairment evaluations for indefinite-lived intangible assets and goodwill, such as forecasted growth rates and weighted-average cost of capital, are based on the best available market information and are consistent with our internal forecasts and operating plans. These assumptions could be adversely impacted by certain of the risks described in "Item 1A. Risk Factors" and "Our Business Risks."

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

See Note 2 and Note 4 to our consolidated financial statements for further information.

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

Our annual tax rate is based on our income, statutory tax rates and tax structure and transactions, including transfer pricing arrangements, 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, new tax laws or tax authority settlements. See “Item 1A. Risk Factors” for further discussion.

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

Tax law requires items to be included in our tax returns at different times than the items are reflected in our consolidated financial statements. As a result, our annual tax rate reflected in our consolidated financial statements is different than that reported in our tax returns (our cash tax rate). Some of these differences are permanent, such as expenses that are not deductible in our tax return, and some differences reverse over time, such as depreciation expense. These temporary differences create deferred tax assets and liabilities. Deferred tax assets generally represent items that can be used as a tax deduction or credit in our tax returns in future years for which we have already recorded the tax benefit on our consolidated financial statements. 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 consolidated 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 consolidated financial statements.

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

We recorded a net tax benefit of \$28 million (\$0.02 per share) in 2018, related to the TCJ Act. Our provisional measurement period ended in the fourth quarter of 2018 and while our accounting for the recorded impact of the TCJ Act was deemed to be complete, additional guidance issued by the IRS impacted, and may continue to impact, our recorded amounts after December 29, 2018. In 2019, we recognized a net tax benefit totaling \$8 million (\$0.01 per share) related to the TCJ Act, including the impact of additional guidance issued by the IRS in the first quarter of 2019 and adjustments related to the filing of our 2018 U.S. federal tax return. See further information in “Items Affecting Comparability.”

On May 19, 2019, a public referendum held in Switzerland passed the TRAF, effective January 1, 2020. The enactment of certain provisions of the TRAF in 2019 resulted in adjustments to our deferred taxes. During 2019, we recorded net tax expense of \$24 million related to the impact of the TRAF. Enactment of the TRAF provisions subsequent to December 28, 2019 is expected to result in adjustments to our consolidated financial

statements and related disclosures in future periods. The future impact of the TRAF cannot currently be reasonably estimated; we will continue to monitor and assess the impact the TRAF may have on our business and financial results.

In 2019, our annual tax rate was 21.0% compared to (36.7)% in 2018, as discussed in “Other Consolidated Results.” The tax rate increased 57.7 percentage points compared to 2018, primarily reflecting the prior-year other net tax benefits related to the reorganization of our international operations, which increased the current-year reported tax rate by 47 percentage points. Additionally, the prior-year favorable conclusion of certain international tax audits and the favorable resolution with the IRS of all open matters related to the audits of taxable years 2012 and 2013, collectively, increased the current-year reported tax rate by 8 percentage points.

See Note 5 to our consolidated financial statements for further information.

### **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 2019, Plan A purchased a group annuity contract whereby a third-party insurance company assumed the obligation to pay and administer future annuity payments for certain retirees. This transaction triggered a pre-tax settlement charge in 2019 of \$220 million (\$170 million after-tax or \$0.12 per share).

Also in 2019, certain former employees who had vested benefits in our U.S. defined benefit pension plans were offered the option of receiving a one-time lump sum payment equal to the present value of the participant’s pension benefit. This transaction triggered a pre-tax settlement charge in 2019 of \$53 million (\$41 million after-tax or \$0.03 per share). Collectively, the group annuity contract and one-time lump sum payments to certain former employees who had vested benefits resulted in settlement charges in 2019 of \$273 million (\$211 million after-tax or \$0.15 per share).

Effective January 1, 2017, the U.S. qualified defined benefit pension plans were reorganized into Plan A and the PepsiCo Employees Retirement Plan I (Plan I) to facilitate a targeted investment strategy over time and provide additional flexibility in evaluating opportunities to reduce risk and volatility. Actuarial gains and losses associated with Plan A are amortized over the average remaining service life of the active participants, while the actuarial gains and losses associated with Plan I are amortized over the remaining life expectancy of the inactive participants. As a result of these changes, the pre-tax net periodic benefit cost decreased by \$42 million (\$27 million after-tax, reflecting tax rates effective for the 2017 tax year, or \$0.02 per share) in 2017, primarily impacting corporate unallocated expenses.

See “Items Affecting Comparability” and Note 7 to our consolidated financial statements.

### ***Our Assumptions***

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

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

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

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

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

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

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

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

	2020	2019	2018
<b><i>Pension</i></b>			
Service cost discount rate	3.4%	4.4%	3.7%
Interest cost discount rate	2.8%	3.9%	3.2%
Expected rate of return on plan assets	6.6%	6.8%	6.9%
Expected rate of salary increases	3.2%	3.2%	3.2%
<b><i>Retiree medical</i></b>			
Service cost discount rate	3.2%	4.3%	3.6%
Interest cost discount rate	2.6%	3.8%	3.0%
Expected rate of return on plan assets	5.8%	6.6%	6.5%
Current health care cost trend rate	5.6%	5.7%	5.8%

In 2019, we incurred pension settlement charges related to the purchase of a group annuity contract of \$220 million and one-time lump sum settlements of \$53 million to certain former employees who had vested benefits. In addition, based on our assumptions, we expect our total pension and retiree medical expense to decrease in 2020 primarily driven by the recognition of fixed income gains on plan assets and the impact of approved plan contributions, primarily offset by the decrease in 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. A 25-basis-point decrease in each of the above discount rates and expected rate of return assumptions would individually increase 2020 pre-tax pension and retiree medical expense as follows:

Assumption	Amount
Discount rates used in the calculation of expense	\$ 48
Expected rate of return	\$ 44

### ***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.

We made discretionary contributions to Plan A in the United States of \$150 million in January 2020, \$400 million in 2019 and \$1.4 billion in 2018.

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

**Consolidated Statement of Income**

PepsiCo, Inc. and Subsidiaries

Fiscal years ended December 28, 2019, December 29, 2018 and December 30, 2017

(in millions except per share amounts)

	2019	2018	2017
<b>Net Revenue</b>	<b>\$ 67,161</b>	\$ 64,661	\$ 63,525
Cost of sales	<b>30,132</b>	29,381	28,796
Gross profit	<b>37,029</b>	35,280	34,729
Selling, general and administrative expenses	<b>26,738</b>	25,170	24,453
<b>Operating Profit</b>	<b>10,291</b>	10,110	10,276
Other pension and retiree medical benefits (expense)/income	<b>(44)</b>	298	233
Interest expense	<b>(1,135)</b>	(1,525)	(1,151)
Interest income and other	<b>200</b>	306	244
Income before income taxes	<b>9,312</b>	9,189	9,602
Provision for/(benefit from) income taxes (See Note 5)	<b>1,959</b>	(3,370)	4,694
Net income	<b>7,353</b>	12,559	4,908
Less: Net income attributable to noncontrolling interests	<b>39</b>	44	51
<b>Net Income Attributable to PepsiCo</b>	<b>\$ 7,314</b>	\$ 12,515	\$ 4,857
<b>Net Income Attributable to PepsiCo per Common Share</b>			
<b>Basic</b>	<b>\$ 5.23</b>	\$ 8.84	\$ 3.40
<b>Diluted</b>	<b>\$ 5.20</b>	\$ 8.78	\$ 3.38
Weighted-average common shares outstanding			
Basic	<b>1,399</b>	1,415	1,425
Diluted	<b>1,407</b>	1,425	1,438

See accompanying notes to the consolidated financial statements.

**Consolidated Statement of Comprehensive Income**

PepsiCo, Inc. and Subsidiaries

Fiscal years ended December 28, 2019, December 29, 2018 and December 30, 2017

(in millions)

	2019	2018	2017
Net income	\$ 7,353	\$ 12,559	\$ 4,908
Other comprehensive income/(loss), net of taxes:			
Net currency translation adjustment	628	(1,641)	1,109
Net change on cash flow hedges	(90)	40	(36)
Net pension and retiree medical adjustments	283	(467)	(159)
Net change on available-for-sale securities	(2)	6	(68)
Other	—	—	16
	<u>819</u>	<u>(2,062)</u>	<u>862</u>
Comprehensive income	8,172	10,497	5,770
Comprehensive income attributable to noncontrolling interests	(39)	(44)	(51)
<b>Comprehensive Income Attributable to PepsiCo</b>	<b><u>\$ 8,133</u></b>	<b><u>\$ 10,453</u></b>	<b><u>\$ 5,719</u></b>

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See accompanying notes to the consolidated financial statements.

## Consolidated Statement of Cash Flows

PepsiCo, Inc. and Subsidiaries

Fiscal years ended December 28, 2019, December 29, 2018 and December 30, 2017

(in millions)

	2019	2018	2017
<b>Operating Activities</b>			
Net income	\$ 7,353	\$ 12,559	\$ 4,908
Depreciation and amortization	2,432	2,399	2,369
Share-based compensation expense	237	256	292
Restructuring and impairment charges	370	308	295
Cash payments for restructuring charges	(350)	(255)	(113)
Pension and retiree medical plan expenses	519	221	221
Pension and retiree medical plan contributions	(716)	(1,708)	(220)
Deferred income taxes and other tax charges and credits	453	(531)	619
Net tax related to the TCJ Act	(8)	(28)	2,451
Tax payments related to the TCJ Act	(423)	(115)	—
Other net tax benefits related to international reorganizations	(2)	(4,347)	—
Change in assets and liabilities:			
Accounts and notes receivable	(650)	(253)	(202)
Inventories	(190)	(174)	(168)
Prepaid expenses and other current assets	(87)	9	20
Accounts payable and other current liabilities	735	882	201
Income taxes payable	(287)	448	(338)
Other, net	263	(256)	(305)
<b>Net Cash Provided by Operating Activities</b>	<b>9,649</b>	<b>9,415</b>	<b>10,030</b>
<b>Investing Activities</b>			
Capital spending	(4,232)	(3,282)	(2,969)
Sales of property, plant and equipment	170	134	180
Acquisition of SodaStream, net of cash and cash equivalents acquired	(1,939)	(1,197)	—
Other acquisitions and investments in noncontrolled affiliates	(778)	(299)	(61)
Divestitures	253	505	267
Short-term investments, by original maturity:			
More than three months - purchases	—	(5,637)	(18,385)
More than three months - maturities	16	12,824	15,744
More than three months - sales	62	1,498	790
Three months or less, net	19	16	2
Other investing, net	(8)	2	29
<b>Net Cash (Used for)/Provided by Investing Activities</b>	<b>(6,437)</b>	<b>4,564</b>	<b>(4,403)</b>
<b>Financing Activities</b>			
Proceeds from issuances of long-term debt	4,621	—	7,509
Payments of long-term debt	(3,970)	(4,007)	(4,406)
Debt redemption/cash tender and exchange offers	(1,007)	(1,589)	—
Short-term borrowings, by original maturity:			
More than three months - proceeds	6	3	91
More than three months - payments	(2)	(17)	(128)
Three months or less, net	(3)	(1,352)	(1,016)
Cash dividends paid	(5,304)	(4,930)	(4,472)
Share repurchases - common	(3,000)	(2,000)	(2,000)
Share repurchases - preferred	—	(2)	(5)
Proceeds from exercises of stock options	329	281	462
Withholding tax payments on restricted stock units (RSUs), performance stock units (PSUs) and PepsiCo equity performance units (PEPunits) converted	(114)	(103)	(145)
Other financing	(45)	(53)	(76)
<b>Net Cash Used for Financing Activities</b>	<b>(8,489)</b>	<b>(13,769)</b>	<b>(4,186)</b>
Effect of exchange rate changes on cash and cash equivalents and restricted cash	78	(98)	47
<b>Net (Decrease)/Increase in Cash and Cash Equivalents and Restricted Cash</b>	<b>(5,199)</b>	<b>112</b>	<b>1,488</b>
<b>Cash and Cash Equivalents and Restricted Cash, Beginning of Year</b>	<b>10,769</b>	<b>10,657</b>	<b>9,169</b>
<b>Cash and Cash Equivalents and Restricted Cash, End of Year</b>	<b>\$ 5,570</b>	<b>\$ 10,769</b>	<b>\$ 10,657</b>

See accompanying notes to the consolidated financial statements.

## Consolidated Balance Sheet

PepsiCo, Inc. and Subsidiaries

December 28, 2019 and December 29, 2018

(in millions except per share amounts)

	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 5,509	\$ 8,721
Short-term investments	229	272
Restricted cash	—	1,997
Accounts and notes receivable, net	7,822	7,142
Inventories	3,338	3,128
Prepaid expenses and other current assets	747	633
<b>Total Current Assets</b>	<b>17,645</b>	<b>21,893</b>
<b>Property, Plant and Equipment, net</b>	<b>19,305</b>	<b>17,589</b>
<b>Amortizable Intangible Assets, net</b>	<b>1,433</b>	<b>1,644</b>
Goodwill	15,501	14,808
Other indefinite-lived intangible assets	14,610	14,181
<b>Indefinite-Lived Intangible Assets</b>	<b>30,111</b>	<b>28,989</b>
<b>Investments in Noncontrolled Affiliates</b>	<b>2,683</b>	<b>2,409</b>
<b>Deferred Income Taxes</b>	<b>4,359</b>	<b>4,364</b>
<b>Other Assets</b>	<b>3,011</b>	<b>760</b>
<b>Total Assets</b>	<b>\$ 78,547</b>	<b>\$ 77,648</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Short-term debt obligations	\$ 2,920	\$ 4,026
Accounts payable and other current liabilities	17,541	18,112
<b>Total Current Liabilities</b>	<b>20,461</b>	<b>22,138</b>
<b>Long-Term Debt Obligations</b>	<b>29,148</b>	<b>28,295</b>
<b>Deferred Income Taxes</b>	<b>4,091</b>	<b>3,499</b>
<b>Other Liabilities</b>	<b>9,979</b>	<b>9,114</b>
<b>Total Liabilities</b>	<b>63,679</b>	<b>63,046</b>
Commitments and contingencies		
<b>PepsiCo Common Shareholders' Equity</b>		
Common stock, par value 1 <sup>2</sup> / <sub>3</sub> ¢ per share (authorized 3,600 shares; issued, net of repurchased common stock at par value: 1,391 and 1,409 shares, respectively)	23	23
Capital in excess of par value	3,886	3,953
Retained earnings	61,946	59,947
Accumulated other comprehensive loss	(14,300)	(15,119)
Repurchased common stock, in excess of par value (476 and 458 shares, respectively)	(36,769)	(34,286)
<b>Total PepsiCo Common Shareholders' Equity</b>	<b>14,786</b>	<b>14,518</b>
Noncontrolling interests	82	84
<b>Total Equity</b>	<b>14,868</b>	<b>14,602</b>
<b>Total Liabilities and Equity</b>	<b>\$ 78,547</b>	<b>\$ 77,648</b>

See accompanying notes to the consolidated financial statements.

## Consolidated Statement of Equity

PepsiCo, Inc. and Subsidiaries

Fiscal years ended December 28, 2019, December 29, 2018 and December 30, 2017

(in millions)

	2019		2018		2017	
	Shares	Amount	Shares	Amount	Shares	Amount
<b>Preferred Stock</b>						
Balance, beginning of year	—	\$ —	0.8	\$ 41	0.8	\$ 41
Conversion to common stock	—	—	(0.1)	(6)	—	—
Retirement of preferred stock	—	—	(0.7)	(35)	—	—
Balance, end of year	—	—	—	—	0.8	41
<b>Repurchased Preferred Stock</b>						
Balance, beginning of year	—	—	(0.7)	(197)	(0.7)	(192)
Redemptions	—	—	—	(2)	—	(5)
Retirement of preferred stock	—	—	0.7	199	—	—
Balance, end of year	—	—	—	—	(0.7)	(197)
<b>Common Stock</b>						
Balance, beginning of year	1,409	23	1,420	24	1,428	24
Shares issued in connection with preferred stock conversion to common stock	—	—	1	—	—	—
Change in repurchased common stock	(18)	—	(12)	(1)	(8)	—
Balance, end of year	1,391	23	1,409	23	1,420	24
<b>Capital in Excess of Par Value</b>						
Balance, beginning of year		3,953		3,996		4,091
Share-based compensation expense		235		250		290
Equity issued in connection with preferred stock conversion to common stock		—		6		—
Stock option exercises, RSUs, PSUs and PEPunits converted		(188)		(193)		(236)
Withholding tax on RSUs, PSUs and PEPunits converted		(114)		(103)		(145)
Other		—		(3)		(4)
Balance, end of year		3,886		3,953		3,996
<b>Retained Earnings</b>						
Balance, beginning of year		59,947		52,839		52,518
Cumulative effect of accounting changes		8		(145)		—
Net income attributable to PepsiCo		7,314		12,515		4,857
Cash dividends declared - common <sup>(a)</sup>		(5,323)		(5,098)		(4,536)
Retirement of preferred stock		—		(164)		—
Balance, end of year		61,946		59,947		52,839
<b>Accumulated Other Comprehensive Loss</b>						
Balance, beginning of year		(15,119)		(13,057)		(13,919)
Other comprehensive income/(loss) attributable to PepsiCo		819		(2,062)		862
Balance, end of year		(14,300)		(15,119)		(13,057)
<b>Repurchased Common Stock</b>						
Balance, beginning of year	(458)	(34,286)	(446)	(32,757)	(438)	(31,468)
Share repurchases	(24)	(3,000)	(18)	(2,000)	(18)	(2,000)
Stock option exercises, RSUs, PSUs and PEPunits converted	6	516	6	469	10	708
Other	—	1	—	2	—	3
Balance, end of year	(476)	(36,769)	(458)	(34,286)	(446)	(32,757)
<b>Total PepsiCo Common Shareholders' Equity</b>		<b>14,786</b>		<b>14,518</b>		<b>11,045</b>
<b>Noncontrolling Interests</b>						
Balance, beginning of year		84		92		104
Net income attributable to noncontrolling interests		39		44		51
Distributions to noncontrolling interests		(42)		(49)		(62)
Other, net		1		(3)		(1)
Balance, end of year		82		84		92
<b>Total Equity</b>		<b>\$ 14,868</b>		<b>\$ 14,602</b>		<b>\$ 10,981</b>

(a) Cash dividends declared per common share were \$3.7925, \$3.5875 and \$3.1675 for 2019, 2018 and 2017, respectively.

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

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

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

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

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

Unless otherwise noted, tabular dollars are in millions, except per share amounts. All per share amounts reflect common per share amounts, assume dilution unless otherwise noted, and are based on unrounded amounts. Certain reclassifications were made to the prior years' consolidated financial statements to conform to the current year presentation.

#### *Our Divisions*

During the fourth quarter of 2019, we realigned our ESSA and AMENA reportable segments to be consistent

with a recent strategic realignment of our organizational structure and how our Chief Executive Officer assesses the performance of, and allocates resources to, our reportable segments. As a result, our beverage, food and snack businesses in North Africa, the Middle East and South Asia that were part of our former AMENA segment and our businesses in Sub-Saharan Africa that were part of our former ESSA segment are now reported together as our AMESA segment. The remaining beverage, food and snack businesses that were part of our former AMENA segment are now reported together as our APAC segment and our beverage, food and snack businesses in Europe are now reported as our Europe segment.

These changes did not impact our FLNA, QFNA, PBNA or LatAm reportable segments or our consolidated financial results.

Our historical segment reporting presented in this report has been retrospectively revised to reflect the new organizational structure.

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

- 1) FLNA, which includes our branded food and snack businesses in the United States and Canada;
- 2) QFNA, which includes our cereal, rice, pasta and other branded food businesses in the United States and Canada;
- 3) PBNA, which includes our beverage businesses in the United States and Canada;
- 4) LatAm, which includes all of our beverage, food and snack businesses in Latin America;
- 5) Europe, which includes all of our beverage, food and snack businesses in Europe;
- 6) AMESA, which includes all of our beverage, food and snack businesses in Africa, the Middle East and South Asia; and
- 7) APAC, which includes all of our beverage, food and snack businesses in Asia Pacific, Australia and New Zealand and China region.

Through our operations, authorized bottlers, contract manufacturers and other third parties, we make, market, distribute and sell a wide variety of convenient beverages, foods and snacks, serving customers and consumers in more than 200 countries and territories with our largest operations in the United States, Mexico, Russia, Canada, the United Kingdom, China and Brazil.

The accounting policies for the divisions are the same as those described in Note 2, except for the following allocation methodologies:

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

#### *Share-Based Compensation Expense*

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

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

	2019	2018	2017
FLNA	13%	13%	13%
QFNA	1%	1%	1%
PBNA	17%	18%	18%
LatAm	7%	8%	7%
Europe	17%	9%	9%
AMESA	3%	4%	5%
APAC	5%	4%	4%
Corporate unallocated expenses	37%	43%	43%

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

#### *Pension and Retiree Medical Expense*

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

#### *Derivatives*

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

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

	Net Revenue			Operating Profit		
	2019 <sup>(a)</sup>	2018 <sup>(a)</sup>	2017	2019	2018	2017
FLNA	\$ 17,078	\$ 16,346	\$ 15,798	\$ 5,258	\$ 5,008	\$ 4,793
QFNA	2,482	2,465	2,503	544	637	640
PBNA	21,730	21,072	20,936	2,179	2,276	2,700
LatAm	7,573	7,354	7,208	1,141	1,049	924
Europe	11,728	10,973	10,522	1,327	1,256	1,199
AMESA	3,651	3,657	3,674	671	661	789
APAC	2,919	2,794	2,884	477	619	401
Total division	67,161	64,661	63,525	11,597	11,506	11,446
Corporate unallocated expenses	—	—	—	(1,306)	(1,396)	(1,170)
Total	<u>\$ 67,161</u>	<u>\$ 64,661</u>	<u>\$ 63,525</u>	<u>\$ 10,291</u>	<u>\$ 10,110</u>	<u>\$ 10,276</u>

- (a) Our primary performance obligation is the distribution and sales of beverage products and food and snack products to our customers, with our food and snack business representing approximately 55% of our consolidated net revenue. Internationally, LatAm's food and snack business is approximately 90% of the segment's net revenue, Europe's beverage business and food and snack business are approximately 55% and 45%, respectively, of the segment's net revenue, AMESA's beverage business and food and snack business are approximately 40% and 60%, respectively, of the segment's net revenue and APAC's beverage business and food and snack business are approximately 25% and 75%, respectively, of the segment's net revenue. Beverage revenue from company-owned bottlers, which primarily includes our consolidated bottling operations in our PBNA and Europe segments, is approximately 40% of our consolidated net revenue. Generally, our

finished goods beverage operations produce higher net revenue, but lower operating margins as compared to concentrate sold to authorized bottling partners for the manufacture of finished goods beverages. See Note 2 for further information.

### **Corporate Unallocated Expenses**

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

### **Other Division Information**

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

	Total Assets		Capital Spending		
	2019	2018	2019	2018	2017
FLNA	\$ 7,519	\$ 6,577	\$ 1,227	\$ 840	\$ 665
QFNA	941	870	104	53	44
PBNA	31,449	29,878	1,053	945	904
LatAm	7,007	6,458	557	492	481
Europe	17,814	16,887	613	466	463
AMESA	3,672	3,252	267	198	181
APAC	4,113	3,704	195	138	145
Total division	72,515	67,626	4,016	3,132	2,883
Corporate <sup>(a)</sup>	6,032	10,022	216	150	86
Total	\$ 78,547	\$ 77,648	\$ 4,232	\$ 3,282	\$ 2,969

(a) Corporate assets consist principally of certain cash and cash equivalents, restricted cash, short-term investments, derivative instruments, property, plant and equipment and tax assets. In 2019, the change in assets was primarily due to a decrease in cash and cash equivalents and restricted cash. Refer to the cash flow statement for additional information.

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

	Amortization of Intangible Assets			Depreciation and Other Amortization		
	2019	2018	2017	2019	2018	2017
FLNA	\$ 7	\$ 7	\$ 7	\$ 492	\$ 457	\$ 449
QFNA	—	—	—	44	45	47
PBNA	29	31	31	857	821	780
LatAm	5	5	5	270	253	245
Europe	37	23	22	341	319	317
AMESA	2	2	2	116	169	170
APAC	1	1	1	76	80	99
Total division	81	69	68	2,196	2,144	2,107
Corporate	—	—	—	155	186	194
Total	\$ 81	\$ 69	\$ 68	\$ 2,351	\$ 2,330	\$ 2,301

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

	Net Revenue			Long-Lived Assets <sup>(a)</sup>	
	2019	2018	2017	2019	2018
United States	\$ 38,644	\$ 37,148	\$ 36,546	\$ 30,601	\$ 29,169
Mexico	4,190	3,878	3,650	1,666	1,404
Russia	3,263	3,191	3,232	4,314	3,926
Canada	2,831	2,736	2,691	2,695	2,565
United Kingdom	1,723	1,743	1,650	827	759
China	1,300	1,164	963	705	509
Brazil	1,295	1,335	1,427	590	639
All other countries	13,915	13,466	13,366	12,134	11,660
<b>Total</b>	<b>\$ 67,161</b>	<b>\$ 64,661</b>	<b>\$ 63,525</b>	<b>\$ 53,532</b>	<b>\$ 50,631</b>

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

## Note 2 — Our Significant Accounting Policies

### Revenue Recognition

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

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

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

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

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

We are exposed to concentration of credit risk from our major customers, including Walmart. In 2019, sales to Walmart and its affiliates (including Sam's) represented approximately 13% of our consolidated net revenue, including concentrate sales to our independent bottlers, which were used in finished goods sold by them to Walmart. We have not experienced credit issues with these customers.

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

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

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

The terms of most of our incentive arrangements do not exceed a year, and, therefore, do not require highly uncertain long-term estimates. Certain arrangements, such as fountain pouring rights, may extend beyond one year. Upfront payments to customers under these arrangements are recognized over the shorter of the economic or contractual life, primarily as a reduction of revenue, and the remaining balances of \$272 million as of December 28, 2019 and \$218 million as of December 29, 2018 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. Our annual consolidated financial statements are not impacted by this interim allocation methodology.

Advertising and other marketing activities, reported as selling, general and administrative expenses, totaled \$4.7 billion in 2019, \$4.2 billion in 2018 and \$4.1 billion in 2017, including advertising expenses of \$3.0 billion in 2019, \$2.6 billion in 2018 and \$2.4 billion in 2017. 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 \$55 million and \$47 million as of December 28, 2019 and December 29, 2018, respectively, are classified as prepaid expenses and other current assets on our balance sheet.

### ***Distribution Costs***

Distribution costs, including the costs of shipping and handling activities, which include certain merchandising activities, are reported as selling, general and administrative expenses. Shipping and handling expenses were \$10.9 billion in 2019, \$10.5 billion in 2018 and \$9.9 billion in 2017.

### ***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 (1) external direct costs of materials and services utilized in developing or obtaining computer software, (2) compensation and related benefits for employees who are directly associated with the software projects and (3) 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 \$166 million in 2019, \$204 million in 2018 and \$224 million in 2017. Net capitalized software and development costs were \$572 million and \$577 million as of December 28, 2019 and December 29, 2018, 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.

### ***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 \$711 million, \$680 million and \$737 million in 2019, 2018 and 2017, respectively, and are reported within selling, general and administrative expenses.

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

Indefinite-lived intangible assets and goodwill are not amortized and, as a result, are assessed for impairment at least annually, using either a qualitative or quantitative approach. We perform this annual assessment during our third quarter, or more frequently if circumstances indicate that the carrying value may not be recoverable. 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 for indefinite lived-intangible assets and goodwill, an assessment is performed to determine the fair value of the indefinite-lived intangible asset and the reporting unit, respectively. Estimated fair value is determined using discounted cash flows and requires an analysis of several estimates including future cash flows or income consistent with management's strategic business plans, annual sales growth rates, perpetuity growth assumptions and the selection of assumptions underlying a discount rate (weighted-average cost of capital) based on market data available at the time. Significant management judgment is necessary to estimate the impact of competitive operating, macroeconomic and other factors to estimate future levels of sales, operating profit or cash flows. All assumptions used in our impairment evaluations for indefinite-lived intangible assets and goodwill, such as forecasted growth rates (including perpetuity growth assumptions) and weighted-average cost of capital, are based on the best available market

information and are consistent with our internal forecasts and operating plans. A deterioration in these assumptions could adversely impact our results.

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

See Note 4 for further information.

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

Our other significant accounting policies are disclosed as follows:

- *Basis of Presentation* – Note 1 includes a description of our policies regarding use of estimates, basis of presentation and consolidation.
- *Property, Plant and Equipment* – Note 4.
- *Income Taxes* – Note 5.
- *Share-Based Compensation* – Note 6.
- *Pension, Retiree Medical and Savings Plans* – Note 7.
- *Financial Instruments* – Note 9.
- *Cash Equivalents* – Cash equivalents are highly liquid investments with original maturities of three months or less.
- *Inventories* – Note 15. Inventories are valued at the lower of cost or net realizable value. Cost is determined using the average; first-in, first-out (FIFO) or, in limited instances, last-in, first-out (LIFO) methods.
- *Translation of Financial Statements of Foreign Subsidiaries* – Financial statements of foreign subsidiaries are translated into U.S. dollars using period-end exchange rates for assets and liabilities and weighted-average exchange rates for revenues and expenses. Adjustments resulting from translating net assets are reported as a separate component of accumulated other comprehensive loss within common shareholders' equity as currency translation adjustment.

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

In 2018, the Financial Accounting Standards Board (FASB) issued guidance related to the TCJ Act for the optional reclassification of the residual tax effects, arising from the change in corporate tax rate, in accumulated other comprehensive loss to retained earnings. The reclassification is the difference between the amount previously recorded in other comprehensive income at the historical U.S. federal tax rate that remains in accumulated other comprehensive loss at the time the TCJ Act was effective and the amount that would have been recorded using the newly enacted rate. This guidance became effective during the first quarter of 2019; however, we did not elect to make the optional reclassification.

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

In 2016, the FASB issued guidance on leases, with amendments issued in 2018. The guidance requires lessees to recognize most leases on the balance sheet, but does not change the manner in which expenses are recorded

in the income statement. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. The two permitted transition methods under the guidance are the modified retrospective transition approach, which requires application of the guidance for all comparative periods presented, and the cumulative effect adjustment approach, which requires prospective application at the adoption date.

We utilized a comprehensive approach to assess the impact of this guidance on our consolidated financial statements and related disclosures, including the increase in the assets and liabilities on our balance sheet and the impact on our current lease portfolio from both a lessor and lessee perspective. We completed our comprehensive review of our lease portfolio, including significant leases by geography and by asset type that were impacted by the new guidance, and enhanced our controls. In addition, we implemented a new software platform, and corresponding controls, for administering our leases and facilitating compliance with the new guidance.

We adopted the guidance prospectively during the first quarter of 2019. As part of our adoption, we elected not to reassess historical lease classification, recognize short-term leases on our balance sheet, nor separate lease and non-lease components for our real estate leases. In addition, we utilized the portfolio approach to group leases with similar characteristics and did not use hindsight to determine lease term. The adoption did not have a material impact on our consolidated financial statements, resulting in an increase of 2% to each of our total assets and total liabilities on our balance sheet, and had an immaterial increase to retained earnings as of the beginning of 2019. See Note 13 for further information.

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

In 2019, the FASB issued guidance to simplify the accounting for income taxes. The guidance primarily addresses how to (1) recognize a deferred tax liability after we transition to or from the equity method of accounting, (2) evaluate if a step-up in the tax basis of goodwill is related to a business combination or is a separate transaction, (3) recognize all the effects of a change in tax law in the period of enactment, including adjusting the estimated annual tax rate, and (4) include the amount of tax based on income in the income tax provision and any incremental amount as a tax not based on income for hybrid tax regimes. The guidance is effective in the first quarter of 2021 with early adoption permitted. We are currently evaluating the impact of this guidance on our consolidated financial statements and the timing of adoption.

In 2016, the FASB issued guidance that changes the impairment model used to measure credit losses for most financial assets. For our trade, certain other receivables and certain other financial instruments, we will be required to use a new forward-looking expected credit loss model that will replace the existing incurred credit loss model, which would generally result in earlier recognition of allowances for credit losses. We will adopt the guidance when it becomes effective in the first quarter of 2020. The guidance is not expected to have a material impact on our consolidated financial statements or disclosures.

**Note 3 — Restructuring and Impairment Charges**

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

	2019	2018	2017
2019 Productivity Plan	\$ 370	\$ 138	\$ —
2014 Productivity Plan	—	170	295
Total restructuring and impairment charges	370	308	295
Other productivity initiatives	3	8	16
Total restructuring and impairment charges and other productivity initiatives	\$ 373	\$ 316	\$ 311

## 2019 Multi-Year Productivity Plan

The 2019 Productivity Plan, publicly announced on February 15, 2019, will leverage new technology and business models to further simplify, harmonize and automate processes; re-engineer our go-to-market and information systems, including deploying the right automation for each market; and simplify our organization and optimize our manufacturing and supply chain footprint. In connection with this plan, we expect to incur pre-tax charges of approximately \$2.5 billion and cash expenditures of approximately \$1.6 billion. These pre-tax charges are expected to consist of approximately 70% of severance and other employee-related costs, 15% for asset impairments (all non-cash) resulting from plant closures and related actions, and 15% for other costs associated with the implementation of our initiatives. We expect to complete this plan by 2023.

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

	FLNA	QFNA	PBNA	LatAm	Europe	AMESA	APAC	Corporate
Expected pre-tax charges	11%	2%	30%	10%	25%	8%	5%	9%

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

	2019	2018
Cost of sales	\$ 115	\$ 3
Selling, general and administrative expenses	253	100
Other pension and retiree medical benefits expense	2	35
Total restructuring and impairment charges	\$ 370	\$ 138
After-tax amount	\$ 303	\$ 109
Net income attributable to PepsiCo per common share	\$ 0.21	\$ 0.08

	2019	2018	Plan to Date through 12/28/2019
FLNA	\$ 22	\$ 31	\$ 53
QFNA	2	5	7
PBNA	51	40	91
LatAm	62	9	71
Europe	99	6	105
AMESA	38	3	41
APAC	47	2	49
Corporate	47	7	54
	368	103	471
Other pension and retiree medical benefits expense	2	35	37
Total	\$ 370	\$ 138	\$ 508

	Plan to Date through 12/28/2019
Severance and other employee costs	\$ 286
Asset impairments	92
Other costs <sup>(a)</sup>	130
Total	\$ 508

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

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

	Severance and Other Employee Costs	Asset Impairments	Other Costs	Total
2018 restructuring charges	\$ 137	\$ —	\$ 1	\$ 138
Non-cash charges and translation	(32)	—	—	(32)
Liability as of December 29, 2018	105	—	1	106
2019 restructuring charges	149	92	129	370
Cash payments <sup>(a)</sup>	(138)	—	(119)	(257)
Non-cash charges and translation	12	(92)	10	(70)
Liability as of December 28, 2019	<b>\$ 128</b>	<b>\$ —</b>	<b>\$ 21</b>	<b>\$ 149</b>

(a) Excludes cash expenditures of \$4 million reported in the cash flow statement in pension and retiree medical contributions.

Substantially all of the restructuring accrual at December 28, 2019 is expected to be paid by the end of 2020.

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

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

The 2014 Productivity Plan was completed in 2019. In 2019, there were no material pre-tax charges related to this plan and all cash payments were paid at year end. The total plan pre-tax charges and cash expenditures approximated the previously disclosed plan estimates of \$1.3 billion and \$960 million, respectively. These total plan pre-tax charges consisted of 59% of severance and other employee costs, 15% of asset impairments and 26% of other costs, including costs associated with the implementation of our initiatives, including certain consulting and other contract termination costs. These total plan pre-tax charges were incurred by division as follows: FLNA 14%, QFNA 3%, PBNA 29%, LatAm 15%, Europe 23%, AMESA 3%, APAC 3% and Corporate 10%.

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

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

	2018	2017
FLNA	\$ 8	\$ 67
QFNA	2	11
PBNA	51	54
LatAm	30	63
Europe	53	53
AMESA	15	2
APAC <sup>(a)</sup>	12	(5)
Corporate <sup>(b)</sup>	(1)	50
<b>Total</b>	<b>\$ 170</b>	<b>\$ 295</b>

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

(b) Income amount primarily relates to other pension and retiree medical benefits.

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

	<b>Severance and Other Employee Costs</b>	<b>Asset Impairments</b>	<b>Other Costs</b>	<b>Total</b>
Liability as of December 31, 2016	\$ 88	\$ —	\$ 8	\$ 96
2017 restructuring charges	280	21	(6) <sup>(a)</sup>	295
Cash payments	(91)	—	(22)	(113)
Non-cash charges and translation	(65)	(21)	34	(52)
Liability as of December 30, 2017	212	—	14	226
2018 restructuring charges	86	28	56	170
Cash payments <sup>(b)</sup>	(203)	—	(52)	(255)
Non-cash charges and translation	(4)	(28)	5	(27)
Liability as of December 29, 2018	91	—	23	114
Cash payments	(77)	—	(16)	(93)
Non-cash charges and translation	(14)	—	(7)	(21)
Liability as of December 28, 2019	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

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

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

### ***Other Productivity Initiatives***

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

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

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

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

	Average Useful Life (Years)	2019	2018	2017
<b>Property, plant and equipment, net</b>				
Land		\$ 1,130	\$ 1,078	
Buildings and improvements	15 - 44	9,314	8,941	
Machinery and equipment, including fleet and software	5 - 15	29,390	27,715	
Construction in progress		3,169	2,430	
		43,003	40,164	
Accumulated depreciation		(23,698)	(22,575)	
Total		\$ 19,305	\$ 17,589	
Depreciation expense		\$ 2,257	\$ 2,241	\$ 2,227

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

A summary of our amortizable intangible assets is as follows:

	Average Useful Life (Years)	2019			2018			2017
		Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net	
<b>Amortizable intangible assets, net</b>								
Acquired franchise rights	56 – 60	\$ 846	\$ (158)	\$ 688	\$ 838	\$ (140)	\$ 698	
Reacquired franchise rights	5 – 14	106	(105)	1	106	(105)	1	
Brands	20 – 40	1,326	(1,066)	260	1,306	(1,032)	274	
Other identifiable intangibles <sup>(a)</sup>	10 – 24	810	(326)	484	959	(288)	671	
Total		\$ 3,088	\$ (1,655)	\$ 1,433	\$ 3,209	\$ (1,565)	\$ 1,644	
Amortization expense				\$ 81			\$ 69	\$ 68

(a) The change from 2018 to 2019 primarily reflects revisions to the purchase price allocation for our acquisition of SodaStream.

Amortization of intangible assets for each of the next five years, based on existing intangible assets as of December 28, 2019 and using average 2019 foreign exchange rates, is expected to be as follows:

	2020	2021	2022	2023	2024
Five-year projected amortization	\$ 82	\$ 80	\$ 77	\$ 75	\$ 74

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

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

We did not recognize any impairment charges for goodwill in each of the years ended December 28, 2019, December 29, 2018 and December 30, 2017. We did not recognize any material impairment charges for indefinite-lived intangible assets in each of the years ended December 28, 2019, December 29, 2018 and December 30, 2017. As of December 28, 2019, the estimated fair values of our indefinite-lived reacquired and acquired franchise rights recorded at PBNA exceeded their carrying values. However, there could be an

impairment of the carrying value of PBNA's reacquired and acquired franchise rights if future revenues and their contribution to the operating results of PBNA's CSD business do not achieve our expected future cash flows or if macroeconomic conditions result in a future increase in the weighted-average cost of capital used to estimate fair value. We have also analyzed the impact of the macroeconomic conditions in Russia and Brazil on the estimated fair value of our indefinite-lived intangible assets in these countries and have concluded that there were no impairments for the year ended December 28, 2019. However, there could be an impairment of the carrying value of certain brands in these countries, including juice and dairy brands in Russia, if there is a deterioration in these conditions, if future revenues and their contributions to the operating results do not achieve our expected future cash flows (including perpetuity growth assumptions), if there are significant changes in the decisions regarding assets that do not perform consistent with our expectations, or if macroeconomic conditions result in a future increase in the weighted-average cost of capital used to estimate fair value. For further information on our policies for indefinite-lived intangible assets, see Note 2.

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

	Balance, Beginning 2018	Acquisitions/ (Divestitures)	Translation and Other	Balance, End of 2018	Acquisitions/ (Divestitures)	Translation and Other	Balance, End of 2019
<b>FLNA</b>							
Goodwill	\$ 280	\$ 28	\$ (11)	\$ 297	\$ (3)	\$ 5	\$ 299
Brands	25	138	(2)	161	—	1	162
Total	305	166	(13)	458	(3)	6	461
<b>QFNA</b>							
Goodwill	175	9	—	184	6	(1)	189
Brands	—	25	—	25	(14)	—	11
Total	175	34	—	209	(8)	(1)	200
<b>PBNA<sup>(a)</sup></b>							
Goodwill	9,854	—	(41)	9,813	66	19	9,898
Reacquired franchise rights	7,126	—	(68)	7,058	—	31	7,089
Acquired franchise rights	1,525	—	(15)	1,510	—	7	1,517
Brands	353	—	—	353	418	(8)	763
Total	18,858	—	(124)	18,734	484	49	19,267
<b>LatAm</b>							
Goodwill	555	—	(46)	509	—	(8)	501
Brands	141	—	(14)	127	—	(2)	125
Total	696	—	(60)	636	—	(10)	626
<b>Europe<sup>(b) (c)</sup></b>							
Goodwill	3,202	526	(367)	3,361	440	160	3,961
Reacquired franchise rights	549	(1)	(51)	497	—	8	505
Acquired franchise rights	195	(25)	(9)	161	—	(4)	157
Brands	2,545	1,993	(350)	4,188	(139)	132	4,181
Total	6,491	2,493	(777)	8,207	301	296	8,804
<b>AMESA</b>							
Goodwill	437	—	—	437	11	(2)	446
Total	437	—	—	437	11	(2)	446
<b>APAC</b>							
Goodwill	241	—	(34)	207	—	—	207
Brands	111	—	(10)	101	—	(1)	100
Total	352	—	(44)	308	—	(1)	307
Total goodwill	14,744	563	(499)	14,808	520	173	15,501
Total reacquired franchise rights	7,675	(1)	(119)	7,555	—	39	7,594
Total acquired franchise rights	1,720	(25)	(24)	1,671	—	3	1,674
Total brands	3,175	2,156	(376)	4,955	265	122	5,342
Total	\$ 27,314	\$ 2,693	\$ (1,018)	\$ 28,989	\$ 785	\$ 337	\$ 30,111

(a) The change in acquisitions/(divestitures) in 2019 is primarily related to our acquisition of CytoSport Inc.

(b) The change in acquisitions/(divestitures) in 2019 and 2018 is primarily related to our acquisition of SodaStream. See Note 14 for further information.

(c) The change in translation and other in 2019 primarily reflects the appreciation of the Russian ruble. The change in translation and other in 2018 primarily reflects the depreciation of the Russian ruble, euro and Pound sterling.

## Note 5 — Income Taxes

The components of income before income taxes are as follows:

	2019	2018	2017
United States	\$ 4,123	\$ 3,864	\$ 3,452
Foreign	5,189	5,325	6,150
	<u>\$ 9,312</u>	<u>\$ 9,189</u>	<u>\$ 9,602</u>

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

		2019	2018	2017
Current:	U.S. Federal	\$ 652	\$ 437	\$ 4,925
	Foreign	807	378	724
	State	196	63	136
		<u>1,655</u>	<u>878</u>	<u>5,785</u>
Deferred:	U.S. Federal	325	140	(1,159)
	Foreign	(31)	(4,379)	(9)
	State	10	(9)	77
		<u>304</u>	<u>(4,248)</u>	<u>(1,091)</u>
		<u>\$ 1,959</u>	<u>\$ (3,370)</u>	<u>\$ 4,694</u>

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

	2019	2018	2017
U.S. Federal statutory tax rate	21.0%	21.0 %	35.0%
State income tax, net of U.S. Federal tax benefit	1.6	0.5	0.9
Lower taxes on foreign results	(0.9)	(2.2)	(9.4)
One-time mandatory transition tax - TCJ Act	(0.1)	0.1	41.4
Remeasurement of deferred taxes - TCJ Act	—	(0.4)	(15.9)
International reorganizations	—	(47.3)	—
Tax settlements	—	(7.8)	—
Other, net	(0.6)	(0.6)	(3.1)
Annual tax rate	<u>21.0%</u>	<u>(36.7)%</u>	<u>48.9%</u>

### *Tax Cuts and Jobs Act*

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

In 2017, the SEC issued guidance related to the TCJ Act which allowed recording of provisional tax expense using a measurement period, not to exceed one year, when information necessary to complete the accounting for the effects of the TCJ Act is not available. We elected to apply the measurement period provisions of this guidance to certain income tax effects of the TCJ Act when it became effective in the fourth quarter of 2017.

As a result of the enactment of the TCJ Act, we recognized a provisional net tax expense of \$2.5 billion (\$1.70 per share) in the fourth quarter of 2017. Included in the provisional net tax expense of \$2.5 billion recognized in 2017, was a provisional mandatory one-time transition tax of approximately \$4 billion on undistributed international earnings, included in other liabilities. This provisional mandatory one-time transition tax was partially offset by a provisional \$1.5 billion benefit resulting from the required

remeasurement of our deferred tax assets and liabilities to the new, lower U.S. corporate income tax rate, effective January 1, 2018. The effect of the remeasurement was recorded in the fourth quarter of 2017, consistent with the enactment date of the TCJ Act, and reflected in our provision for income taxes.

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

While our accounting for the recorded impact of the TCJ Act was deemed to be complete, additional guidance issued by the IRS impacted, and may continue to impact, our recorded amounts after December 29, 2018. In 2019, we recognized a net tax benefit totaling \$8 million (\$0.01 per share) related to the TCJ Act, including the impact of additional guidance issued by the IRS in the first quarter of 2019 and adjustments related to the filing of our 2018 U.S. federal tax return.

As of December 28, 2019, our mandatory transition tax liability was \$3.3 billion, which must be paid through 2026 under the provisions of the TCJ Act. We reduced our liability through cash payments and application of tax overpayments by \$663 million in 2019 and \$150 million in 2018. We currently expect to pay approximately \$0.1 billion of this liability in 2020.

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

### ***Other Tax Matters***

On May 19, 2019, a public referendum held in Switzerland passed the TRAF, effective January 1, 2020. The enactment of certain provisions of the TRAF in 2019 resulted in adjustments to our deferred taxes. During 2019, we recorded net tax expense of \$24 million related to the impact of the TRAF. Enactment of the TRAF provisions subsequent to December 28, 2019 is expected to result in adjustments to our consolidated financial statements and related disclosures in future periods. The future impact of the TRAF cannot currently be reasonably estimated; we will continue to monitor and assess the impact the TRAF may have on our business and financial results.

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

Deferred tax liabilities and assets are comprised of the following:

	2019	2018
<b><i>Deferred tax liabilities</i></b>		
Debt guarantee of wholly-owned subsidiary	\$ 578	\$ 578
Property, plant and equipment	1,583	1,303
Recapture of net operating losses	335	414
Right-of-use assets	345	—
Other	167	71
Gross deferred tax liabilities	<u>3,008</u>	<u>2,366</u>
<b><i>Deferred tax assets</i></b>		
Net carryforwards	4,168	4,353
Intangible assets other than nondeductible goodwill	793	985
Share-based compensation	94	106
Retiree medical benefits	154	167
Other employee-related benefits	350	303
Pension benefits	104	221
Deductible state tax and interest benefits	126	110
Lease liabilities	345	—
Other	741	739
Gross deferred tax assets	<u>6,875</u>	<u>6,984</u>
Valuation allowances	<u>(3,599)</u>	<u>(3,753)</u>
Deferred tax assets, net	<u>3,276</u>	<u>3,231</u>
Net deferred tax assets	<u>\$ (268)</u>	<u>\$ (865)</u>

A summary of our valuation allowance activity is as follows:

	2019	2018	2017
Balance, beginning of year	\$ 3,753	\$ 1,163	\$ 1,110
Provision	(124)	2,639	33
Other (deductions)/additions	(30)	(49)	20
Balance, end of year	<u>\$ 3,599</u>	<u>\$ 3,753</u>	<u>\$ 1,163</u>

### ***Reserves***

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

<b><i>Jurisdiction</i></b>	<b><i>Years Open to Audit</i></b>	<b><i>Years Currently Under Audit</i></b>
United States	2014-2018	2014-2016
Mexico	2017-2018	None
United Kingdom	2017-2018	2017
Canada (Domestic)	2015-2018	2015-2016
Canada (International)	2010-2018	2010-2016
Russia	2016-2018	None

In 2018, we recognized a non-cash tax benefit of \$364 million (\$0.26 per share) resulting from the conclusion of certain international tax audits. Additionally, in 2018, we recognized non-cash tax benefits of \$353 million (\$0.24 per share) as a result of our agreement with the IRS resolving all open matters related to the audits

of taxable years 2012 and 2013, including the associated state impact. The conclusion of certain international tax audits and the resolution with the IRS, collectively, resulted in non-cash tax benefits totaling \$717 million (\$0.50 per share) in 2018.

Our annual tax rate is based on our income, statutory tax rates and tax planning strategies and transactions, including transfer pricing arrangements, 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, new tax laws or tax authority settlements. 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.

As of December 28, 2019, the total gross amount of reserves for income taxes, reported in other liabilities, was \$1.4 billion. We accrue interest related to reserves for income taxes in our provision for income taxes and any associated penalties are recorded in selling, general and administrative expenses. The gross amount of interest accrued, reported in other liabilities, was \$250 million as of December 28, 2019, of which \$84 million of tax expense was recognized in 2019. The gross amount of interest accrued, reported in other liabilities, was \$179 million as of December 29, 2018, of which \$64 million of tax benefit was recognized in 2018.

A reconciliation of unrecognized tax benefits is as follows:

	<b>2019</b>	2018
Balance, beginning of year	<b>\$ 1,440</b>	\$ 2,212
Additions for tax positions related to the current year	<b>179</b>	142
Additions for tax positions from prior years	<b>93</b>	197
Reductions for tax positions from prior years	<b>(201)</b>	(822)
Settlement payments	<b>(74)</b>	(233)
Statutes of limitations expiration	<b>(47)</b>	(42)
Translation and other	<b>5</b>	(14)
Balance, end of year	<b>\$ 1,395</b>	\$ 1,440

### ***Carryforwards and Allowances***

Operating loss carryforwards totaling \$24.7 billion at year-end 2019 are being carried forward in a number of foreign and state jurisdictions where we are permitted to use tax operating losses from prior periods to reduce future taxable income. These operating losses will expire as follows: \$0.2 billion in 2020, \$20.3 billion between 2021 and 2039 and \$4.2 billion may be carried forward indefinitely. We establish valuation allowances for our deferred tax assets if, based on the available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

### ***Undistributed International Earnings***

In 2018, we repatriated \$20.4 billion of cash, cash equivalents and short-term investments held in our foreign subsidiaries without such funds being subject to further U.S. federal income tax liability, related to the TCJ Act. As of December 28, 2019, we had approximately \$6 billion of undistributed international earnings. We intend to continue to reinvest \$6 billion of earnings outside the United States for the foreseeable future and while future distribution of these earnings would not be subject to U.S. federal tax expense, no deferred tax liabilities with respect to items such as certain foreign exchange gains or losses, foreign withholding taxes or state taxes have been recognized. It is not practicable for us to determine the amount of unrecognized tax expense on these reinvested international earnings.

## Note 6 — Share-Based Compensation

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

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

As of December 28, 2019, 59 million shares were available for future share-based compensation grants under the LTIP.

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

	2019	2018	2017
Share-based compensation expense - equity awards	\$ 237	\$ 256	\$ 292
Share-based compensation expense - liability awards	8	20	13
Restructuring charges	(2)	(6)	(2)
Total <sup>(a)</sup>	<u>\$ 243</u>	<u>\$ 270</u>	<u>\$ 303</u>
Income tax benefits recognized in earnings related to share-based compensation	\$ 39	\$ 45	\$ 89 <sup>(b)</sup>
Excess tax benefits related to share-based compensation	\$ 50	\$ 48	\$ 115

(a) Primarily recorded in selling, general and administrative expenses.

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

As of December 28, 2019, there was \$284 million of total unrecognized compensation cost related to nonvested share-based compensation grants. This unrecognized compensation cost is expected to be recognized over a weighted-average period of two years.

### *Method of Accounting and Our Assumptions*

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

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

### *Stock Options*

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

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

	2019	2018	2017
Expected life	<b>5 years</b>	5 years	5 years
Risk-free interest rate	<b>2.4%</b>	2.6%	2.0%
Expected volatility	<b>14%</b>	12%	11%
Expected dividend yield	<b>3.1%</b>	2.7%	2.7%

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

A summary of our stock option activity for the year ended December 28, 2019 is as follows:

	Options <sup>(a)</sup>	Weighted-Average Exercise Price	Weighted-Average Contractual Life Remaining (years)	Aggregate Intrinsic Value <sup>(b)</sup>
Outstanding at December 29, 2018	15,589	\$ 79.94		
Granted	1,286	\$ 118.33		
Exercised	(4,882)	\$ 67.34		
Forfeited/expired	(368)	\$ 94.30		
<b>Outstanding at December 28, 2019</b>	<b>11,625</b>	<b>\$ 89.03</b>	<b>4.68</b>	<b>\$ 563,942</b>
<b>Exercisable at December 28, 2019</b>	<b>7,972</b>	<b>\$ 78.27</b>	<b>3.13</b>	<b>\$ 472,512</b>
<b>Expected to vest as of December 28, 2019</b>	<b>3,364</b>	<b>\$ 112.25</b>	<b>8.04</b>	<b>\$ 85,066</b>

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

(b) In thousands.

### ***Restricted Stock Units and Performance Stock Units***

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

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

A summary of our RSU and PSU activity for the year ended December 28, 2019 is as follows:

	RSUs/PSUs <sup>(a)</sup>	Weighted-Average Grant-Date Fair Value	Weighted-Average Contractual Life Remaining (years)	Aggregate Intrinsic Value <sup>(a)</sup>
Outstanding at December 29, 2018	7,175	\$ 105.13		
Granted <sup>(b)</sup>	2,754	\$ 116.87		
Converted	(2,642)	\$ 99.35		
Forfeited	(852)	\$ 111.11		
Actual performance change <sup>(c)</sup>	(55)	\$ 108.32		
<b>Outstanding at December 28, 2019 <sup>(d)</sup></b>	<b>6,380</b>	<b>\$ 111.53</b>	<b>1.22</b>	<b>\$ 877,487</b>
<b>Expected to vest as of December 28, 2019</b>	<b>5,876</b>	<b>\$ 111.32</b>	<b>1.19</b>	<b>\$ 808,220</b>

(a) In thousands.

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

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

(d) The outstanding PSUs for which the performance period has not ended as of December 28, 2019, at the threshold, target and maximum award levels were zero, 0.7 million and 1.3 million, respectively.

### ***PEPunits***

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

The fair value of PEPunits is measured using the Monte-Carlo simulation model, which incorporates into the fair-value determination the possibility that the market condition may not be satisfied, until actual performance is determined.

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

### ***Long-Term Cash***

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

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

A summary of our long-term cash activity for the year ended December 28, 2019 is as follows:

	<b>Long-Term Cash Award<sup>(a)</sup></b>	<b>Balance Sheet Date Fair Value<sup>(a)</sup></b>	<b>Contractual Life Remaining (years)</b>
Outstanding at December 29, 2018	\$ 54,710		
Granted <sup>(b)</sup>	16,112		
Vested	(15,438)		
Forfeited	(9,465)		
Actual performance change (c)	(1,695)		
<b>Outstanding at December 28, 2019<sup>(d)</sup></b>	<b>\$ 44,224</b>	<b>\$ 45,875</b>	<b>1.10</b>
<b>Expected to Vest at December 28, 2019</b>	<b>\$ 42,998</b>	<b>\$ 44,557</b>	<b>1.10</b>

(a) In thousands.

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

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

(d) The outstanding long-term cash awards for which the performance period has not ended as of December 28, 2019, at the threshold, target and maximum award levels were zero, 28.5 million and 57.1 million, respectively.

### ***Other Share-Based Compensation Data***

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

	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b><i>Stock Options</i></b>			
Total number of options granted <sup>(a)</sup>	<b>1,286</b>	1,429	1,481
Weighted-average grant-date fair value of options granted	<b>\$ 10.89</b>	\$ 9.80	\$ 8.25
Total intrinsic value of options exercised <sup>(a)</sup>	<b>\$ 275,745</b>	\$ 224,663	\$ 327,860
Total grant-date fair value of options vested <sup>(a)</sup>	<b>\$ 9,838</b>	\$ 15,506	\$ 23,122
<b><i>RSUs/PSUs</i></b>			
Total number of RSUs/PSUs granted <sup>(a)</sup>	<b>2,754</b>	2,634	2,824
Weighted-average grant-date fair value of RSUs/PSUs granted	<b>\$ 116.87</b>	\$ 108.75	\$ 109.92
Total intrinsic value of RSUs/PSUs converted <sup>(a)</sup>	<b>\$ 333,951</b>	\$ 260,287	\$ 380,269
Total grant-date fair value of RSUs/PSUs vested <sup>(a)</sup>	<b>\$ 275,234</b>	\$ 232,141	\$ 264,923
<b><i>PEPunits</i></b>			
Total intrinsic value of PEPunits converted <sup>(a)</sup>	<b>\$ —</b>	\$ 30,147	\$ 39,782
Total grant-date fair value of PEPunits vested <sup>(a)</sup>	<b>\$ —</b>	\$ 9,430	\$ 18,833

(a) In thousands.

As of December 28, 2019 and December 29, 2018, there were approximately 269,000 and 248,000 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 2019, Plan A purchased a group annuity contract whereby a third-party insurance company assumed the obligation to pay and administer future annuity payments for certain retirees. This transaction triggered a pre-tax settlement charge in 2019 of \$220 million (\$170 million after-tax or \$0.12 per share).

Also in 2019, certain former employees who had vested benefits in our U.S. defined benefit pension plans were offered the option of receiving a one-time lump sum payment equal to the present value of the participant's pension benefit. This transaction triggered a pre-tax settlement charge in 2019 of \$53 million (\$41 million after-tax or \$0.03 per share). Collectively, the group annuity contract and one-time lump sum payments to certain former employees who had vested benefits resulted in settlement charges in 2019 of \$273 million (\$211 million after-tax or \$0.15 per share).

Effective January 1, 2017, the U.S. qualified defined benefit pension plans were reorganized into Plan A and Plan I. Actuarial gains and losses associated with Plan A are amortized over the average remaining service life of the active participants, while the actuarial gains and losses associated with Plan I are amortized over the remaining life expectancy of the inactive participants. As a result of this change, the pre-tax net periodic benefit cost decreased by \$42 million (\$27 million after-tax, reflecting tax rates effective for the 2017 tax year, or \$0.02 per share) in 2017, primarily impacting corporate unallocated expenses.

Gains and losses resulting from actual experience differing from our assumptions, including the difference between the actual return on plan assets and the expected return on plan assets, as well as changes in our assumptions, are determined at each measurement date. These differences are recognized as a component of net gain or loss in accumulated other comprehensive loss. If this net accumulated gain or loss exceeds 10% of the greater of the market-related value of plan assets or plan liabilities, a portion of the net gain or loss is included in other pension and retiree medical benefits (expense)/income for the following year based upon the average remaining service life for participants in Plan A (approximately 10 years) and retiree medical (approximately 8 years), or the remaining life expectancy for participants in Plan I (approximately 23 years). The cost or benefit of plan changes that increase or decrease benefits for prior employee service (prior service cost/(credit)) is included in other pension and retiree medical benefits (expense)/income on a straight-line basis over the average remaining service life for participants in Plan A or the remaining life expectancy for participants in Plan I.

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

	Pension				Retiree Medical	
	U.S.		International		2019	2018
	2019	2018	2019	2018		
<b><i>Change in projected benefit liability</i></b>						
Liability at beginning of year	\$ 13,807	\$ 14,777	\$ 3,098	\$ 3,490	\$ 996	\$ 1,187
Service cost	381	431	73	92	23	32
Interest cost	543	482	97	93	36	34
Plan amendments	15	83	1	2	—	—
Participant contributions	—	—	2	2	—	—
Experience loss/(gain)	2,091	(972)	515	(230)	36	(147)
Benefit payments	(341)	(956)	(100)	(114)	(105)	(108)
Settlement/curtailment	(1,268)	(74)	(31)	(35)	—	—
Special termination benefits	2	36	—	2	—	1
Other, including foreign currency adjustment	—	—	98	(204)	2	(3)
Liability at end of year	\$ 15,230	\$ 13,807	\$ 3,753	\$ 3,098	\$ 988	\$ 996
<b><i>Change in fair value of plan assets</i></b>						
Fair value at beginning of year	\$ 12,258	\$ 12,582	\$ 3,090	\$ 3,460	\$ 285	\$ 321
Actual return on plan assets	3,101	(789)	551	(136)	78	(21)
Employer contributions/funding	550	1,495	122	120	44	93
Participant contributions	—	—	2	2	—	—
Benefit payments	(341)	(956)	(100)	(114)	(105)	(108)
Settlement	(1,266)	(74)	(31)	(32)	—	—
Other, including foreign currency adjustment	—	—	98	(210)	—	—
Fair value at end of year	\$ 14,302	\$ 12,258	\$ 3,732	\$ 3,090	\$ 302	\$ 285
Funded status	\$ (928)	\$ (1,549)	\$ (21)	\$ (8)	\$ (686)	\$ (711)
<b><i>Amounts recognized</i></b>						
Other assets	\$ 744	\$ 185	\$ 99	\$ 81	\$ —	\$ —
Other current liabilities	(52)	(107)	(1)	(1)	(58)	(41)
Other liabilities	(1,620)	(1,627)	(119)	(88)	(628)	(670)
Net amount recognized	\$ (928)	\$ (1,549)	\$ (21)	\$ (8)	\$ (686)	\$ (711)
<b><i>Amounts included in accumulated other comprehensive loss (pre-tax)</i></b>						
Net loss/(gain)	\$ 3,516	\$ 4,093	\$ 914	\$ 780	\$ (285)	\$ (287)
Prior service cost/(credit)	114	109	—	(1)	(32)	(51)
Total	\$ 3,630	\$ 4,202	\$ 914	\$ 779	\$ (317)	\$ (338)
<b><i>Changes recognized in net (gain)/loss included in other comprehensive loss</i></b>						
Net (gain)/loss arising in current year	\$ (120)	\$ 760	\$ 152	\$ 103	\$ (24)	\$ (107)
Amortization and settlement recognition	(457)	(187)	(44)	(56)	27	8
Foreign currency translation loss/(gain)	—	—	26	(49)	(1)	1
Total	\$ (577)	\$ 573	\$ 134	\$ (2)	\$ 2	\$ (98)
Accumulated benefit obligation at end of year	\$ 14,255	\$ 12,890	\$ 3,441	\$ 2,806		

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

The amount we report in operating profit as pension and retiree medical cost is service cost, which is the

value of benefits earned by employees for working during the year.

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

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

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

	Pension						Retiree Medical		
	U.S.			International			2019	2018	2017
	2019	2018	2017	2019	2018	2017			
Service cost	\$ 381	\$ 431	\$ 401	\$ 73	\$ 92	\$ 91	\$ 23	\$ 32	\$ 28
<i>Other pension and retiree medical benefits expense/(income):</i>									
Interest cost	\$ 543	\$ 482	\$ 468	\$ 97	\$ 93	\$ 89	\$ 36	\$ 34	\$ 36
Expected return on plan assets	(892)	(943)	(849)	(188)	(197)	(176)	(18)	(19)	(22)
Amortization of prior service cost/(credits)	10	3	1	—	—	—	(19)	(20)	(25)
Amortization of net losses/(gains)	161	179	123	32	45	53	(27)	(8)	(12)
Settlement/curtailment losses <sup>(a)</sup>	296	8	8	12	6	11	—	—	—
Special termination benefits	1	36	60	—	2	—	—	1	2
Total other pension and retiree medical benefits expense/(income)	\$ 119	\$ (235)	\$ (189)	\$ (47)	\$ (51)	\$ (23)	\$ (28)	\$ (12)	\$ (21)
Total	\$ 500	\$ 196	\$ 212	\$ 26	\$ 41	\$ 68	\$ (5)	\$ 20	\$ 7

- (a) In 2019, U.S. includes settlement charges related to the purchase of a group annuity contract of \$220 million and a pension lump sum settlement charge of \$53 million.

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

	Pension						Retiree Medical		
	U.S.			International			2019	2018	2017
	2019	2018	2017	2019	2018	2017			
Liability discount rate	3.3%	4.4%	3.7%	2.5%	3.4%	3.0%	3.1%	4.2%	3.5%
Service cost discount rate	4.4%	3.8%	4.5%	4.2%	3.5%	3.6%	4.3%	3.6%	4.0%
Interest cost discount rate	4.1%	3.4%	3.7%	3.2%	2.8%	2.8%	3.8%	3.0%	3.2%
Expected return on plan assets	7.1%	7.2%	7.5%	5.8%	6.0%	6.0%	6.6%	6.5%	7.5%
Liability rate of salary increases	3.1%	3.1%	3.1%	3.3%	3.7%	3.7%			
Expense rate of salary increases	3.1%	3.1%	3.1%	3.7%	3.7%	3.6%			

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

	Pension				Retiree Medical	
	U.S.		International		2019	2018
	2019	2018	2019	2018		
<i>Selected information for plans with accumulated benefit obligation in excess of plan assets</i>						
Liability for service to date	\$ (9,194)	\$ (8,040)	\$ (192)	\$ (155)		
Fair value of plan assets	\$ 8,497	\$ 7,223	\$ 151	\$ 121		
<i>Selected information for plans with projected benefit liability in excess of plan assets</i>						
Benefit liability	\$ (10,169)	\$ (8,957)	\$ (632)	\$ (514)	\$ (988)	\$ (996)
Fair value of plan assets	\$ 8,497	\$ 7,223	\$ 512	\$ 426	\$ 302	\$ 285

Of the total projected pension benefit liability as of December 28, 2019, approximately \$847 million relates to plans that we do not fund because the funding of such plans does not receive favorable tax treatment.

### Future Benefit Payments

Our estimated future benefit payments are as follows:

	2020	2021	2022	2023	2024	2025 - 2029
Pension	\$ 945	\$ 915	\$ 900	\$ 930	\$ 970	\$ 5,275
Retiree medical <sup>(a)</sup>	\$ 100	\$ 95	\$ 95	\$ 90	\$ 85	\$ 355

(a) Expected future benefit payments for our retiree medical plans do not reflect any estimated subsidies expected to be received under the 2003 Medicare Act. Subsidies are expected to be approximately \$2 million for each of the years from 2020 through 2024 and approximately \$4 million in total for 2025 through 2029.

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

### Funding

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

	Pension			Retiree Medical		
	2019	2018	2017	2019	2018	2017
Discretionary <sup>(a)</sup>	\$ 417	\$ 1,417	\$ 6	\$ —	\$ 37	\$ —
Non-discretionary	255	198	158	44	56	56
Total	\$ 672	\$ 1,615	\$ 164	\$ 44	\$ 93	\$ 56

(a) Includes \$400 million contribution in 2019 and \$1.4 billion contribution in 2018 to fund Plan A in the United States.

In January 2020, we made discretionary contributions of \$150 million to Plan A in the United States. In addition, in 2020, we expect to make non-discretionary contributions of approximately \$150 million to our U.S. and international pension benefit plans and approximately \$60 million for retiree medical benefits.

We regularly evaluate opportunities to reduce risk and volatility associated with our pension and retiree medical plans.

### ***Plan Assets***

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

For 2020 and 2019, our expected long-term rate of return on U.S. plan assets is 6.8% and 7.1%, respectively. Our target investment allocations for U.S. plan assets are as follows:

	2020	2019
Fixed income	50%	47%
U.S. equity	25%	29%
International equity	21%	20%
Real estate	4%	4%

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

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

Plan assets measured at fair value as of year-end 2019 and 2018 are categorized consistently by level, and are as follows:

	2019				2018
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>U.S. plan assets <sup>(a)</sup></b>					
Equity securities, including preferred stock <sup>(b)</sup>	\$ 6,605	\$ 6,605	\$ —	\$ —	\$ 5,605
Government securities <sup>(c)</sup>	2,154	—	2,154	—	1,674
Corporate bonds <sup>(c)</sup>	4,737	—	4,737	—	4,145
Mortgage-backed securities <sup>(c)</sup>	159	—	159	—	212
Contracts with insurance companies <sup>(d)</sup>	9	—	—	9	9
Cash and cash equivalents	275	275	—	—	215
Sub-total U.S. plan assets	13,939	\$ 6,880	\$ 7,050	\$ 9	11,860
Real estate commingled funds measured at net asset value <sup>(e)</sup>	605				618
Dividends and interest receivable, net of payables	60				65
Total U.S. plan assets	\$ 14,604				\$ 12,543
<b>International plan assets</b>					
Equity securities <sup>(b)</sup>	\$ 1,973	\$ 1,941	\$ 32	\$ —	\$ 1,651
Government securities <sup>(c)</sup>	524	—	524	—	433
Corporate bonds <sup>(c)</sup>	585	—	585	—	478
Fixed income commingled funds <sup>(f)</sup>	384	384	—	—	356
Contracts with insurance companies <sup>(d)</sup>	42	—	—	42	36
Cash and cash equivalents	24	24	—	—	27
Sub-total international plan assets	3,532	\$ 2,349	\$ 1,141	\$ 42	2,981
Real estate commingled funds measured at net asset value <sup>(e)</sup>	193				102
Dividends and interest receivable	7				7
Total international plan assets	\$ 3,732				\$ 3,090

- (a) 2019 and 2018 amounts include \$302 million and \$285 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 commingled funds are based on the published price of the fund and the U.S. commingled funds include one large-cap fund that represents 16% and 15% of total U.S. plan assets for 2019 and 2018, respectively. The preferred stock investments are based on quoted bid prices for comparable securities in the marketplace and broker/dealer quotes in active markets.
- (c) These investments are based on quoted bid prices for comparable securities in the marketplace and broker/dealer quotes in active markets. Corporate bonds of U.S.-based companies represent 28% of total U.S. plan assets for both 2019 and 2018.
- (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 28, 2019 and December 29, 2018.
- (e) The real estate commingled funds include investments in limited partnerships. These funds are based on the net asset value of the appraised value of investments owned by these funds as determined by independent third parties using inputs that are not observable. The majority of the funds are redeemable quarterly subject to availability of cash and have notice periods ranging from 45 to 90 days.
- (f) Based on the published price of the fund.

### Retiree Medical Cost Trend Rates

	2020	2019
Average increase assumed	6%	6%
Ultimate projected increase	5%	5%
Year of ultimate projected increase	2039	2039

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

**Savings Plan**

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

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

In 2019, 2018 and 2017, our total Company contributions were \$197 million, \$180 million and \$176 million, respectively.

**Note 8 — Debt Obligations**

The following table summarizes our debt obligations:

	<u>2019<sup>(a)</sup></u>	<u>2018<sup>(a)</sup></u>
<b><i>Short-term debt obligations</i><sup>(b)</sup></b>		
Current maturities of long-term debt	\$ 2,848	\$ 3,953
Other borrowings (6.4% and 6.0%)	72	73
	<u>\$ 2,920</u>	<u>\$ 4,026</u>
<b><i>Long-term debt obligations</i><sup>(b)</sup></b>		
Notes due 2019 (3.1%)	—	3,948
Notes due 2020 (2.7% and 3.9%)	2,840	3,784
Notes due 2021 (2.4% and 3.1%)	3,276	3,257
Notes due 2022 (2.7% and 2.8%)	3,831	3,802
Notes due 2023 (2.8% and 2.9%)	1,272	1,270
Notes due 2024 (3.4% and 3.2%)	1,839	1,816
Notes due 2025-2049 (3.4% and 3.7%)	18,910	14,345
Other, due 2019-2026 (1.3% and 1.3%)	28	26
	<u>31,996</u>	<u>32,248</u>
Less: current maturities of long-term debt obligations	<u>(2,848)</u>	<u>(3,953)</u>
Total	<u>\$ 29,148</u>	<u>\$ 28,295</u>

(a) Amounts are shown net of unamortized net discounts of \$163 million and \$119 million for 2019 and 2018, respectively.

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

As of December 28, 2019, our international debt of \$69 million was related to borrowings from external parties including various lines of credit. These lines of credit are subject to normal banking terms and conditions and are fully committed at least to the extent of our borrowings.

In 2019, we issued the following senior notes:

<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Amount<sup>(a)</sup></b>
0.750%	March 2027	€ 500 <sup>(b)</sup>
1.125%	March 2031	€ 500 <sup>(b)</sup>
2.625%	July 2029	\$ 1,000
3.375%	July 2049	\$ 1,000
0.875%	October 2039	€ 500 <sup>(b)</sup>
2.875%	October 2049	\$ 1,000

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

(b) These notes, issued in euros, were designated as net investment hedges 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, except for an amount equivalent to the net proceeds from our 2.875% senior notes due 2049 that will be used to fund, in whole or in part, eligible green projects in the categories of investments in sustainable plastics and packaging, decarbonizing our operations and supply chain and water sustainability, which promote our selected Sustainable Development Goals, as defined by the United Nations.

In 2019, we entered into a new five-year unsecured revolving credit agreement (Five-Year Credit Agreement) which expires on June 3, 2024. The Five-Year Credit Agreement enables us and our borrowing subsidiaries to borrow up to \$3.75 billion in U.S. dollars and/or euros, including a \$0.75 billion swing line subfacility for euro-denominated borrowings permitted to be borrowed on a same-day basis, subject to customary terms and conditions. We may request that commitments under this agreement be increased up to \$4.5 billion (or the equivalent amount in euros). Additionally, we may, once a year, request renewal of the agreement for an additional one-year period.

In 2019, we entered into a new 364-day unsecured revolving credit agreement (364-Day Credit Agreement) which expires on June 1, 2020. The 364-Day Credit Agreement enables us and our borrowing subsidiaries to borrow up to \$3.75 billion in U.S. dollars and/or euros, subject to customary terms and conditions. We may request that commitments under this agreement be increased up to \$4.5 billion (or the equivalent amount in euros). We may request renewal of this facility for an additional 364-day period or convert any amounts outstanding into a term loan for a period of up to one year, which would mature no later than the anniversary of the then effective termination date. The Five-Year Credit Agreement and the 364-Day Credit Agreement together replaced our \$3.75 billion five-year credit agreement and our \$3.75 billion 364-day credit agreement, both dated as of June 4, 2018. 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 28, 2019, there were no outstanding borrowings under the Five-Year Credit Agreement or the 364-Day Credit Agreement.

In 2019, we entered into two unsecured bridge loan facilities (Bridge Loan Facilities) which together enable one of our consolidated subsidiaries to borrow up to 25.0 billion South African rand, or approximately \$1.8 billion, to provide potential funding for our acquisition of Pioneer Foods. Each facility is available from the date the conditions precedent are met for the acquisition up through July 30, 2020 in the case of one facility and July 31, 2020 in the case of the other facility. Borrowings under the facilities are for up to one year once drawn and can be prepaid at any time. Interest rates are reset either every one month or three months. As of December 28, 2019, there were no outstanding borrowings under the Bridge Loan Facilities.

In 2019, we paid \$1.0 billion to redeem all \$1.0 billion outstanding principal amount of our 4.50% senior notes due 2020.

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

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

Also in 2018, we completed an exchange offer for certain notes issued by predecessors to a PepsiCo subsidiary for the following newly issued PepsiCo notes. These notes were issued in an aggregate principal amount equal to the exchanged notes:

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

As a result of the above transactions, we recorded a pre-tax charge of \$253 million (\$191 million after-tax or \$0.13 per share) to interest expense in 2018, primarily representing the tender price paid over the carrying value of the tendered notes.

## **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. The accounting for qualifying hedges allows changes in a hedging instrument's fair value to offset corresponding changes in the hedged item in the same reporting period that the hedged item impacts earnings. Gains or losses on derivatives designated as cash flow hedges are recorded in accumulated other comprehensive loss and reclassified to our income statement when the hedged transaction affects earnings. If it becomes probable that the hedged transaction will not occur, we immediately recognize the related hedging gains or losses in earnings; such gains or losses reclassified during the year ended December 28, 2019 were not material.

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.

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.

Certain of our agreements with our counterparties require us to post full collateral on derivative instruments in a net liability position if our credit rating is at A2 (Moody's Investors Service, Inc.) or A (S&P Global Ratings) and we have been placed on credit watch for possible downgrade or if our credit rating falls below these levels. The fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position on December 28, 2019 was \$415 million. We have posted no collateral under these contracts and no credit-risk-related contingent features were triggered as of December 28, 2019.

### *Commodity Prices*

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

Our commodity derivatives had a total notional value of \$1.1 billion as of December 28, 2019 and December 29, 2018.

### *Foreign Exchange*

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

Our foreign currency derivatives had a total notional value of \$1.9 billion as of December 28, 2019 and \$2.0 billion as of December 29, 2018. The total notional amount of our debt instruments designated as net investment hedges was \$2.5 billion as of December 28, 2019 and \$0.9 billion as of December 29, 2018. For foreign currency derivatives that do not qualify for hedge accounting treatment, 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 cross-currency interest rate swaps have terms of no more than twelve years. 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 \$5.0 billion as of December 28, 2019 and \$10.5 billion as of December 29, 2018.

As of December 28, 2019, approximately 9% of total debt, after the impact of the related interest rate derivative instruments, was subject to variable rates, compared to approximately 29% as of December 29, 2018.

### *Available-for-Sale Securities*

Investments in debt securities are classified as available-for-sale. All highly liquid investments with original maturities of three months or less are classified as cash equivalents. Our investments in available-for-sale debt securities are reported at fair value. Unrealized gains and losses related to changes in the fair value of available-for-sale debt securities are recognized in accumulated other comprehensive loss within common shareholders' equity. Unrealized gains and losses on our investments in debt securities as of December 28, 2019 and December 29, 2018 were not material. Changes in the fair value of available-for-sale debt securities impact net income only when such securities are sold or an other-than-temporary impairment is recognized. We recorded no other-than-temporary impairment charges on our available-for-sale debt securities for the years ended December 28, 2019, December 29, 2018 and December 30, 2017.

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

### Fair Value Measurements

The fair values of our financial assets and liabilities as of December 28, 2019 and December 29, 2018 are categorized as follows:

	Fair Value Hierarchy Levels <sup>(a)</sup>	2019		2018	
		Assets <sup>(a)</sup>	Liabilities <sup>(a)</sup>	Assets <sup>(a)</sup>	Liabilities <sup>(a)</sup>
Available-for-sale debt securities <sup>(b)</sup>	2	\$ —	\$ —	\$ 3,658	\$ —
Short-term investments <sup>(c)</sup>	1	\$ 229	\$ —	\$ 196	\$ —
Prepaid forward contracts <sup>(d)</sup>	2	\$ 17	\$ —	\$ 22	\$ —
Deferred compensation <sup>(e)</sup>	2	\$ —	\$ 468	\$ —	\$ 450
<b>Derivatives designated as fair value hedging instruments:</b>					
Interest rate <sup>(f)</sup>	2	\$ —	\$ 5	\$ 1	\$ 108
<b>Derivatives designated as cash flow hedging instruments:</b>					
Foreign exchange <sup>(g)</sup>	2	\$ 5	\$ 32	\$ 44	\$ 14
Interest rate <sup>(g)</sup>	2	—	390	—	323
Commodity <sup>(h)</sup>	1	2	5	—	1
Commodity <sup>(i)</sup>	2	2	5	—	3
		<u>\$ 9</u>	<u>\$ 432</u>	<u>\$ 44</u>	<u>\$ 341</u>
<b>Derivatives not designated as hedging instruments:</b>					
Foreign exchange <sup>(g)</sup>	2	\$ 3	\$ 2	\$ 3	\$ 10
Commodity <sup>(h)</sup>	1	23	7	2	17
Commodity <sup>(i)</sup>	2	6	24	5	92
		<u>\$ 32</u>	<u>\$ 33</u>	<u>\$ 10</u>	<u>\$ 119</u>
Total derivatives at fair value <sup>(i)</sup>		<u>\$ 41</u>	<u>\$ 470</u>	<u>\$ 55</u>	<u>\$ 568</u>
<b>Total</b>		<u>\$ 287</u>	<u>\$ 938</u>	<u>\$ 3,931</u>	<u>\$ 1,018</u>

- (a) Fair value hierarchy levels are defined in Note 7. Unless otherwise noted, financial assets are classified on our balance sheet within prepaid expenses and other current assets and other assets. Financial liabilities are classified on our balance sheet within accounts payable and other current liabilities and other liabilities.
- (b) Based on quoted broker prices or other significant inputs derived from or corroborated by observable market data. As of December 29, 2018, these debt securities were primarily classified as cash equivalents. The decrease in available-for-sale debt securities was due to maturities and sales during the current year.
- (c) Based on the price of index funds. These investments are classified as short-term investments and are used to manage a portion of market risk arising from our deferred compensation liability.
- (d) Based primarily on the price of our common stock.
- (e) Based on the fair value of investments corresponding to employees' investment elections.
- (f) Based on LIBOR forward rates. As of December 28, 2019 and December 29, 2018, the carrying amount of hedged fixed-rate debt was \$2.2 billion and \$7.7 billion, respectively, and classified on our balance sheet within short-term and long-term debt obligations. As of December 28, 2019, the cumulative amount of fair value hedging adjustments to hedged fixed-rate debt was \$5 million. As of December 28, 2019, the cumulative amount of fair value hedging adjustments on discontinued hedges was a \$49 million loss, which is being amortized over the remaining life of the related debt obligations.
- (g) Based on recently reported market transactions of spot and forward rates.
- (h) Based on quoted contract prices on futures exchange markets.
- (i) Based on recently reported market transactions of swap arrangements.
- (j) Derivative assets and liabilities are presented on a gross basis on our balance sheet. Amounts subject to enforceable master netting arrangements or similar agreements which are not offset on the balance sheet as of December 28, 2019 and December 29, 2018 were not material. Collateral received or posted against our asset or liability positions is classified as restricted cash. See Note 15 for further information.

The carrying amounts of our cash and cash equivalents and short-term investments approximate fair value due to their short-term maturity. The fair value of our debt obligations as of December 28, 2019 and

December 29, 2018 was \$34 billion and \$32 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:

	<b>Fair Value/Non-designated Hedges</b>		<b>Cash Flow and Net Investment Hedges</b>			
	<b>Losses/(Gains) Recognized in Income Statement<sup>(a)</sup></b>		<b>Losses/(Gains) Recognized in Accumulated Other Comprehensive Loss</b>		<b>Losses/(Gains) Reclassified from Accumulated Other Comprehensive Loss into Income Statement<sup>(b)</sup></b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Foreign exchange	\$ (1)	\$ 9	\$ 57	\$ (52)	\$ 3	\$ (8)
Interest rate	(64)	53	67	110	7	119
Commodity	(17)	117	7	3	4	—
Net investment	—	—	(30)	(77)	—	—
<b>Total</b>	<b>\$ (82)</b>	<b>\$ 179</b>	<b>\$ 101</b>	<b>\$ (16)</b>	<b>\$ 14</b>	<b>\$ 111</b>

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

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

Based on current market conditions, we expect to reclassify net losses of \$47 million related to our cash flow hedges from accumulated other comprehensive loss into net income during the next 12 months.

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

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

	2019		2018		2017	
	Income	Shares <sup>(a)</sup>	Income	Shares <sup>(a)</sup>	Income	Shares <sup>(a)</sup>
Net income attributable to PepsiCo	\$ 7,314		\$ 12,515		\$ 4,857	
Preferred stock:						
Redemption premium <sup>(b)</sup>	—		(2)		(4)	
Net income available for PepsiCo common shareholders	\$ 7,314	1,399	\$ 12,513	1,415	\$ 4,853	1,425
Basic net income attributable to PepsiCo per common share	\$ 5.23		\$ 8.84		\$ 3.40	
Net income available for PepsiCo common shareholders	\$ 7,314	1,399	\$ 12,513	1,415	\$ 4,853	1,425
Dilutive securities:						
Stock options, RSUs, PSUs, PEPunits and Other <sup>(c)</sup>	—	8	—	10	—	12
Employee stock ownership plan (ESOP) convertible preferred stock	—	—	2	—	4	1
Diluted	\$ 7,314	1,407	\$ 12,515	1,425	\$ 4,857	1,438
Diluted net income attributable to PepsiCo per common share	\$ 5.20		\$ 8.78		\$ 3.38	

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

(b) See Note 11 for further information.

(c) The dilutive effect of these securities is calculated using the treasury stock method.

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

	2019	2018	2017
Out-of-the-money options <sup>(a)</sup>	0.3	0.7	0.4
Average exercise price per option	\$ 117.55	\$ 109.83	\$ 110.12

(a) In millions.

## Note 11 — Preferred Stock

In connection with our merger with The Quaker Oats Company (Quaker) in 2001, shares of our convertible preferred stock were authorized and issued to an ESOP fund established by Quaker. Quaker made the final award to its ESOP in June 2001.

In 2018, all of the outstanding shares of our convertible preferred stock were converted into an aggregate of 550,102 shares of our common stock. As a result, there are no shares of our convertible preferred stock outstanding as of December 29, 2018 and our convertible preferred stock is retired for accounting purposes.

As of December 30, 2017, there were 3 million shares of convertible preferred stock authorized, 803,953 preferred shares issued and 114,753 shares outstanding. The outstanding preferred shares had a fair value of \$68 million as of December 30, 2017.

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

## Note 12 — Accumulated Other Comprehensive Loss Attributable to PepsiCo

The changes in the balances of each component of accumulated other comprehensive loss attributable to PepsiCo are as follows:

	Currency Translation Adjustment	Cash Flow Hedges	Pension and Retiree Medical	Available- For-Sale Securities	Other	Accumulated Other Comprehensive Loss Attributable to PepsiCo
Balance as of December 31, 2016 <sup>(a)</sup>	\$ (11,386)	\$ 83	\$ (2,645)	\$ 64	\$ (35)	\$ (13,919)
Other comprehensive (loss)/income before reclassifications <sup>(b)</sup>	1,049	130	(375)	25	—	829
Amounts reclassified from accumulated other comprehensive loss	—	(171)	158	(99)	—	(112)
Net other comprehensive (loss)/income	1,049	(41)	(217)	(74)	—	717
Tax amounts	60	5	58	6	16	145
Balance as of December 30, 2017 <sup>(a)</sup>	(10,277)	47	(2,804)	(4)	(19)	(13,057)
Other comprehensive (loss)/income before reclassifications <sup>(c)</sup>	(1,664)	(61)	(813)	6	—	(2,532)
Amounts reclassified from accumulated other comprehensive loss	44	111	218	—	—	373
Net other comprehensive (loss)/income	(1,620)	50	(595)	6	—	(2,159)
Tax amounts	(21)	(10)	128	—	—	97
Balance as of December 29, 2018 <sup>(a)</sup>	(11,918)	87	(3,271)	2	(19)	(15,119)
Other comprehensive (loss)/income before reclassifications <sup>(d)</sup>	636	(131)	(89)	(2)	—	414
Amounts reclassified from accumulated other comprehensive loss	—	14	468	—	—	482
Net other comprehensive (loss)/income	636	(117)	379	(2)	—	896
Tax amounts	(8)	27	(96)	—	—	(77)
Balance as of December 28, 2019 <sup>(a)</sup>	<b>\$ (11,290)</b>	<b>\$ (3)</b>	<b>\$ (2,988)</b>	<b>\$ —</b>	<b>\$ (19)</b>	<b>\$ (14,300)</b>

(a) Pension and retiree medical amounts are net of taxes of \$1,280 million as of December 31, 2016, \$1,338 million as of December 30, 2017, \$1,466 million as of December 29, 2018 and \$1,370 million as of December 28, 2019.

(b) Currency translation adjustment primarily reflects the appreciation of the euro, Russian ruble, Pound sterling and Canadian dollar.

(c) Currency translation adjustment primarily reflects the depreciation of the Russian ruble, Canadian dollar, Pound sterling and Brazilian real.

(d) Currency translation adjustment primarily reflects the appreciation of the Russian ruble, Canadian dollar, Mexican peso and Pound sterling.

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
	2019	2018	2017	
Currency translation:				
Divestitures	\$ —	\$ 44	\$ —	Selling, general and administrative expenses
Cash flow hedges:				
Foreign exchange contracts	\$ 1	\$ (1)	\$ —	Net revenue
Foreign exchange contracts	2	(7)	10	Cost of sales
Interest rate derivatives	7	119	(184)	Interest expense
Commodity contracts	3	3	4	Cost of sales
Commodity contracts	1	(3)	(1)	Selling, general and administrative expenses
Net losses/(gains) before tax	14	111	(171)	
Tax amounts	(2)	(27)	64	
Net losses/(gains) after tax	\$ 12	\$ 84	\$ (107)	
Pension and retiree medical items:				
Amortization of net prior service credit	\$ (9)	\$ (17)	\$ (24)	Other pension and retiree medical benefits (expense)/income
Amortization of net losses	169	216	167	Other pension and retiree medical benefits (expense)/income
Settlement/curtailment losses	308	19	15	Other pension and retiree medical benefits (expense)/income
Net losses before tax	468	218	158	
Tax amounts	(102)	(45)	(44)	
Net losses after tax	\$ 366	\$ 173	\$ 114	
Available-for-sale securities:				
Sale of Britvic securities	\$ —	\$ —	\$ (99)	Selling, general and administrative expenses
Tax amount	—	—	10	
Net gain after tax	\$ —	\$ —	\$ (89)	
Total net losses/(gains) reclassified for the year, net of tax	\$ 378	\$ 301	\$ (82)	

### Note 13 — Leases

#### Lessee

We determine whether an arrangement is a lease at inception. We have operating leases for plants, warehouses, distribution centers, storage facilities, offices and other facilities, as well as machinery and equipment, including fleet. Our leases generally have remaining lease terms of up to 20 years, some of which include options to extend the lease term for up to five years, and some of which include options to terminate the lease within one year. We consider these options in determining the lease term used to establish our right-of-use

assets and lease liabilities. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

We have lease agreements that contain both lease and non-lease components. For real estate leases, we account for lease components together with non-lease components (e.g., common-area maintenance).

Components of lease cost are as follows:

	<b>2019</b>
Operating lease cost <sup>(a)</sup>	\$ 474
Variable lease cost <sup>(b)</sup>	\$ 101
Short-term lease cost <sup>(c)</sup>	\$ 379

(a) Includes right-of-use asset amortization of \$412 million.

(b) Primarily related to adjustments for inflation, common-area maintenance and property tax.

(c) Not recorded on our balance sheet.

In 2019, we recognized gains of \$77 million on sale-leaseback transactions with terms under four years.

Supplemental cash flow information and non-cash activity related to our operating leases are as follows:

	<b>2019</b>
<b>Operating cash flow information:</b>	
Cash paid for amounts included in the measurement of lease liabilities	\$ 478
<b>Non-cash activity:</b>	
Right-of-use assets obtained in exchange for lease obligations	\$ 479

Supplemental balance sheet information related to our operating leases is as follows:

	<b>Balance Sheet Classification</b>	<b>2019</b>
Right-of-use assets	Other assets	\$ 1,548
Current lease liabilities	Accounts payable and other current liabilities	\$ 442
Non-current lease liabilities	Other liabilities	\$ 1,118

Weighted-average remaining lease term and discount rate for our operating leases are as follows:

	<b>2019</b>
Weighted-average remaining lease term	<b>6 years</b>
Weighted-average discount rate	<b>4%</b>

Maturities of lease liabilities by year for our operating leases are as follows:

2020	\$ 501
2021	374
2022	280
2023	183
2024	117
2025 and beyond	308
Total lease payments	1,763
Less: Imputed interest	(203)
Present value of lease liabilities	\$ 1,560

As of December 29, 2018, minimum lease payments under non-cancelable operating leases by period were expected to be as follows:

2019	\$	459
2020		406
2021		294
2022		210
2023		161
2024 and beyond		310
Total	\$	<u>1,840</u>

A summary of rent expense for the years ended December 29, 2018 and December 30, 2017 is as follows:

		2018	2017
Rent expense	\$	<u>771</u>	<u>\$ 742</u>

### ***Lessor***

We have various arrangements for certain foodservice and vending equipment under which we are the lessor. These leases meet the criteria for operating lease classification. Lease income associated with these leases is not material.

### **Note 14 — Acquisitions and Divestitures**

#### ***Acquisition of Pioneer Food Group Ltd.***

On July 19, 2019, we entered into an agreement to acquire all of the outstanding shares of Pioneer Foods, a food and beverage company in South Africa with exports to countries across the globe, for 110.00 South African rand per share in cash, in a transaction valued at approximately \$1.7 billion. Also in 2019, one of our consolidated subsidiaries entered into Bridge Loan Facilities to provide potential funding for our acquisition of Pioneer Foods. See Note 8 for further information.

The transaction is subject to certain regulatory approvals and other customary conditions and is expected to be recorded primarily in the AMESA segment. Closing is expected in the first half of 2020.

#### ***Acquisition of SodaStream International Ltd.***

On December 5, 2018, we acquired all of the outstanding shares of SodaStream, a manufacturer and distributor of sparkling water makers, for \$144.00 per share in cash, in a transaction valued at approximately \$3.3 billion. The total consideration transferred was approximately \$3.3 billion (or \$3.2 billion, net of cash and cash equivalents acquired).

We accounted for the transaction as a business combination. We recognized and measured the identifiable assets acquired and liabilities assumed at their estimated fair values on the date of acquisition. The purchase price allocation was finalized in the fourth quarter of 2019.

The following table summarizes the fair value of identifiable assets acquired and liabilities assumed in the acquisition of SodaStream and the resulting goodwill as of the acquisition date, all of which are recorded in the Europe segment.

Inventories	\$	176
Property, plant and equipment		193
Amortizable intangible assets		284
Nonamortizable intangible asset (brand)		1,840
Other assets and liabilities		210
Net deferred income taxes		(303)
Total identifiable net assets	\$	2,400
Goodwill		943
<b>Total purchase price</b>	<b>\$</b>	<b>3,343</b>

Goodwill is calculated as the excess of the aggregate of the fair value of the consideration transferred over the fair value of the net assets recognized. The goodwill recorded as part of the acquisition of SodaStream primarily reflects the value of expected synergies from our product portfolios and is not deductible for tax purposes.

### ***Refranchising in Thailand***

In 2018, we refranchised our beverage business in Thailand by selling a controlling interest in our Thailand bottling operations to form a joint venture, where we now have an equity method investment. We recorded a pre-tax gain of \$144 million (\$126 million after-tax or \$0.09 per share) in selling, general and administrative expenses in our APAC segment as a result of this transaction.

### ***Refranchising in Czech Republic, Hungary, and Slovakia***

In 2018, we refranchised our entire beverage bottling operations and snack distribution operations in CHS. We recorded a pre-tax gain of \$58 million (\$46 million after-tax or \$0.03 per share) in selling, general and administrative expenses in our Europe segment as a result of this transaction.

### ***Refranchising in Jordan***

In 2017, we refranchised our beverage business in Jordan by selling a controlling interest in our Jordan bottling operations to form a joint venture, where we now have an equity method investment. We recorded a pre-tax gain of \$140 million (\$107 million after-tax or \$0.07 per share) in selling, general and administrative expenses in our AMESA segment as a result of this transaction.

### ***Inventory Fair Value Adjustments and Merger and Integration Charges***

In 2019, we recorded inventory fair value adjustments and merger and integration charges of \$55 million (\$47 million after-tax or \$0.03 per share), including \$46 million in our Europe segment, \$7 million in our AMESA segment and \$2 million in corporate unallocated expenses. These charges are primarily related to fair value adjustments to the acquired inventory included in SodaStream's balance sheet at the acquisition date, recorded in cost of sales, as well as merger and integration charges, including employee-related costs, recorded in selling, general and administrative expenses.

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

**Note 15 — Supplemental Financial Information**

***Balance Sheet***

	2019	2018	2017
<b><i>Accounts and notes receivable</i></b>			
Trade receivables	\$ 6,447	\$ 6,079	
Other receivables	1,480	1,164	
Total	<u>7,927</u>	<u>7,243</u>	
Allowance, beginning of year	101	129	\$ 134
Net amounts charged to expense	22	16	26
Deductions <sup>(a)</sup>	(30)	(33)	(35)
Other <sup>(b)</sup>	12	(11)	4
Allowance, end of year	<u>105</u>	<u>101</u>	<u>\$ 129</u>
Net receivables	<u>\$ 7,822</u>	<u>\$ 7,142</u>	
<b><i>Inventories</i> <sup>(c)</sup></b>			
Raw materials and packaging	\$ 1,395	\$ 1,312	
Work-in-process	200	178	
Finished goods	1,743	1,638	
Total	<u>\$ 3,338</u>	<u>\$ 3,128</u>	
<b><i>Other assets</i></b>			
Noncurrent notes and accounts receivable	\$ 85	\$ 86	
Deferred marketplace spending	147	112	
Pension plans <sup>(d)</sup>	846	269	
Right-of-use assets <sup>(e)</sup>	1,548	—	
Other	385	293	
Total	<u>\$ 3,011</u>	<u>\$ 760</u>	
<b><i>Accounts payable and other current liabilities</i></b>			
Accounts payable	\$ 8,013	\$ 7,213	
Accrued marketplace spending	2,765	2,541	
Accrued compensation and benefits	1,835	1,755	
Dividends payable	1,351	1,329	
SodaStream consideration payable	58	1,997	
Current lease liabilities <sup>(e)</sup>	442	—	
Other current liabilities	3,077	3,277	
Total	<u>\$ 17,541</u>	<u>\$ 18,112</u>	

(a) Includes accounts written off.

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

(c) Approximately 7% and 5% of the inventory cost in 2019 and 2018, respectively, were computed using the LIFO method. The differences between LIFO and FIFO methods of valuing these inventories were not material.

(d) See Note 7 for further information.

(e) See Note 13 for further information.

## Statement of Cash Flows

	2019	2018	2017
Interest paid <sup>(a)</sup>	\$ 1,076	\$ 1,388	\$ 1,123
Income taxes paid, net of refunds <sup>(b)</sup>	\$ 2,226	\$ 1,203	\$ 1,962

(a) In 2018, excludes the premiums paid in accordance with the debt transactions discussed in Note 8.

(b) In 2019 and 2018, includes tax payments of \$423 million and \$115 million, respectively, related to the TCJ Act.

The following table provides a reconciliation of cash and cash equivalents and restricted cash as reported within the balance sheet to the same items as reported in the cash flow statement.

	2019	2018
Cash and cash equivalents	\$ 5,509	\$ 8,721
Restricted cash <sup>(a)</sup>	—	1,997
Restricted cash included in other assets <sup>(b)</sup>	61	51
Total cash and cash equivalents and restricted cash	<u>\$ 5,570</u>	<u>\$ 10,769</u>

(a) In 2018, primarily represents consideration held by our paying agent in connection with our acquisition of SodaStream.

(b) Primarily relates to collateral posted against our derivative asset or liability positions.

## Note 16 — Selected Quarterly Financial Data (unaudited)

Selected financial data for 2019 and 2018 is summarized as follows and highlights certain items that impacted our quarterly results:

	2019				2018			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net revenue	\$ 12,884	\$ 16,449	\$ 17,188	\$ 20,640	\$ 12,562	\$ 16,090	\$ 16,485	\$ 19,524
Gross profit	\$ 7,196	\$ 9,045	\$ 9,494	\$ 11,294	\$ 6,907	\$ 8,827	\$ 8,958	\$ 10,588
Operating profit	\$ 2,008	\$ 2,729	\$ 2,855	\$ 2,699	\$ 1,807	\$ 3,028	\$ 2,844	\$ 2,431
Mark-to-market net impact <sup>(a)</sup>	\$ 60	\$ (6)	\$ (4)	\$ 62	\$ (31)	\$ 3	\$ (29)	\$ (106)
Restructuring and impairment charges <sup>(b)</sup>	\$ (26)	\$ (158)	\$ (98)	\$ (88)	\$ (12)	\$ (32)	\$ (35)	\$ (229)
Inventory fair value adjustments and merger and integration charges <sup>(c)</sup>	\$ (15)	\$ (24)	\$ (7)	\$ (9)	—	—	—	\$ (75)
Pension-related settlement charges <sup>(d)</sup>	—	—	—	\$ (273)	—	—	—	—
Net tax related to the TCJ Act <sup>(e)</sup>	\$ 29	—	—	\$ (21)	\$ (1)	\$ (777)	\$ (76)	\$ 882
Gains on sale of assets <sup>(f)</sup>	—	\$ 32	—	\$ 45	\$ 18	\$ 9	\$ 37	\$ 12
Other net tax benefits <sup>(g)</sup>	—	—	—	—	—	\$ 314	\$ 364	\$ 4,386
Charges related to cash tender and exchange offers <sup>(h)</sup>	—	—	—	—	—	—	—	\$ (253)
Tax reform bonus <sup>(i)</sup>	—	—	—	—	\$ (87)	—	—	—
Gains on beverage refranchising <sup>(j)</sup>	—	—	—	—	—	\$ 144	—	\$ 58
Provision for/(benefit from) income taxes <sup>(e)(f)</sup>	\$ 446	\$ 524	\$ 559	\$ 430	\$ 304	\$ 1,070	\$ 188	\$ (4,932)
Net income attributable to PepsiCo	\$ 1,413	\$ 2,035	\$ 2,100	\$ 1,766	\$ 1,343	\$ 1,820	\$ 2,498	\$ 6,854
Net income attributable to PepsiCo per common share								
Basic	\$ 1.01	\$ 1.45	\$ 1.50	\$ 1.27	\$ 0.94	\$ 1.28	\$ 1.77	\$ 4.86
Diluted	\$ 1.00	\$ 1.44	\$ 1.49	\$ 1.26	\$ 0.94	\$ 1.28	\$ 1.75	\$ 4.83
Cash dividends declared per common share	\$ 0.9275	\$ 0.955	\$ 0.955	\$ 0.955	\$ 0.805	\$ 0.9275	\$ 0.9275	\$ 0.9275

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

(b) Expenses related to the 2019 and 2014 Productivity Plans. See Note 3 to our consolidated financial statements for further information.

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- (c) In 2019, inventory fair value adjustments and merger and integration charges primarily related to our acquisition of SodaStream. In 2018, merger and integration charges related to our acquisition of SodaStream. See Note 14 to our consolidated financial statements for further information.
- (d) In 2019, pension settlement charges of \$220 million related to the purchase of a group annuity contract and settlement charges of \$53 million related to one-time lump sum payments to certain former employees who had vested benefits, recorded in other pension and retiree medical benefits expense/income. See Note 7 to our consolidated financial statements for further information.
- (e) Net tax related to the TCJ Act. See Note 5 to our consolidated financial statements for further information.
- (f) In 2019, gains associated with the sale of assets in the following segments: \$31 million in FLNA and \$46 million in PBNA. In 2018, gains associated with the sale of assets in the following segments: \$64 million in PBNA and \$12 million in AMESA.
- (g) In 2018, other net tax benefits of \$4.3 billion resulting from the reorganization of our international operations, including the intercompany transfer of certain intangible assets. Also in 2018, non-cash tax benefits of \$717 million associated with both the conclusion of certain international tax audits and our agreement with the IRS resolving all open matters related to the audits of taxable years 2012 and 2013. See Note 5 to our consolidated financial statements for further information.
- (h) In 2018, interest expense in connection with our cash tender and exchange offers, primarily representing the tender price paid over the carrying value of the tendered notes. See Note 8 to our consolidated financial statements for further information.
- (i) In 2018, bonus extended to certain U.S. employees related to the TCJ Act in the following segments: \$44 million in FLNA, \$2 million in QFNA and \$41 million in PBNA.
- (j) In 2018, gains of \$58 million and \$144 million associated with refranchising our entire beverage bottling operations and snack distribution operations in CHS in the Europe segment and refranchising a portion of our beverage business in Thailand in the APAC segment, respectively. See Note 14 to our consolidated financial statements for further information.

## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and Board of Directors  
PepsiCo, Inc.:

### **Opinions on the Consolidated Financial Statements and Internal Control over Financial Reporting**

We have audited the accompanying Consolidated Balance Sheet of PepsiCo, Inc. and Subsidiaries (the Company) as of December 28, 2019 and December 29, 2018, 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 28, 2019 and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 28, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 28, 2019 and December 29, 2018, and the results of its operations and its cash flows for each of the fiscal years in the three-year period ended December 28, 2019, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 28, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

### **Basis for Opinions**

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

## **Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## **Critical Audit Matters**

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### ***Evaluation of certain sales incentive accruals***

As discussed in Note 2 of the consolidated financial statements, the Company offers sales incentives and discounts through various programs to customers and consumers. A number of the sales incentives are based on annual targets, resulting in the need to accrue for the expected liability. These incentives are accrued for in the "Accounts payable and other current liabilities" line on the balance sheet. These accruals are based on sales incentive agreements, expectations regarding customer and consumer participation and performance levels, and historical experience and trends.

We identified the evaluation of certain of the Company's sales incentive accruals as a critical audit matter. Subjective and complex auditor judgment is required in evaluating these sales incentive accruals as a result of the timing difference between when the product is delivered and when the incentive is settled. This specifically related to (1) forecasted customer and consumer participation and performance level assumptions underlying the accrual, and (2) the impact of historical experience and trends.

The primary procedures that we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's sales incentive process, including (1) the accrual methodology, (2) assumptions around forecasted customer and consumer participation, (3) performance levels, and (4) monitoring of actual sales incentives incurred compared to estimated sales incentives in respect of historical periods. To evaluate the timing and amount of certain accrued sales incentives we (1) analyzed the accrual by sales incentive type as compared to historical trends to identify specific sales incentives that may require additional testing, (2) recalculated expenses and closing accruals on a sample basis, based on volumes sold and terms of the sales incentives, (3) assessed the Company's ability to accurately estimate its sales incentive accrual by comparing previously established accruals

to actual settlements, and (4) tested a sample of settlements or claims that occurred after period end, and compared them to the recorded sales incentive accrual.

***Assessment of the carrying value of certain reacquired and acquired franchise rights and certain juice and dairy brands***

As discussed in Notes 2 and 4 to the consolidated financial statements, the Company performs impairment testing of its indefinite-lived intangible assets on an annual basis during the third quarter of each fiscal year and whenever events and changes in circumstances indicate that there is a greater than 50% likelihood that the asset is impaired. The carrying value of indefinite-lived intangible assets as of December 28, 2019 was \$30.1 billion which represents 38% of total assets, and includes PepsiCo Beverages North America's (PBNA) reacquired and acquired franchise rights which had a carrying value of \$8.6 billion as of December 28, 2019.

We identified the assessment of the carrying value of PBNA's reacquired and acquired franchise rights and certain of Europe's juice and dairy brands in Russia as a critical audit matter. Significant auditor judgment is necessary to assess the impact of competitive operating and macroeconomic factors on future levels of sales, operating profit and cash flows. The impairment analysis of these indefinite-lived intangible assets requires significant auditor judgment to evaluate the Company's forecasted revenue and profitability levels, including the expected long-term growth rates and the selection of the discount rates to be applied to the projected cash flows.

The primary procedures that we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's indefinite-lived assets impairment process to develop the forecasted revenue, profitability levels, and expected long-term growth rates and select the discount rates to be applied to the projected cash flows. We also evaluated the sensitivity of the Company's conclusion to changes in assumptions, including the assessment of changes in assumptions from prior periods. To assess the Company's ability to accurately forecast, we compared the Company's historical forecasted results to actual results. We compared the cash flow projections used in the impairment tests with available external industry data and other internal information. We involved valuation professionals with specialized skills and knowledge who assisted in evaluating (1) the long-term growth rates used in the impairment tests by comparing against economic data and information specific to the respective assets, including projected long-term nominal Gross Domestic Product growth in the respective local countries, and (2) the discount rates used in the impairment tests by comparing them against discount rates that were independently developed using publicly available market data, including that of comparable companies.

***Evaluation of unrecognized tax benefits***

As discussed in Note 5 to the consolidated financial statements, the Company's global operating model gives rise to income tax obligations in the United States and in certain foreign jurisdictions in which it operates. As of December 28, 2019, the Company recorded reserves for unrecognized tax benefits of \$1.4 billion. The Company establishes reserves if it believes that certain positions taken in its tax returns are subject to challenge and the Company likely will not succeed, even though the Company believes the tax return position is supportable under the tax law. The Company adjusts these reserves, as well as the related interest, in light of new information, such as the progress of a tax examination, or new tax law or tax authority settlements.

We identified the evaluation of the Company's unrecognized tax benefits as a critical audit matter because the application of tax law and interpretation of a tax authority's settlement history is complex and involves subjective judgment. Such judgments impact both the timing and amount of the reserves that are recognized, including judgments about re-measuring liabilities for positions taken in prior years' tax returns in light of new information.

The primary procedures that we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's unrecognized tax benefits process, including controls to (1) identify uncertain income tax positions, (2) evaluate the tax law and tax authority's settlement history used to estimate the unrecognized tax benefits, and (3) monitor for new information that may give rise to changes to the existing unrecognized tax benefits, such as progress of a tax examination, new tax law or tax authority settlements. We involved tax and valuation professionals with specialized skills and knowledge, who assisted in assessing the unrecognized tax benefits by (1) evaluating the Company's tax structure and transactions, including transfer pricing arrangements, and (2) assessing the Company's interpretation of existing tax law as well as new and amended tax laws, tax positions taken, and associated external counsel opinions.

/s/ KPMG LLP

We have served as the Company's auditor since 1990.

New York, New York

February 13, 2020

## 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.

**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.

**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 impact:** 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, foreign exchange translation and, when applicable, the impact of the 53<sup>rd</sup> reporting week. 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 further information. Starting in 2018, our reported results reflect the accounting policy election taken in conjunction with the adoption of the revenue recognition guidance to exclude from net revenue and cost of sales all sales, use, value-added and certain excise taxes assessed by governmental authorities on revenue-producing transactions not already excluded. Our 2018 organic revenue growth excludes the impact of these taxes previously recognized in net revenue.

**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 28, 2019.

**Attestation Report of the Registered Public Accounting Firm.** KPMG LLP, an independent registered public accounting firm, has audited the consolidated financial statements included in this Annual Report on Form 10-K and, as part of their audit, has issued their report, included herein, on the effectiveness of our internal control over financial reporting.

**(c) Changes in Internal Control over Financial Reporting.** Except as discussed, there have been no changes in our internal control over financial reporting during our fourth quarter of 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

During our fourth quarter of 2019, we continued migrating certain of our financial processing systems to an enterprise-wide systems solution. These systems implementations are part of our ongoing global business transformation initiative, and we plan to continue implementing such systems throughout other parts of our businesses. In addition, in connection with our 2019 multi-year productivity plan, we continue to migrate to shared business models across our operations to further simplify, harmonize and automate processes. In connection with these implementations and resulting business process changes, we continue to enhance the design and documentation of our internal control over financial reporting processes to maintain effective controls over our financial reporting. These transitions have not materially affected, and we do not expect

them to materially affect, our internal control over financial reporting.

**Item 9B. Other Information.**

Not applicable.

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance.**

Information about our directors and persons nominated to become directors is contained under the caption “Election of Directors” in our Proxy Statement for our 2020 Annual Meeting of Shareholders to be filed with the SEC within 120 days of the year ended December 28, 2019 (the 2020 Proxy Statement) and is incorporated herein by reference. Information about our executive officers is reported under the caption “Information About Executive Officers” in Part I of this report.

Information on beneficial ownership reporting compliance will be contained under the caption “Ownership of PepsiCo Common Stock - Delinquent Section 16(a) Reports,” if applicable, in our 2020 Proxy Statement and is incorporated herein by reference.

We have a written code of conduct that applies to all of our employees, including our Chairman of the Board of Directors and Chief Executive Officer, Chief Financial Officer and Controller, and to our Board of Directors. Our Global Code of Conduct is distributed to all employees and is available on our website at <http://www.pepsico.com>. A copy of our Global Code of Conduct may be obtained free of charge by writing to Investor Relations, PepsiCo, Inc., 700 Anderson Hill Road, Purchase, New York 10577. Any amendment to our Global Code of Conduct and any waiver applicable to our executive officers or senior financial officers will be posted on our website within the time period required by the SEC and applicable rules of The Nasdaq Stock Market LLC.

Information about the procedures by which security holders may recommend nominees to our Board of Directors can be found in our 2020 Proxy Statement under the caption “Board Composition and Refreshment – Shareholder Recommendations and Nominations of Director Candidates” and is incorporated herein by reference.

Information concerning the composition of the Audit Committee and our Audit Committee financial experts is contained in our 2020 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 2020 Proxy Statement under the captions “2019 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 2020 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 2020 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 2020 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 2020 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 28, 2019, December 29, 2018 and December 30, 2017

Consolidated Statement of Comprehensive Income – Fiscal years ended December 28, 2019, December 29, 2018 and December 30, 2017

Consolidated Statement of Cash Flows – Fiscal years ended December 28, 2019, December 29, 2018 and December 30, 2017

Consolidated Balance Sheet – December 28, 2019 and December 29, 2018

Consolidated Statement of Equity – Fiscal years ended December 28, 2019, December 29, 2018 and December 30, 2017

Notes to Consolidated Financial Statements, and  
Report of Independent Registered Public Accounting Firm.

(a)2. Financial Statement Schedules

These schedules are omitted because they are not required or because the information is set forth in the financial statements or the notes thereto.

(a)3. Exhibits

See Index to Exhibits.

**Item 16. Form 10-K Summary.**

None.

**INDEX TO EXHIBITS  
ITEM 15(a)(3)**

The following is a list of the exhibits filed as part of this Form 10-K. The documents incorporated by reference can be viewed on the SEC's website at <http://www.sec.gov>.

**EXHIBIT**

- 3.1 [Amended and Restated Articles of Incorporation of PepsiCo, Inc., effective as of May 1, 2019, 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 3, 2019.](#)
- 3.2 [By-laws of PepsiCo, Inc., as amended and restated, effective as of January 11, 2016, which are incorporated herein by reference to Exhibit 3.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 11, 2016.](#)
- 4.1 PepsiCo, Inc. agrees to furnish to the Securities and Exchange Commission, upon request, a copy of any instrument, not otherwise filed herewith, defining the rights of holders of long-term debt of PepsiCo, Inc. and its consolidated subsidiaries and for any of its unconsolidated subsidiaries for which financial statements are required to be filed with the Securities and Exchange Commission.
- 4.2 [Indenture dated May 21, 2007 between PepsiCo, Inc. and The Bank of New York Mellon \(formerly known as The Bank of New York\), as trustee, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Registration Statement on Form S-3ASR \(Registration No. 333-154314\) filed with the Securities and Exchange Commission on October 15, 2008.](#)
- 4.3 [Form of 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.](#)
- 4.4 [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.](#)
- 4.5 [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.](#)
- 4.6 [Form of 3.600% Senior Note due 2024, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 28, 2014.](#)
- 4.7 [Form of 1.750% Senior Note due 2021, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 28, 2014.](#)
- 4.8 [Form of 2.625% Senior Note due 2026, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 28, 2014.](#)
- 4.9 [Form of 4.250% Senior Note due 2044, which is incorporated herein by reference to Exhibit 4.1 of PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 22, 2014.](#)
- 4.10 [Form of 1.850% Senior Note due 2020, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 30, 2015.](#)
- 4.11 [Form of 2.750% Senior Note due 2025, which is incorporated herein by reference to Exhibit 4.4 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 30, 2015.](#)

- 4.12 [Form of 3.100% Senior Note due 2022, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 17, 2015.](#)
- 4.13 [Form of 3.500% Senior Note due 2025, which is incorporated herein by reference to Exhibit 4.4 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 17, 2015.](#)
- 4.14 [Form of 4.600% Senior Note due 2045, which is incorporated herein by reference to Exhibit 4.5 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 17, 2015.](#)
- 4.15 [Form of 2.150% Senior Note due 2020, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 14, 2015.](#)
- 4.16 [Form of 4.450% Senior Note due 2046, which is incorporated herein by reference to Exhibit 4.4 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 14, 2015.](#)
- 4.17 [Form of 2.850% Senior Note due 2026, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 24, 2016.](#)
- 4.18 [Form of 4.450% Senior Note due 2046, which is incorporated herein by reference to Exhibit 4.4 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 24, 2016.](#)
- 4.19 [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.](#)
- 4.20 [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.](#)
- 4.21 [Form of 1.700% Senior Note due 2021, which is incorporated herein by reference to Exhibit 4.4 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 6, 2016.](#)
- 4.22 [Form of 2.375% Senior Note due 2026, which is incorporated herein by reference to Exhibit 4.5 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 6, 2016.](#)
- 4.23 [Form of 3.450% Senior Note due 2046, which is incorporated herein by reference to Exhibit 4.6 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 6, 2016.](#)
- 4.24 [Form of Floating Rate Note due 2022, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 2, 2017.](#)
- 4.25 [Form of 2.250% Senior Note due 2022, which is incorporated herein by reference to Exhibit 4.4 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 2, 2017.](#)
- 4.26 [Form of 4.000% Senior Note due 2047, which is incorporated herein by reference to Exhibit 4.5 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 2, 2017.](#)
- 4.27 [Form of 2.150% Senior Note due 2024, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 4, 2017.](#)
- 4.28 [Form of 2.000% Senior Note due 2021, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 10, 2017.](#)

- [4.29 Form of 3.000% Senior Note due 2027, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 10, 2017.](#)
- [4.30 Board of Directors Resolutions Authorizing PepsiCo, Inc.'s Officers to Establish the Terms of the 5.50% Senior Notes due 2040, 3.125% Senior Notes due 2020 and 4.875% Senior Notes due 2040, which are incorporated herein by reference to Exhibit 4.1 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the 24 weeks ended June 12, 2010.](#)
- [4.31 Board of Directors Resolutions Authorizing PepsiCo, Inc.'s Officers to Establish the Terms of the 3.000% Senior Notes due 2021, the 2.750% Senior Notes due 2022, the 4.000% Senior Notes due 2042, the 3.600% Senior Notes due 2042 and the 2.500% Senior Notes due 2022, which are incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2011.](#)
- [4.32 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.](#)
- [4.33 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.](#)
- [4.34 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.](#)
- [4.35 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.](#)
- [4.36 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.](#)
- [4.37 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.](#)
- [4.38 Form of 7.00% Senior Note due 2029, Series A, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on November 8, 2018.](#)
- [4.39 Form of 5.50% Senior Note due 2035, Series A, which is incorporated herein by reference to Exhibit 4.4 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on November 8, 2018.](#)
- [4.40 Form of 7.29% Senior Note due 2026, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Registration Statement on Form S-4 \(Registration No. 333-228466\) filed with the Securities and Exchange Commission on November 19, 2018.](#)
- [4.41 Form of 7.44% Senior Note due 2026, which is incorporated herein by reference to Exhibit 4.4 to PepsiCo, Inc.'s Registration Statement on Form S-4 \(Registration No. 333-228466\) filed with the Securities and Exchange Commission on November 19, 2018.](#)
- [4.42 Form of 7.00% Senior Note due 2029, which is incorporated herein by reference to Exhibit 4.5 to PepsiCo, Inc.'s Registration Statement on Form S-4 \(Registration No. 333-228466\) filed with the Securities and Exchange Commission on November 19, 2018.](#)
- [4.43 Form of 5.50% Senior Note due 2035, which is incorporated herein by reference to Exhibit 4.6 to PepsiCo, Inc.'s Registration Statement on Form S-4 \(Registration No. 333-228466\) filed with the Securities and Exchange Commission on November 19, 2018.](#)
- [4.44 Form of 0.750% Senior Note due 2027, 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 18, 2019.](#)

- 4.45 [Form of 1.125% Senior Note due 2031, 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 18, 2019.](#)
- 4.46 [Form of 2.625% Senior Note due 2029, 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 29, 2019.](#)
- 4.47 [Form of 3.375% Senior Note due 2049, 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 29, 2019.](#)
- 4.48 [Form of 2.875% Senior Note due 2049, 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 9, 2019.](#)
- 4.49 [Form of 0.875% Senior Note due 2039, 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 16, 2019.](#)
- 4.50 [Board of Directors Resolutions Authorizing PepsiCo, Inc.'s Officers to Establish the Terms of the 2.750% Senior Note due 2023, the 3.600% Senior Notes due 2024, the 1.750% Senior Notes due 2021, the 2.625% Senior Notes due 2026, the 4.250% Senior Notes due 2044, the 1.850% Senior Notes due 2020, the 2.750% Senior Notes due 2025, the 3.100% Senior Notes due 2022, the 3.500% Senior Notes due 2025, the 4.600% Senior Notes due 2045, the 2.150% Senior Notes due 2020, the 4.450% Senior Notes due 2046, the 2.850% Senior Notes due 2026, the 0.875% Senior Note due 2028, the Floating Rate Note due 2021, the 1.700% Senior Notes due 2021, the 2.375% Senior Notes due 2026, the 3.450% Senior Notes due 2046 the Floating Rate Notes due 2022, the 2.250% Senior Notes due 2022, the 4.000% Senior Notes due 2047, the 2.150% Senior Notes due 2024, the 2.000% Senior Notes due 2021, the 3.000% Senior Notes due 2027, the 7.00% Senior Notes due 2029, Series A, the 5.50% Senior Notes due 2035, Series A, the 7.29% Senior Notes due 2026, the 7.44% Senior Notes due 2026, the 7.00% Senior Notes due 2029, the 5.50% Senior Notes due 2035, the 0.750% Senior Notes due 2027, the 1.125% Senior Notes due 2031, the 2.625% Senior Notes due 2029, the 3.375% Senior Notes due 2049, the 2.875% Senior Notes due 2049 and the 0.875% Senior Notes due 2039, 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.](#)
- 4.51 [Second Supplemental Indenture, dated as of October 24, 2018, among Pepsi-Cola Metropolitan Bottling Company, Inc., Bottling Group, LLC, and The Bank of New York Mellon, as trustee, to the Indenture dated March 8, 1999 among The Pepsi Bottling Group, Inc., Bottling Group, LLC and The Chase Manhattan Bank, as trustee, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 25, 2018.](#)
- 4.52 [First Supplemental Indenture, dated as of February 26, 2010, among Pepsi-Cola Metropolitan Bottling Company, Inc., The Pepsi Bottling Group, Inc., Bottling Group, LLC and The Bank of New York Mellon, as trustee, to the Indenture dated March 8, 1999 between The Pepsi Bottling Group, Inc., Bottling Group, LLC and The Chase Manhattan Bank, as trustee, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 1, 2010.](#)
- 4.53 [Indenture, dated as of March 8, 1999, by and among The Pepsi Bottling Group, Inc., as obligor, Bottling Group, LLC, as guarantor, and The Chase Manhattan Bank, as trustee, relating to \\$1,000,000,000 7% Series B Senior Note due 2029, which is incorporated herein by reference to Exhibit 10.14 to The Pepsi Bottling Group, Inc.'s Registration Statement on Form S-1 \(Registration No. 333-70291\) filed with the Securities and Exchange Commission on March 24, 1999.](#)

- 4.54 [Third Supplemental Indenture, dated as of October 24, 2018, between Pepsi-Cola Metropolitan Bottling Company, Inc. and The Bank New York Mellon Trust Company, N.A., as trustee, to the Indenture dated as of January 15, 1993 between Whitman Corporation and The First National Bank of Chicago, as trustee, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 25, 2018.](#)
- 4.55 [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., as trustee, to the Indenture dated as of January 15, 1993 between Whitman Corporation and The First National Bank of Chicago, as trustee, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 1, 2010.](#)
- 4.56 [First Supplemental Indenture, dated as of May 20, 1999, between Whitman Corporation and The First National Bank of Chicago, as trustee, to the Indenture dated as of January 15, 1993, between Whitman Corporation and The First National Bank of Chicago, as trustee, each of which is incorporated herein by reference to Exhibit 4.3 to Post-Effective Amendment No. 1 to PepsiAmericas, Inc.'s Registration Statement on Form S-8 \(Registration No. 333-64292\) filed with the Securities and Exchange Commission on December 29, 2005.](#)
- 4.57 [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 [Second Supplemental Indenture, dated as of October 24, 2018, between Pepsi-Cola Metropolitan Bottling Company, Inc. and Wells Fargo Bank, National Association, as trustee, to the Indenture dated as of August 15, 2003 between PepsiAmericas, Inc. and Wells Fargo Bank Minnesota, National Association, as trustee, which is incorporated herein by reference to Exhibit 4.4 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 25, 2018.](#)
- 4.59 [First Supplemental Indenture, dated as of February 26, 2010, among Pepsi-Cola Metropolitan Bottling Company, Inc., PepsiAmericas, Inc. and Wells Fargo Bank, National Association, as trustee, to the Indenture dated as of August 15, 2003 between PepsiAmericas, Inc. and Wells Fargo Bank Minnesota, National Association, as trustee, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 1, 2010.](#)
- 4.60 [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. 5.50% 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.](#)
- 4.62 [Description of Securities.](#)
- 10.1 [Form of PepsiCo, Inc. Director Indemnification Agreement, which is incorporated herein by reference to Exhibit 10.20 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 25, 2004.\\*](#)
- 10.2 [Severance Plan for Executive Employees of PepsiCo, Inc. and Affiliates, which is incorporated herein by reference to Exhibit 10.5 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended September 6, 2008.\\*](#)
- 10.3 [PepsiCo, Inc. 2007 Long-Term Incentive Plan, as amended and restated March 12, 2010, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 11, 2010.\\*](#)
- 10.4 [Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2009.\\*](#)

- 10.5 [Form of Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2009.\\*](#)
- 10.6 [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.\\*](#)
- 10.7 [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.\\*](#)
- 10.8 [PBG 2004 Long Term Incentive Plan, which is incorporated herein by reference to Exhibit 99.1 to PepsiCo, Inc.'s Registration Statement on Form S-8 \(Registration No. 333-165107\) filed with the Securities and Exchange Commission on February 26, 2010.\\*](#)
- 10.9 [PBG Stock Incentive Plan, which is incorporated herein by reference to Exhibit 99.6 to PepsiCo, Inc.'s Registration Statement on Form S-8 \(Registration No. 333-165107\) filed with the Securities and Exchange Commission on February 26, 2010.\\*](#)
- 10.10 [Amendments to PBG 2002 Long Term Incentive Plan, PBG Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan and PBG Stock Incentive Plan \(effective February 8, 2007\), which are incorporated herein by reference to Exhibit 99.7 to PepsiCo, Inc.'s Registration Statement on Form S-8 \(Registration No. 333-165107\) filed with the Securities and Exchange Commission on February 26, 2010.\\*](#)
- 10.11 [Amendments to PBG 2004 Long Term Incentive Plan, PBG 2002 Long Term Incentive Plan, The Pepsi Bottling Group, Inc. Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan, PBG Directors' Stock Plan and PBG Stock Incentive Plan \(effective February 19, 2010\), which are incorporated herein by reference to Exhibit 99.8 to PepsiCo, Inc.'s Registration Statement on Form S-8 \(Registration No. 333-165107\) filed with the Securities and Exchange Commission on February 26, 2010.\\*](#)
- 10.12 [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.\\*](#)
- 10.13 [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.\\*](#)
- 10.14 [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.\\*](#)
- 10.15 [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 March 18, 2013.\\*](#)
- 10.16 [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.\\*](#)
- 10.17 [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.\\*](#)
- 10.18 [The PepsiCo International Retirement Plan Defined Benefit Program, as amended and restated effective as of January 1, 2019, which is incorporated by reference to Exhibit 10.20 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 29, 2018.\\*](#)
- 10.19 [The PepsiCo International Retirement Plan Defined Contribution Program, as amended and restated effective as of January 1, 2019, which is incorporated by reference to Exhibit 10.21 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 29, 2018.\\*](#)

- 10.20 [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.\\*](#)
- 10.21 [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.\\*](#)
- 10.22 [PepsiCo Pension Equalization Plan \(Plan Document for the Pre-409A Program\), as amended and restated effective as of April 1, 2016 \(with additional amendments through December 10, 2019\).\\*](#)
- 10.23 [PepsiCo Pension Equalization Plan \(Plan Document for the 409A Program\), amended and restated effective as of January 1, 2019 \(with additional amendments through December 10, 2019\).\\*](#)
- 10.24 [PepsiCo Automatic Retirement Contribution Equalization Plan, as amended and restated effective as of January 1, 2019, which is incorporated by reference to Exhibit 10.26 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 29, 2018.\\*](#)
- 10.25 [PepsiCo Director Deferral Program \(Plan Document for the 409A Program\), amended and restated effective as of January 1, 2020.\\*](#)
- 10.26 [Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.49 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2016.\\*](#)
- 10.27 [PepsiCo Executive Income Deferral Program \(Plan Document for the 409A Program\), amended and restated effective as of January 1, 2019.\\*](#)
- 10.28 [Amendment to Certain PepsiCo Award Agreements, which is incorporated herein by reference to Exhibit 10.45 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 30, 2017.\\*](#)
- 10.29 [Amendment to the PBG 2004 Long Term Incentive Plan and the PBG Stock Incentive Plan, effective December 20, 2017, which is incorporated herein by reference to Exhibit 10.46 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 30, 2017.\\*](#)
- 10.30 [PepsiCo, Inc. Long Term Incentive Plan \(as amended and restated December 20, 2017\), which is incorporated herein by reference to Exhibit 10.47 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 30, 2017.\\*](#)
- 10.31 [Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 24, 2018.\\*](#)
- 10.32 [Form of Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 24, 2018.\\*](#)
- 10.33 [PepsiCo, Inc. Executive Incentive Compensation Plan, as amended and restated effective February 13, 2019, which is incorporated by reference to Exhibit 10.36 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 29, 2018.\\*](#)
- 10.34 [Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 23, 2019.\\*](#)
- 10.35 [PepsiCo Executive Income Deferral Program \(Plan Document for the Pre-409A Program\), amended and restated effective as of January 1, 2019.\\*](#)
- 21 [Subsidiaries of PepsiCo, Inc.](#)
- 23 [Consent of KPMG LLP.](#)
- 24 [Power of Attorney.](#)
- 31 [Certification of our Chief Executive Officer and our Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)

- 32 [Certification of our Chief Executive Officer and our Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101 The following materials from PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 28, 2019 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Consolidated Statements of Income, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Statements of Cash Flows, (iv) the Consolidated Balance Sheets, (v) the Consolidated Statements of Equity and (vi) Notes to Consolidated Financial Statements.
- 104 The cover page from the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2019, formatted in Inline XBRL and contained in Exhibit 101.

\* Management contracts and compensatory plans or arrangements required to be filed as exhibits pursuant to Item 15(a)(3) of this report.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, PepsiCo has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 13, 2020

PepsiCo, Inc.

By: /s/ Ramon L. Laguarta

Ramon L. Laguarta

Chairman of the Board of Directors and Chief  
Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of PepsiCo and in the capacities and on the date indicated.

<b><u>SIGNATURE</u></b>	<b><u>TITLE</u></b>	<b><u>DATE</u></b>
<u>/s/ Ramon L. Laguarta</u> Ramon L. Laguarta	Chairman of the Board of Directors and Chief Executive Officer	February 13, 2020
<u>/s/ Hugh F. Johnston</u> Hugh F. Johnston	Vice Chairman, Executive Vice President and Chief Financial Officer	February 13, 2020
<u>/s/ Marie T. Gallagher</u> Marie T. Gallagher	Senior Vice President and Controller (Principal Accounting Officer)	February 13, 2020
<u>/s/ Shona L. Brown</u> Shona L. Brown	Director	February 13, 2020
<u>/s/ Cesar Conde</u> Cesar Conde	Director	February 13, 2020
<u>/s/ Ian M. Cook</u> Ian M. Cook	Director	February 13, 2020
<u>/s/ Dina Dublon</u> Dina Dublon	Director	February 13, 2020
<u>/s/ Richard W. Fisher</u> Richard W. Fisher	Director	February 13, 2020
<u>/s/ Michelle Gass</u> Michelle Gass	Director	February 13, 2020
<u>/s/ William R. Johnson</u> William R. Johnson	Director	February 13, 2020
<u>/s/ David C. Page</u> David C. Page	Director	February 13, 2020
<u>/s/ Robert C. Pohlrad</u> Robert C. Pohlrad	Director	February 13, 2020
<u>/s/ Daniel Vasella</u> Daniel Vasella	Director	February 13, 2020
<u>/s/ Darren Walker</u> Darren Walker	Director	February 13, 2020
<u>/s/ Alberto Weisser</u> Alberto Weisser	Director	February 13, 2020

## Consent of Independent Registered Public Accounting Firm

To the Board of Directors  
PepsiCo, Inc.:

We consent to the incorporation by reference in the registration statements and Forms listed below of PepsiCo, Inc. and subsidiaries (PepsiCo, Inc.) of our report dated February 13, 2020, with respect to the Consolidated Balance Sheet of PepsiCo, Inc. as of December 28, 2019 and December 29, 2018, 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 28, 2019, and the related notes (collectively, the consolidated financial statements), and the effectiveness of internal control over financial reporting as of December 28, 2019, which report appears in the December 28, 2019 annual report on Form 10-K of PepsiCo, Inc.

### **Description, Registration Statement Number**

#### Form S-3

- PepsiCo Automatic Shelf Registration Statement, 333-234767
- PepsiCo Automatic Shelf Registration Statement, 333-216082
- PepsiCo Automatic Shelf Registration Statement, 333-197640
- PepsiCo Automatic Shelf Registration Statement, 333-177307
- PepsiCo Automatic Shelf Registration Statement, 333-154314
- PepsiCo Automatic Shelf Registration Statement, 333-133735
- PepsiAmericas, Inc. 2000 Stock Incentive Plan, 333-165176
- PBG 2004 Long Term Incentive Plan, PBG 2002 Long Term Incentive Plan, PBG Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan and PBG Stock Incentive Plan, 333-165177

#### Form S-8

- The PepsiCo Savings Plan, 333-76204, 333-76196, 333-150867 and 333-150868
- 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 13, 2020

**POWER OF ATTORNEY**

**KNOW ALL BY THESE PRESENTS**, that PepsiCo, Inc. (“PepsiCo”) and each other undersigned, an officer or director, or both, of PepsiCo, do hereby appoint David Yawman, Cynthia A. Nastanski and Heather A. Hammond, and each of them severally, its, his or her true and lawful attorney-in-fact to execute on behalf of PepsiCo and the undersigned the following documents and any and all amendments thereto (including post-effective amendments) deemed necessary or appropriate by any such attorney-in-fact:

- (i) Automatic Shelf Registration Statement No. 333-234767 relating to the offer and sale of PepsiCo Common Stock, Debt Securities, Warrants and Units, the Automatic Shelf Registration Statement No. 333-133735 relating to the offer and sale of PepsiCo Common Stock, Debt Securities, Warrants and Units, the Automatic Shelf Registration Statement No. 333-154314 relating to the offer and sale of PepsiCo Common Stock, Debt Securities, Guarantees of Debt Securities, Warrants and Units, the Automatic Shelf Registration Statement No. 333-177307 relating to the offer and sale of PepsiCo Common Stock, Debt Securities, Warrants and Units, the Automatic Shelf Registration Statement No. 333-197640 relating to the offer and sale of PepsiCo Common Stock, Debt Securities, Warrants and Units, and the Automatic Shelf Registration Statement No. 333-216082 relating to the offer and sale of PepsiCo Common Stock, Debt Securities, Warrants and Units;
- (ii) Registration Statements No. 33-53232, 33-64243, 333-102035 and 333-228466 relating to the offer and sale of PepsiCo’s Debt Securities, Warrants and/or Guarantees;
- (iii) Registration Statements No. 33-4635, 33-21607, 33-30372, 33-31844, 33-37271, 33-37978, 33-47314, 33-47527, 333-53436 and 333-56302 all relating to the primary and/or secondary offer and sale of PepsiCo Common Stock issued or exchanged in connection with acquisition transactions;
- (iv) Registration Statements No. 33-29037, 33-35602, 33-42058, 33-51496, 33-54731, 33-42121, 33-50685, 33-66150 and 333-109513 relating to the offer and sale of PepsiCo Common Stock under the PepsiCo SharePower Stock Option Plan;
- (v) Registration Statements No. 2-82645, 33-51514, 33-60965 and 333-89265 relating to the offer and sale of PepsiCo Common Stock under the PepsiCo Long-Term Savings Program or the PepsiCo 401(k) Plan; Registration Statement No. 333-65992 relating to the offer and sale of PepsiCo Common Stock under the Retirement Savings and Investment Plan for Union Employees of Tropicana Products, Inc. and Affiliates (Teamster Local Union #173), the Retirement Savings and Investment Plan for Union Employees of Tropicana Products, Inc. and Affiliates; Registration Statement No. 333-66634 relating to the offer and sale of PepsiCo Common Stock under The Quaker 401(k) Plan for Salaried Employees and The Quaker 401(k) Plan for Hourly Employees; Registration Statements Numbers 333-76196, 333-76204, 333-150867 and 333-150868 each relating to the offer and sale of PepsiCo Common Stock under The PepsiCo Savings Plans;
- (vi) Registration Statements No. 33-61731, 333-09363 and 333-109514 relating to the offer and sale of PepsiCo Common Stock under The PepsiCo, Inc. 1995 Stock Option Incentive Plan; Registration Statement No. 33-54733 relating to the offer and sale of PepsiCo Common Stock

- under The PepsiCo, Inc. 1994 Long-Term Incentive Plan and resales of such shares by executive officers of PepsiCo; Registration Statement No. 33-19539 relating to the offer and sale of PepsiCo Common Stock under PepsiCo's 1987 Incentive Plan and resales of such shares by executive officers of PepsiCo; Registration Statement No. 2-65410 relating to the offer and sale of PepsiCo Common Stock under PepsiCo's 1979 Incentive Plan and 1972 Performance Share Plan, as amended; Registration Statement No. 333-66632 relating to the offer and sale of PepsiCo Common Stock under The Quaker Long Term Incentive Plan of 1990, The Quaker Long Term Incentive Plan of 1999, and The Quaker Oats Company Stock Option Plan for Outside Directors; Registration Statement No. 333-109509 relating to the offer and sale of PepsiCo Common Stock under the PepsiCo, Inc. 2003 Long-Term Incentive Plan and resales of such shares by executive officers and directors of PepsiCo; and Registration Statements Nos. 333-142811 and 333-166740 relating to the offer and sale of PepsiCo Common Stock under the PepsiCo, Inc. 2007 Long-Term Incentive Plan;
- (vii) Registration Statements No. 33-22970 and 333-110030 relating to the offer and sale of PepsiCo Common Stock under PepsiCo's Director Stock Plan and resales of such shares by Directors of PepsiCo;
  - (viii) Registration Statement No. 333-162261 relating to the issuance of shares of PepsiCo Common Stock to stockholders of The Pepsi Bottling Group, Inc. pursuant to the Agreement and Plan of Merger dated as of August 3, 2009, as may be amended from time to time, among PepsiCo, PBG and Pepsi-Cola Metropolitan Bottling Company, Inc. ("Metro");
  - (ix) Registration Statement No. 333-162260 relating to the issuance of shares of PepsiCo Common Stock to stockholders of PAS pursuant to the Agreement and Plan of Merger dated as of August 3, 2009, as may be amended from time to time, among PepsiCo, PAS and Metro;
  - (x) Schedule 13E-3 relating to the Agreement and Plan of Merger dated as of August 3, 2009, as may be amended from time to time, among PepsiCo, PBG and Metro;
  - (xi) Schedule 13E-3 relating to the Agreement and Plan of Merger dated as of August 3, 2009, as may be amended from time to time, among PepsiCo, PAS and Metro;
  - (xii) Registration Statement No. 333-87526 relating to the offer and sale of PepsiCo Common Stock under The PepsiCo Share Award Plan;
  - (xiii) Registration Statement No. 333-165106 relating to the offer and sale of PepsiCo Common Stock under the PBG 401(k) Savings Program, the PBG 401(k) Program, the PepsiAmericas, Inc. Salaried 401(k) Plan and the PepsiAmericas, Inc. Hourly 401(k) Plan;
  - (xiv) Registration Statement No. 333-165107 relating to the offer and sale of PepsiCo Common Stock under the PBG 2004 Long Term Incentive Plan, the PBG 2002 Long Term Incentive Plan, the PBG Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan, the PBG Directors' Stock Plan, the PBG Stock Incentive Plan and the PepsiAmericas, Inc. 2000 Stock Incentive Plan;
  - (xv) Registration Statement No. 333-165176 relating to the offer and sale of PepsiCo Common Stock under the PepsiAmericas, Inc. 2000 Stock Incentive Plan;
  - (xvi) Registration Statement No. 333-165177 relating to the offer and sale of PepsiCo Common Stock under the PBG 2004 Long Term Incentive Plan, the PBG 2002 Long Term Incentive

Plan, the PBG Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan and the PBG Stock Incentive Plan; and

- (xvii) the Annual Report on Form 10-K for the fiscal year ended December 28, 2019 and all other applications, reports, registrations, information, documents and instruments filed or required to be filed by PepsiCo with the Securities and Exchange Commission (the "SEC"), including, but not limited to the Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K or any amendment or supplement thereto, any stock exchanges or any governmental official or agency in connection with the listing, registration or approval of PepsiCo Common Stock, PepsiCo debt securities or warrants, other securities or PepsiCo guarantees of its subsidiaries' or third party debt securities or warrants, or the offer and sale thereof, or in order to meet PepsiCo's reporting requirements to such entities or persons;

and to file the same with the SEC, any stock exchange or any governmental official or agency, with all exhibits thereto and other documents in connection therewith, and each of such attorneys-in-fact shall have the power to act hereunder with or without any other.

\* \* \*

Each of the undersigned hereby grants to each such attorney-in-fact full power and authority to do and perform any and every act and thing whatsoever requisite, necessary, or proper to be done in the exercise of any of the rights and powers herein granted, as fully to all intents and purposes as the undersigned might or could do if personally present, with full power of substitution or revocation, hereby ratifying and confirming all that such attorney-in-fact, or such attorney-in-fact's substitute or substitutes, shall lawfully do or cause to be done by virtue of this Power of Attorney and the rights and powers herein granted.

This Power of Attorney may be executed in counterparts and all such duly executed counterparts shall together constitute the same instrument. This Power of Attorney shall not revoke any powers of attorney previously executed by the undersigned. This Power of Attorney shall not be revoked by any subsequent power of attorney that the undersigned may execute, unless such subsequent power of attorney specifically provides that it revokes this Power of Attorney by referring to the date of the undersigned's execution of this Power of Attorney. This Power of Attorney, unless earlier revoked by the undersigned in the manner set forth above, will be valid as to each attorney-in-fact until such time as such attorney-in-fact ceases to be an employee of PepsiCo.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

**IN WITNESS WHEREOF**, each of the undersigned has executed this instrument on the date indicated opposite its, his or her name.

**PepsiCo, Inc.**

February 13, 2020

By: /s/ Ramon L. Laguarta  
Ramon L. Laguarta  
Chairman of the Board of Directors and  
Chief Executive Officer

<u>/s/ Ramon L. Laguarta</u> Ramon L. Laguarta	Chairman of the Board of Directors and Chief Executive Officer	February 13, 2020
<u>/s/ Hugh F. Johnston</u> Hugh F. Johnston	Vice Chairman, Executive Vice President and Chief Financial Officer	February 13, 2020
<u>/s/ Marie T. Gallagher</u> Marie T. Gallagher	Senior Vice President and Controller (Principal Accounting Officer)	February 13, 2020
<u>/s/ Shona L. Brown</u> Shona L. Brown	Director	February 13, 2020
<u>/s/ Cesar Conde</u> Cesar Conde	Director	February 13, 2020
<u>/s/ Ian M. Cook</u> Ian M. Cook	Director	February 13, 2020
<u>/s/ Dina Dublon</u> Dina Dublon	Director	February 13, 2020
<u>/s/ Richard W. Fisher</u> Richard W. Fisher	Director	February 13, 2020
<u>/s/ Michelle Gass</u> Michelle Gass	Director	February 13, 2020
<u>/s/ William R. Johnson</u> William R. Johnson	Director	February 13, 2020
<u>/s/ David C. Page</u> David C. Page	Director	February 13, 2020
<u>/s/ Robert C. Pohlada</u> Robert C. Pohlada	Director	February 13, 2020
<u>/s/ Daniel Vasella</u> Daniel Vasella	Director	February 13, 2020
<u>/s/ Darren Walker</u> Darren Walker	Director	February 13, 2020
<u>/s/ Alberto Weisser</u> Alberto Weisser	Director	February 13, 2020

## CERTIFICATION

I, **Ramon L. Laguarta**, certify that:

1. I have reviewed this annual report on Form 10-K of PepsiCo, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 13, 2020

/s/ Ramon L. Laguarta

Ramon L. Laguarta

Chairman of the Board of Directors and  
Chief Executive Officer

## CERTIFICATION

I, **Hugh F. Johnston**, certify that:

1. I have reviewed this annual report on Form 10-K of PepsiCo, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 13, 2020

/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 28, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Ramon L. Laguarta, Chairman of the Board of Directors and Chief Executive Officer of the Corporation, certify to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: February 13, 2020

/s/ Ramon L. Laguarta

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Ramon L. Laguarta

Chairman of the Board of Directors and  
Chief Executive Officer

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CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of PepsiCo, Inc. (the “Corporation”) on Form 10-K for the fiscal year ended December 28, 2019 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 13, 2020

/s/ Hugh F. Johnston

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Hugh F. Johnston

Chief Financial Officer

**Description of Securities  
Registered Pursuant to Section 12 of the  
Securities Exchange Act of 1934**

As used below, the terms “PepsiCo,” the “Company,” “we,” “us,” and “our” refer to PepsiCo, Inc., as issuer of the following securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended: (i) common stock, par value one and two-thirds cents (1-2/3 cents) per share (the “common stock”), (ii) 2.500% Senior Notes due 2022 (the “sterling notes”), (iii) 1.750% Senior Notes due 2021 (the “2021 notes”), (iv) 2.625% Senior Notes due 2026 (the “2026 notes”), (v) 0.750% Senior Notes due 2027 (the “2027 notes”), (vi) 0.875% Senior Notes due 2028 (the “2028 notes”), (vii) 1.125% Senior Notes due 2031 (the “2031 notes”) and (viii) 0.875% Senior Notes due 2039 (the “2039 notes,” and together with the 2021 notes, 2026 notes, 2027 notes, 2028 notes and 2031 notes, the “euro notes,” and the euro notes together with the sterling notes, the “notes”).

**DESCRIPTION OF COMMON STOCK**

The following description of our common stock is based upon our Amended and Restated Articles of Incorporation, effective as of May 1, 2019 (“Articles of Incorporation”), our By-Laws, as amended and restated, effective as of January 11, 2016 (“By-Laws”) and applicable provisions of law. We have summarized certain portions of the Articles of Incorporation and By-Laws below. The summary is not complete. The Articles of Incorporation and By-Laws are incorporated by reference as exhibits to the Annual Report on Form 10-K to which this exhibit is a part. You should read the Articles of Incorporation and By-Laws for the provisions that are important to you.

**General**

Our Articles of Incorporation authorize us to issue 3,600,000,000 shares of common stock, par value one and two-thirds cents (1-2/3 cents) per share. As of February 6, 2020 there were 1,389,544,618 shares of common stock outstanding which were held of record by 109,312 shareholders.

*Voting Rights.* Each holder of a share of our common stock is entitled to one vote for each share held of record on the applicable record date on each matter submitted to a vote of shareholders. Action on a matter generally requires that the votes cast in favor of the action exceed the votes cast in opposition. A plurality vote is required in an election of the Board of Directors where the number of director nominees exceeds the number of directors to be elected.

*Dividend Rights.* Holders of our common stock are entitled to receive dividends as may be declared from time to time by PepsiCo’s Board of Directors out of funds legally available therefor.

*Rights Upon Liquidation.* Holders of our common stock are entitled to share pro rata, upon any liquidation, dissolution or winding up of PepsiCo, in all remaining assets available for distribution to shareholders after payment or providing for PepsiCo's liabilities.

*Preemptive Rights.* Holders of our common stock do not have the right to subscribe for, purchase or receive new or additional common stock or other securities.

### **Transfer Agent and Registrar**

Computershare Trust Company, N.A. is the transfer agent and registrar for our common stock.

### **Stock Exchange Listing**

The Nasdaq Global Select Market is the principal market for our common stock, where it is listed under the symbol "PEP," and our common stock is also listed on the SIX Swiss Exchange.

### **Certain Provisions of PepsiCo's Articles of Incorporation and By-Laws; Director Indemnification Agreements**

*Advance Notice of Proposals and Nominations.* Our By-Laws provide that shareholders must provide timely written notice to bring business before an annual meeting of shareholders or to nominate candidates for election as directors at an annual meeting of shareholders. Notice for an annual meeting is generally timely if it is received at our principal office not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting. However, if the date of the annual meeting is advanced by more than 30 days or delayed more than 60 days from this anniversary date, or if no annual meeting was held in the preceding year, such notice by the shareholder must be delivered not earlier than the 120th day prior to the annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such annual meeting was first made. Shareholders utilizing "proxy access" must meet separate deadlines. The By-Laws also specify the form and content of a shareholder's notice. These provisions may prevent shareholders from bringing matters before an annual meeting of shareholders or from nominating candidates for election as directors at an annual meeting of shareholders.

*Proxy Access.* Our By-Laws contain "proxy access" provisions which give an eligible shareholder (or a group of up to 20 shareholders aggregating their shares) that has owned 3% or more of the outstanding common stock continuously for at least three years the right to nominate the greater of two nominees and 20% of the number of directors to be elected at the applicable annual general meeting, and to have those nominees included in our proxy materials, subject to the other terms and conditions of our By-Laws.

*Special Meetings.* A special meeting of the shareholders may be called by the Chairman of the Board, by resolution of the Board or by our corporate secretary upon written request of

one or more shareholders holding shares of record representing at least 20% in the aggregate of our outstanding common stock entitled to vote at such meeting. Any such special meeting called at the request of our shareholders will be held at such date, time and place as may be fixed by our Board, provided that the date of such special meeting may not be more than 90 days from the receipt of such request by the corporate secretary. The By-Laws specify the form and content of a shareholder's request for a special meeting.

*Indemnification of Directors, Officers and Employees.* Our By-Laws provide that unless the Board determines otherwise, we shall indemnify, to the full extent permitted by law, any person who was or is, or who is threatened to be made, a party to an action, suit or proceeding (including appeals), whether civil, criminal, administrative, investigative or arbitrative, by reason of the fact that such person, such person's testator or intestate, is or was one of our directors, officers or employees, or is or was serving at our request as a director, officer or employee of another enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding. Pursuant to our By-Laws this indemnification may, at the Board's discretion, also include advancement of expenses prior to the final disposition of such action, suit or proceeding.

In addition, we have entered into indemnification agreements with each of our independent directors, pursuant to which we have agreed to indemnify and hold harmless, to the full extent permitted by law, each director against any and all liabilities and assessments (including attorneys' fees and other costs, expenses and obligations) arising out of or related to any threatened, pending or completed action, suit, proceeding, inquiry or investigation, whether civil, criminal, administrative, or other, including, but not limited to, judgments, fines, penalties and amounts paid in settlement (whether with or without court approval), and any interest, assessments, excise taxes or other charges paid or payable in connection with or in respect of any of the foregoing, incurred by the independent director and arising out of his status as a director or member of a committee of our Board, or by reason of anything done or not done by the director in such capacities. After receipt of an appropriate request by an independent director, we will also advance all expenses, costs and other obligations (including attorneys' fees) arising out of or related to such matters. We will not be liable for payment of any liability or expense incurred by an independent director on account of acts which, at the time taken, were known or believed by such director to be clearly in conflict with our best interests.

### **Certain Anti-Takeover Effects of North Carolina Law**

The North Carolina Shareholder Protection Act generally requires the affirmative vote of 95% of a public corporation's voting shares to approve a "business combination" with any entity that a majority of continuing directors determines beneficially owns, directly or indirectly, more than 20% of the voting shares of the corporation (or ever owned, directly or indirectly, more than 20% and is still an "affiliate" of the corporation) unless the fair price provisions and the procedural provisions of the North Carolina Shareholder Protection Act are satisfied.

"Business combination" is defined by the North Carolina Shareholder Protection Act as (i) any merger, consolidation or conversion of a corporation with or into any other entity, or

(ii) any sale or lease of all or any substantial part of the corporation's assets to any other entity, or  
(iii) any payment, sale or lease to the corporation or any subsidiary thereof in exchange for securities of the corporation of any assets having an aggregate fair market value equal to or greater than \$5,000,000 of any other entity.

The North Carolina Shareholder Protection Act contains provisions that allowed a corporation to "opt out" of the applicability of the North Carolina Shareholder Protection Act's voting provisions within specified time periods that generally have expired. The Act applies to PepsiCo since we did not opt out within these time periods.

This statute could discourage a third party from making a partial tender offer or otherwise attempting to obtain a substantial position in our equity securities or seeking to obtain control of us. It also might limit the price that certain investors might be willing to pay in the future for our shares of common stock and may have the effect of delaying or preventing a change of control of us.

## DESCRIPTION OF NOTES

We have previously filed a registration statement on Form S-3 (File No. 333-177307), which was filed with the Securities and Exchange Commission (the "SEC") on October 13, 2011 and covers the issuance of the sterling notes, 2021 notes and 2026 notes, a registration statement on Form S-3 (File No. 333-197640), which was filed with the SEC on July 25, 2014 and covers the issuance of the 2028 notes and a registration statement on Form S-3 (File No. 333-216082), which was filed with the SEC on February 15, 2017 and covers the issuance of the 2027 notes, 2031 notes and 2039 notes.

The notes were issued under an indenture dated as of May 21, 2007 between us and The Bank of New York Mellon, as trustee (the "indenture"). Below we have summarized certain terms and provisions of the indenture. The summary is not complete. The indenture has been incorporated by reference as an exhibit to the Annual Report on Form 10-K to which this exhibit is a part. You should read the indenture for the provisions which may be important to you. The indenture is subject to and governed by the Trust Indenture Act of 1939, as amended.

### General

*Principal Amounts; Interest Payments and Record Dates; Listing.* The sterling notes were initially limited to an aggregate principal amount of £500,000,000. The sterling notes bear interest, payable semi-annually on each May 1 and November 1, to the persons in whose names such notes are registered at the close of business on each April 15 and October 15, as the case may be (whether or not a business day), immediately preceding such May 1 and November 1. The sterling notes will mature on November 1, 2022. The sterling notes are listed on the Nasdaq Stock Market under the symbol "PEP22a".

The 2021 notes were initially limited to an aggregate principal amount of €500,000,000. The 2021 notes bear interest, payable annually on each April 28, to the persons in whose names such notes are registered at the close of business on April 13 (whether or not a business day),

immediately preceding such April 28. The 2021 notes will mature on April 28, 2021. The 2021 notes are listed on the Nasdaq Stock Market under the symbol “PEP21a”.

The 2026 notes were initially limited to an aggregate principal amount of €500,000,000. The 2026 notes bear interest, payable annually on each April 28, to the persons in whose names such notes are registered at the close of business on April 13 (whether or not a business day), immediately preceding such April 28. The 2026 notes will mature on April 28, 2026. The 2026 notes are listed on the Nasdaq Stock Market under the symbol “PEP26”.

The 2027 notes were initially limited to an aggregate principal amount of €500,000,000. The 2027 notes bear interest, payable annually on each March 18, to the persons in whose names such notes are registered at the close of business on March 3 (whether or not a business day), immediately preceding such March 18. The 2027 notes will mature on March 18, 2027. The 2027 notes are listed on the Nasdaq Stock Market under the symbol “PEP27”.

The 2028 notes were initially limited to an aggregate principal amount of €750,000,000. The 2028 notes bear interest, payable annually on each July 18, to the persons in whose names such notes are registered at the close of business on July 3 (whether or not a business day), immediately preceding such July 18. The 2028 notes will mature on July 18, 2028. The 2028 notes are listed on the Nasdaq Stock Market under the symbol “PEP28”.

The 2031 notes were initially limited to an aggregate principal amount of €500,000,000. The 2031 notes bear interest, payable annually on each March 18, to the persons in whose names such notes are registered at the close of business on March 3 (whether or not a business day), immediately preceding such March 18. The 2031 notes will mature on March 18, 2031. The 2031 notes are listed on the Nasdaq Stock Market under the symbol “PEP31”.

The 2039 notes were initially limited to an aggregate principal amount of €500,000,000. The 2039 notes bear interest, payable annually on each October 16, to the persons in whose names such notes are registered at the close of business on October 1 (whether or not a business day), immediately preceding such October 16. The 2039 notes will mature on October 16, 2039. The 2039 notes are listed on the Nasdaq Stock Market under the symbol “PEP39”.

*Ranking.* The notes rank equally and pari passu with all other unsecured and unsubordinated debt of PepsiCo.

*No Sinking Fund.* No series of notes is subject to any sinking fund.

*Additional Notes.* We may, without the consent of the existing holders of the notes of a series, issue additional notes of such series having the same terms (except issue date, date from which interest accrues and, in some cases, the first interest payment date) so that the existing notes of such series and the new notes of such series form a single series under the indenture. As of February 6, 2020, no such additional notes have been issued.

*Minimum Denominations.* The sterling notes were issued in minimum denominations of £100,000 and integral multiples of £1,000 in excess thereof. The euro notes were issued in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.

*Global Notes.* The notes of each series are in the form of one or more global notes that we deposited with or on behalf of a common depositary for the accounts of Euroclear Bank S.A./N.V., or its successor, as operator of the Euroclear System (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream”) and are registered in the name of the nominee of the common depositary.

*Paying Agent.* We have initially appointed The Bank of New York Mellon, London Branch to act as paying agent and transfer agent in connection with the notes as well as to serve as the common depositary for the notes. The Bank of New York Mellon, London Branch is an affiliate of the trustee. The term “paying agent” shall include The Bank of New York Mellon, London Branch and any successors appointed from time to time in accordance with the provisions of the indenture.

*Currency of Payment of Sterling Notes.* The principal and interest payments in respect of the sterling notes are payable in sterling. If the United Kingdom adopts euro, in lieu of sterling, as its lawful currency, the sterling notes will be redenominated in euro on a date determined by us, in our sole discretion, with a principal amount for each sterling note equal to the principal amount of that note in sterling, converted into euro at the rate established by the applicable law? provided that, if we determine after consultation with the paying agent that the then current market practice in respect of redenomination into euro of internationally offered securities is different from the provisions specified above, such provisions will be deemed to be amended so as to comply with such market practice and we will promptly notify the trustee and the paying agent of such deemed amendment. We will give 30 days’ notice of the redenomination date to the paying agent, the trustee, Euroclear and Clearstream.

If sterling or, in the event the sterling notes are redenominated in euro, euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control (other than, with respect to sterling, due to the circumstances described in the preceding paragraph but including the dissolution of the euro, if applicable), then all payments in respect of the sterling notes will be made in U.S. dollars until sterling or euro, as the case may be, is again available to us. The amount payable on any date in sterling or, in the event the sterling notes are redenominated in euro, euro will be converted to U.S. dollars on the basis of the then most recently available market exchange rate for sterling or euro, as the case may be, as determined by us in our sole discretion. Any payment in respect of the sterling notes so made in euro or U.S. dollars will not constitute an event of default under the sterling notes or the indenture governing the sterling notes. Neither the trustee nor the paying agent shall be responsible for obtaining exchange rates, effecting conversions or otherwise handling redenominations.

*Currency of Payment of Euro Notes.* The principal and interest payments in respect of the euro notes, including payments made upon any redemption of any series of the euro notes, are payable in euro. If the euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or if the euro is no longer being used by the then

member states of the European Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the euro notes will be made in U.S. dollars until the euro is again available to us and so used. In such circumstances, the amount payable on any date in euro will be converted into U.S. dollars on the basis of the then most recently available market exchange rate for euro, as determined by us in our sole discretion. Any payment in respect of the euro notes so made in U.S. dollars will not constitute an event of default under the euro notes or the indenture governing the euro notes. Neither the trustee nor the paying agent shall have any responsibility for any calculation or conversion in connection with the foregoing.

*Definition of Business Day.* The term “business day” with respect to the sterling notes means any day other than a Saturday or Sunday or a day on which banking institutions in the City of New York or the City of London are authorized or required by law or executive order to close.

The term “business day” with respect to the euro notes means any day, other than a Saturday or Sunday, (1) which is not a day on which banking institutions in the City of New York or the City of London are authorized or required by law or executive order to close and (2) on which the Trans-European Automated Real-time Gross Settlement Express Transfer system (the TARGET2 system), or any successor thereto, operates. If any interest payment date, maturity date or redemption date is not a business day, then the related payment for such interest payment date, maturity date or redemption date shall be paid on the next succeeding business day with the same force and effect as if made on such interest payment date, maturity date or redemption date, as the case may be, and no further interest shall accrue as a result of such delay.

*Interest Payments.* Interest on the notes will be computed on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days from and including the date from which interest begins to accrue for the period to, but excluding, the next scheduled interest payment date. This payment convention is referred to as ACTUAL/ACTUAL (ICMA) as defined in the rulebook of the International Capital Markets Association.

## **Optional Redemption**

### *Sterling Notes*

We have the right at our option to redeem any of the sterling notes in whole or in part, at any time or from time to time prior to their maturity, on at least 30 days, but not more than 60 days, prior notice mailed (or otherwise transmitted in accordance with the procedures of the depositary) to the registered address of each holder of the sterling notes, at a redemption price (calculated by us) equal to the greater of (i) 100% of the principal amount of such notes and (ii) the sum of the present values of the Remaining Scheduled Payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semi-annual basis (ACTUAL/ACTUAL (ICMA)) at the Comparable Government Bond Rate plus 13 basis points plus, in each case, accrued and unpaid interest thereon to, but not including, the date of redemption.

## *Definitions*

“Comparable Government Bond Rate” means the price, expressed as a percentage (rounded to three decimal places, 0.0005 being rounded upwards), at which the gross redemption yield on the sterling notes, if they were to be purchased at such price on the third business day prior to the date fixed for redemption, would be equal to the gross redemption yield on such business day of the Comparable Government Bond (as defined below) on the basis of the middle market price of the Comparable Government Bond prevailing at 11:00 a.m. (London time) on such business day as determined by an independent investment bank selected by us.

“Comparable Government Bond” means, in relation to any Comparable Government Bond Rate calculation, at the discretion of an independent investment bank selected by us, a United Kingdom government bond whose maturity is closest to the maturity of the sterling notes, or if such independent investment bank in its discretion considers that such similar bond is not in issue, such other United Kingdom government bond as such independent investment bank may, with the advice of three brokers of, and/or market makers in, United Kingdom government bonds selected by us, determine to be appropriate for determining the Comparable Government Bond Rate.

“Remaining Scheduled Payments” means, with respect to each sterling note to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due after the related redemption date but for such redemption? provided, however, that, if such redemption date is not an interest payment date with respect to such sterling note, the amount of the next succeeding scheduled interest payment thereon will be deemed to be reduced by the amount of interest accrued thereon to such redemption date.

## *Euro Notes*

*2021 Notes.* The 2021 notes are redeemable as a whole or in part, at our option at any time and from time to time prior to January 28, 2021 (three months prior to the maturity date of the 2021 notes), on at least 30 days, but not more than 60 days, prior notice mailed (or otherwise transmitted in accordance with the procedures of the depository) to the registered address of each holder of the 2021 notes, at a redemption price equal to the greater of (i) 100% of the principal amount of such notes and (ii) the sum of the present values of the Remaining Scheduled Payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on an annual basis (ACTUAL/ACTUAL (ICMA)) at the applicable Comparable Government Bond Rate plus 13 basis points, plus, in each case, accrued and unpaid interest to the date of redemption. The 2021 notes are redeemable as a whole or in part, at our option at any time and from time to time on or after January 28, 2021 (three months prior to the maturity date of the 2021 notes), at a redemption price equal to 100% of the principal amount of the 2021 notes being redeemed, plus accrued and unpaid interest to the date of redemption.

*2026 Notes.* The 2026 notes are redeemable as a whole or in part, at our option at any time and from time to time prior to January 28, 2026 (three months prior to the maturity date of the 2026 notes), on at least 30 days, but not more than 60 days, prior notice mailed (or otherwise

transmitted in accordance with the procedures of the depository) to the registered address of each holder of the 2026 notes, at a redemption price equal to the greater of (i) 100% of the principal amount of such notes and (ii) the sum of the present values of the Remaining Scheduled Payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on an annual basis (ACTUAL/ACTUAL (ICMA)) at the applicable Comparable Government Bond Rate plus 17 basis points, plus, in each case, accrued and unpaid interest to the date of redemption. The 2026 notes are redeemable as a whole or in part, at our option at any time and from time to time on or after January 28, 2026 (three months prior to the maturity date of the 2026 notes), at a redemption price equal to 100% of the principal amount of the 2026 notes being redeemed, plus accrued and unpaid interest to the date of redemption.

*2027 Notes.* The 2027 notes are redeemable as a whole or in part, at our option at any time and from time to time prior to December 18, 2026 (three months prior to the maturity date of the 2027 notes), at a redemption price equal to the greater of (i) 100% of the principal amount of such notes and (ii) the sum of the present values of the Remaining Scheduled Payments of principal and interest thereon (exclusive of interest accrued to the date of redemption), discounted to the redemption date on an annual basis (ACTUAL/ACTUAL (ICMA)) at the applicable Comparable Government Bond Rate plus 15 basis points, plus, in each case, accrued and unpaid interest to the date of redemption. The 2027 notes are redeemable as a whole or in part, at our option at any time and from time to time on or after December 18, 2026 (three months prior to the maturity date of the 2027 notes), at a redemption price equal to 100% of the principal amount of the 2027 notes being redeemed, plus accrued and unpaid interest to the date of redemption.

*2028 Notes.* The 2028 notes are redeemable as a whole or in part, at our option at any time and from time to time prior to April 18, 2028 (three months prior to the maturity date of the 2028 notes), on at least 30 days, but not more than 60 days, prior notice mailed (or otherwise transmitted in accordance with the procedures of the depository) to the registered address of each holder of notes, at a redemption price equal to the greater of (i) 100% of the principal amount of such notes and (ii) the sum of the present values of the Remaining Scheduled Payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on an annual basis (ACTUAL/ACTUAL (ICMA)) at the applicable Comparable Government Bond Rate plus 20 basis points, plus, in each case, accrued and unpaid interest to the date of redemption. The 2028 notes are redeemable as a whole or in part, at our option at any time and from time to time on or after April 18, 2028 (three months prior to the maturity date of the 2028 notes), at a redemption price equal to 100% of the principal amount of the 2028 notes being redeemed, plus accrued and unpaid interest to the date of redemption.

*2031 Notes.* The 2031 notes are redeemable as a whole or in part, at our option at any time and from time to time prior to December 18, 2030 (three months prior to the maturity date of the 2031 notes), at a redemption price equal to the greater of (i) 100% of the principal amount of such notes and (ii) the sum of the present values of the Remaining Scheduled Payments of principal and interest thereon (exclusive of interest accrued to the date of redemption), discounted to the redemption date on an annual basis (ACTUAL/ACTUAL (ICMA)) at the

applicable Comparable Government Bond Rate plus 20 basis points, plus, in each case, accrued and unpaid interest to the date of redemption. The 2031 notes are redeemable as a whole or in part, at our option at any time and from time to time on or after December 18, 2030 (three months prior to the maturity date of the 2031 notes), at a redemption price equal to 100% of the principal amount of the 2031 notes being redeemed, plus accrued and unpaid interest to the date of redemption.

*2039 Notes.* The 2039 notes are redeemable as a whole or in part, at our option at any time and from time to time prior to April 16, 2039 (six months prior to the maturity date of the 2039 notes), at a redemption price equal to the greater of (i) 100% of the principal amount of such notes and (ii) the sum of the present values of the Remaining Scheduled Payments of principal and interest thereon (exclusive of interest accrued to the date of redemption), discounted to the redemption date on an annual basis (ACTUAL/ACTUAL (ICMA)) at the applicable Comparable Government Bond Rate plus 20 basis points, plus, in each case, accrued and unpaid interest to the date of redemption. The 2039 notes are redeemable as a whole or in part, at our option at any time and from time to time on or after April 16, 2039 (six months prior to the maturity date of the 2039 notes), at a redemption price equal to 100% of the principal amount of the 2039 notes being redeemed, plus accrued and unpaid interest to the date of redemption.

#### *Definitions*

“Comparable Government Bond Rate” means, with respect to any redemption date for each series of euro notes, the price, expressed as a percentage (rounded to three decimal places, with 0.0005 being rounded upwards), at which the gross redemption yield on such euro notes to be redeemed, if they were to be purchased at such price on the third business day prior to the date fixed for redemption, would be equal to the gross redemption yield on such business day of the Comparable Government Bond (as defined below) on the basis of the middle market price of the Comparable Government Bond prevailing at 11:00 a.m. (London time) on such business day as determined by an independent investment bank selected by us.

“Comparable Government Bond” means, with respect to each series of euro notes, in relation to any Comparable Government Bond Rate calculation, at the discretion of an independent investment bank selected by us, a German government bond whose maturity is closest to the maturity of the euro notes to be redeemed, or if such independent investment bank in its discretion considers that such similar bond is not in issue, such other German government bond as such independent investment bank may, with the advice of three brokers of, and/or market makers in, German government bonds selected by us, determine to be appropriate for determining the Comparable Government Bond Rate.

“Remaining Scheduled Payments” means, with respect to each euro note of each series to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due after the related redemption date but for such redemption? provided, however, that, if such redemption date is not an interest payment date with respect to such euro note, the amount of the next succeeding scheduled interest payment thereon will be deemed to be reduced by the amount of interest accrued thereon to such redemption date.

### *General*

On and after the applicable redemption date with respect to a series of notes, interest will cease to accrue on such notes or any portion of such notes called for redemption (unless we default in the payment of the redemption price and accrued interest). On or before the redemption date, we will deposit with the trustee or its agent money sufficient to pay the redemption price of and (unless the redemption date shall be an interest payment date) accrued and unpaid interest to the redemption date on the notes to be redeemed on such date. If less than all of the notes of a series are to be redeemed, the notes of such series to be redeemed shall be selected in accordance with applicable depositary procedures. Additionally, we may at any time repurchase notes in the open market and may hold or surrender such notes to the trustee for cancellation.

Notice of redemption will be transmitted at least 30 days (or 15 days with respect to the 2039 notes) but not more than 60 days before the applicable redemption date to each holder of notes to be redeemed. We will be responsible for calculating the redemption price of the notes or portions thereof called for redemption.

### **Payment of Additional Amounts**

We will, subject to the exceptions and limitations set forth below, pay as additional interest on the notes such additional amounts as are necessary in order that the net payment by us of the principal of and interest on the notes to a holder who is not a United States person (as defined below), after withholding or deduction for any present or future tax, assessment or other governmental charge imposed by the United States or a taxing authority in the United States, will not be less than the amount provided in the notes to be then due and payable; provided, however, that the foregoing obligation to pay additional amounts shall not apply:

### *Sterling Notes*

- (1) to any tax, assessment or other governmental charge that would not have been imposed but for the holder, or a fiduciary, settlor, beneficiary, member or shareholder of the holder if the holder is an estate, trust, partnership or corporation, or a person holding a power over an estate or trust administered by a fiduciary holder, being considered as:
  - (a) being or having been engaged in a trade or business in the United States or having or having had a permanent establishment in the United States?
  - (b) having a current or former connection with the United States (other than a connection arising solely as a result of the ownership of the notes, the receipt of any payment or the enforcement of any rights hereunder), including being or having been a citizen or resident of the United States?
  - (c) being or having been a personal holding company, a passive foreign investment company or a controlled foreign corporation with respect to the

United States or a corporation that has accumulated earnings to avoid United States federal income tax?

- (d) being or having been a “10-percent shareholder” of the Company as defined in section 871(h)(3) of the United States Internal Revenue Code of 1986, as amended (the “Code”) or any successor provision? or
  - (e) being a bank receiving payments on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business?
- (2) to any holder that is not the sole beneficial owner of the notes, or a portion of the notes, or that is a fiduciary, partnership or limited liability company, but only to the extent that a beneficiary or settlor with respect to the fiduciary, a beneficial owner or member of the partnership or limited liability company would not have been entitled to the payment of an additional amount had the beneficiary, settlor, beneficial owner or member received directly its beneficial or distributive share of the payment?
  - (3) to any tax, assessment or other governmental charge that would not have been imposed but for the failure of the holder or any other person to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of the notes, if compliance is required by statute, by regulation of the United States or any taxing authority therein or by an applicable income tax treaty to which the United States is a party as a precondition to exemption from such tax, assessment or other governmental charge?
  - (4) to any tax, assessment or other governmental charge that is imposed otherwise than by withholding by us or a paying agent from the payment?
  - (5) to any tax, assessment or other governmental charge that would not have been imposed but for a change in law, regulation, or administrative or judicial interpretation that becomes effective more than 15 days after the payment becomes due or is duly provided for, whichever occurs later?
  - (6) to any estate, inheritance, gift, sales, excise, transfer, wealth, capital gains or personal property tax or similar tax, assessment or other governmental charge?
  - (7) to any withholding or deduction that is imposed on a payment to an individual and that is required to be made pursuant to any law implementing or complying with, or introduced in order to conform to, any European Union Directive on the taxation of savings?
  - (8) to any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal of or interest on any note, if such payment can be made without such withholding by at least one other paying agent?

- (9) to any tax, assessment or other governmental charge that would not have been imposed but for the presentation by the holder of any note, where presentation is required, for payment on a date more than 30 days after the date on which payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later?
- (10) to any tax, assessment or other governmental charge that is imposed or withheld solely by reason of the beneficial owner being a bank (i) purchasing the notes in the ordinary course of its lending business or (ii) that is neither (A) buying the notes for investment purposes only nor (B) buying the notes for resale to a third-party that either is not a bank or holding the notes for investment purposes only?
- (11) to any tax, assessment or other governmental charge imposed under Sections 1471 through 1474 of the Code (or any amended or successor provisions that are substantively comparable) and any current or future regulations or official interpretations thereof? or
- (12) in the case of any combination of items (1), (2), (3), (4), (5), (6), (7), (8), (9), (10) and (11).

*2021 Notes, 2026 Notes and 2028 Notes*

- (1) to any tax, assessment or other governmental charge that is imposed by reason of the holder (or the beneficial owner for whose benefit such holder holds such note), or a fiduciary, settlor, beneficiary, member or shareholder of the holder if the holder is an estate, trust, partnership or corporation, or a person holding a power over an estate or trust administered by a fiduciary holder, being considered as:
  - (a) being or having been engaged in a trade or business in the United States or having or having had a permanent establishment in the United States?
  - (b) having a current or former connection with the United States (other than a connection arising solely as a result of the ownership of the notes, the receipt of any payment or the enforcement of any rights hereunder), including being or having been a citizen or resident of the United States?
  - (c) being or having been a personal holding company, a passive foreign investment company or a controlled foreign corporation for United States federal income tax purposes or a corporation that has accumulated earnings to avoid United States federal income tax?
  - (d) being or having been a “10-percent shareholder” of the Company as defined in Section 871(h)(3) of the Code or any successor provision? or
  - (e) being a bank receiving payments on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business?

- (2) to any holder that is not the sole beneficial owner of the notes, or a portion of the notes, or that is a fiduciary, partnership or limited liability company, but only to the extent that a beneficial owner with respect to the holder, a beneficiary or settlor with respect to the fiduciary, or a beneficial owner or member of the partnership or limited liability company would not have been entitled to the payment of an additional amount had the beneficiary, settlor, beneficial owner or member received directly its beneficial or distributive share of the payment?
- (3) to any tax, assessment or other governmental charge that would not have been imposed but for the failure of the holder or any other person to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of the notes, if compliance is required by statute, by regulation of the United States or any taxing authority therein or by an applicable income tax treaty to which the United States is a party as a precondition to exemption from such tax, assessment or other governmental charge?
- (4) to any tax, assessment or other governmental charge that is imposed otherwise than by withholding by us or a paying agent from the payment?
- (5) to any tax, assessment or other governmental charge that would not have been imposed but for a change in law, regulation, or administrative or judicial interpretation that becomes effective more than 15 days after the payment becomes due or is duly provided for, whichever occurs later?
- (6) to any estate, inheritance, gift, sales, excise, transfer, wealth, capital gains or personal property tax or similar tax, assessment or other governmental charge?
- (7) to any withholding or deduction that is imposed on a payment to an individual and that is required to be made pursuant to any law implementing or complying with, or introduced in order to conform to, any European Union Directive on the taxation of savings?
- (8) to any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal of or interest on any note, if such payment can be made without such withholding by at least one other paying agent?
- (9) to any tax, assessment or other governmental charge that would not have been imposed but for the presentation by the holder of any note, where presentation is required, for payment on a date more than 30 days after the date on which payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later?
- (10) to any tax, assessment or other governmental charge that is imposed or withheld solely by reason of the beneficial owner being a bank (i) purchasing the notes in the ordinary course of its lending business or (ii) that is neither (A) buying the notes for

investment purposes only nor (B) buying the notes for resale to a third-party that either is not a bank or holding the notes for investment purposes only?

- (11) to any tax, assessment or other governmental charge imposed under Sections 1471 through 1474 of the Code (or any amended or successor provisions), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such sections of the Code? or
- (12) in the case of any combination of items (1), (2), (3), (4), (5), (6), (7), (8), (9), (10) and (11).

*2027 Notes, 2031 Notes and 2039 Notes*

- (1) to any tax, assessment or other governmental charge that is imposed by reason of the holder (or the beneficial owner for whose benefit such holder holds such note), or a fiduciary, settlor, beneficiary, member or shareholder of the holder if the holder is an estate, trust, partnership or corporation, or a person holding a power over an estate or trust administered by a fiduciary holder, being considered as:
  - (a) being or having been engaged in a trade or business in the United States or having or having had a permanent establishment in the United States?
  - (b) having a current or former connection with the United States (other than a connection arising solely as a result of the ownership of the notes, the receipt of any payment or the enforcement of any rights hereunder), including being or having been a citizen or resident of the United States?
  - (c) being or having been a personal holding company, a passive foreign investment company or a controlled foreign corporation for United States federal income tax purposes or a corporation that has accumulated earnings to avoid United States federal income tax?
  - (d) being or having been a “10-percent shareholder” of the Company as defined in Section 871(h)(3) of the Code or any successor provision? or
  - (e) being a bank receiving payments on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business?
- (2) to any holder that is not the sole beneficial owner of the notes, or a portion of the notes, or that is a fiduciary, partnership or limited liability company, but only to the extent that a beneficial owner with respect to the holder, a beneficiary or settlor with respect to the fiduciary, or a beneficial owner or member of the partnership or limited liability company would not have been entitled to the payment of an

additional amount had the beneficiary, settlor, beneficial owner or member received directly its beneficial or distributive share of the payment?

- (3) to any tax, assessment or other governmental charge that would not have been imposed but for the failure of the holder or any other person to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of the notes, if compliance is required by statute, by regulation of the United States or any taxing authority therein or by an applicable income tax treaty to which the United States is a party as a precondition to exemption from such tax, assessment or other governmental charge?
- (4) to any tax, assessment or other governmental charge that is imposed otherwise than by withholding by us or a paying agent from the payment?
- (5) to any tax, assessment or other governmental charge that would not have been imposed but for a change in law, regulation, or administrative or judicial interpretation that becomes effective more than 15 days after the payment becomes due or is duly provided for, whichever occurs later?
- (6) to any estate, inheritance, gift, sales, excise, transfer, wealth, capital gains or personal property tax or similar tax, assessment or other governmental charge?
- (7) to any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal of or interest on any note, if such payment can be made without such withholding by at least one other paying agent?
- (8) to any tax, assessment or other governmental charge that would not have been imposed but for the presentation by the holder of any note, where presentation is required, for payment on a date more than 30 days after the date on which payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later?
- (9) to any tax, assessment or other governmental charge that is imposed or withheld solely by reason of the beneficial owner being a bank (i) purchasing the notes in the ordinary course of its lending business or (ii) that is neither (A) buying the notes for investment purposes only nor (B) buying the notes for resale to a third-party that either is not a bank or holding the notes for investment purposes only?
- (10) to any tax, assessment or other governmental charge imposed under Sections 1471 through 1474 of the Code (or any amended or successor provisions), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such sections of the Code? or

(11) in the case of any combination of items (1), (2), (3), (4), (5), (6), (7), (8), (9) and (10).

The notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation applicable to the notes. Except as specifically provided under this heading “—Payment of Additional Amounts,” we will not be required to make any payment for any tax, assessment or other governmental charge imposed by any government or a political subdivision or taxing authority of or in any government or political subdivision.

As used under this heading “—Payment of Additional Amounts” and under the heading “—Redemption for Tax Reasons,” the term “United States” means the United States of America (including the states of the United States and the District of Columbia and any political subdivision thereof) and the term “United States person” means any individual who is a citizen or resident of the United States for U.S. federal income tax purposes, a corporation, partnership or other entity created or organized in or under the laws of the United States, any state of the United States or the District of Columbia (other than a partnership that is not treated as a United States person under any applicable Treasury regulations), or any estate or trust the income of which is subject to United States federal income taxation regardless of its source.

### **Redemption for Tax Reasons**

If, as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated under the laws) of the United States (or any taxing authority in the United States), or any change in, or amendments to, an official position regarding the application or interpretation of such laws, regulations or rulings, which change or amendment is announced or becomes effective on or after the date of the prospectus supplement filed with the SEC for the applicable series of notes, we become or, based upon a written opinion of independent counsel selected by us, will become obligated to pay additional amounts as described herein under the heading “—Payment of Additional Amounts” with respect to the notes of any series, then we may at any time at our option redeem, in whole, but not in part, the outstanding notes of such series on not less than 30 nor more than 60 days prior notice, at a redemption price equal to 100% of their principal amount, together with accrued and unpaid interest on those notes to, but not including, the date fixed for redemption.

### **Certain Covenants**

#### *Limitation of Liens*

We will not, and will not permit any of our restricted subsidiaries to, incur, suffer to exist or guarantee any debt secured by a lien on any principal property or on any shares of stock of (or other interests in) any of our restricted subsidiaries unless we or that first-mentioned restricted subsidiary secures or causes such restricted subsidiary to secure the notes (and any of its or such restricted subsidiary’s other debt, at its option or such restricted subsidiary’s option, as the case may be, not subordinate to the notes), equally and ratably with (or prior to) such secured debt, for as long as such secured debt will be so secured.

These restrictions will not, however, apply to debt secured by:

- (1) any liens existing prior to the issuance of such notes;
- (2) any lien on property of or shares of stock of (or other interests in) or debt of any entity existing at the time such entity becomes a restricted subsidiary;
- (3) any liens on property, shares of stock of (or other interests in) or debt of any entity (a) existing at the time of acquisition of such property or shares (or other interests) (including acquisition through merger or consolidation), (b) to secure the payment of all or any part of the purchase price of such property or shares (or other interests) or construction or improvement of such property or (c) to secure any debt incurred prior to, at the time of, or within 365 days after the later of the acquisition, the completion of construction or the commencement of full operation of such property or within 365 days after the acquisition of such shares (or other interests) for the purpose of financing all or any part of the purchase price of such shares (or other interests) or construction thereon;
- (4) any liens in favor of us or any of our restricted subsidiaries;
- (5) any liens in favor of, or required by contracts with, governmental entities; or
- (6) any extension, renewal, or refunding of liens referred to in any of the preceding clauses (1) through (5).

Notwithstanding the foregoing, we or any of our restricted subsidiaries may incur, suffer to exist or guarantee any debt secured by a lien on any principal property or on any shares of stock of (or other interests in) any of our restricted subsidiaries if, after giving effect thereto, the aggregate amount of such debt does not exceed 15% of our consolidated net tangible assets.

The indenture does not restrict the transfer by us of a principal property to any of our unrestricted subsidiaries or our ability to change the designation of a subsidiary owning principal property from a restricted subsidiary to an unrestricted subsidiary and, if we were to do so, any such unrestricted subsidiary would not be restricted from incurring secured debt nor would we be required, upon such incurrence, to secure the notes equally and ratably with such secured debt.

#### *Consolidation, Merger or Sale of Assets*

We may consolidate or merge with or into, or convey or transfer all or substantially all of our assets to, any entity (including, without limitation, a limited partnership or a limited liability company); *provided* that:

- we will be the surviving corporation or, if not, that the successor will be a corporation that is organized and validly existing under the laws of any state of the United States of America or the District of Columbia and will expressly assume by a supplemental indenture our obligations under the indenture and the notes;

- immediately after giving effect to such transaction, no event of default, and no default or other event which, after notice or lapse of time, or both, would become an event of default, will have happened and be continuing; and
- we will have delivered to the trustee an opinion of counsel, stating that such consolidation, merger, conveyance or transfer complies with the indenture.

In the event of any such consolidation, merger, conveyance, transfer or lease, any such successor will succeed to and be substituted for us as obligor on the notes with the same effect as if it had been named in the indenture as obligor, and we will be released from all obligations under the indenture and under the notes.

### *Definitions*

“Consolidated net tangible assets” means the total amount of our assets and our restricted subsidiaries’ assets minus:

- all applicable depreciation, amortization and other valuation reserves;
- all current liabilities of ours and our restricted subsidiaries (excluding any intercompany liabilities); and
- all goodwill, trade names, trademarks, patents, unamortized debt discount and expenses and other like intangibles, all as set forth on our and our restricted subsidiaries’ latest consolidated balance sheets prepared in accordance with U.S. generally accepted accounting principles.

“Debt” means any indebtedness for borrowed money.

“Principal property” means any single manufacturing or processing plant, office building or warehouse owned or leased by us or any of our restricted subsidiaries other than a plant, warehouse, office building or portion thereof which, in the opinion of our Board of Directors, is not of material importance to the business conducted by us and our restricted subsidiaries taken as an entirety.

“Restricted subsidiary” means, at any time, any subsidiary which at the time is not an unrestricted subsidiary of ours.

“Subsidiary” means any entity, at least a majority of the outstanding voting stock of which shall at the time be owned, directly or indirectly, by us or by one or more of our subsidiaries, or both.

“Unrestricted subsidiary” means any subsidiary of ours (not at the time designated as our restricted subsidiary) (1) the major part of whose business consists of finance, banking, credit, leasing, insurance, financial services or other similar operations, or any combination thereof, (2) substantially all the assets of which consist of the capital stock of one or more subsidiaries engaged in the operations referred to in the preceding clause (1), or (3) designated as an unrestricted subsidiary by our Board of Directors.

## Events of Default

An “Event of Default” under the notes of a given series means:

- (1) default in paying interest on the notes when it becomes due and the default continues for a period of 30 days or more;
- (2) default in paying principal, or premium, if any, on the notes when due;
- (3) default is made in the payment of any sinking or purchase fund or analogous obligation when the same becomes due, and such default continues for 30 days or more;
- (4) default in the performance, or breach, of any covenant or warranty of PepsiCo in the indenture (other than defaults specified in clause (1), (2) or (3) above) and the default or breach continues for a period of 90 days or more after we receive written notice from the trustee or we and the trustee receive notice from the holders of at least 51% in aggregate principal amount of the outstanding notes of the series;
- (5) certain events of bankruptcy, insolvency, reorganization, administration or similar proceedings with respect to PepsiCo have occurred; or
- (6) any other Events of Default set forth in the applicable prospectus supplement.

If an Event of Default (other than an Event of Default specified in clause (5) with respect to PepsiCo) under the indenture occurs with respect to the notes of any series and is continuing, then the trustee or the holders of at least 51% in principal amount of the outstanding notes of that series may by written notice require us to repay immediately the entire principal amount of the outstanding notes of that series (or such lesser amount as may be provided in the terms of the notes), together with all accrued and unpaid interest and premium, if any.

If an Event of Default under the indenture specified in clause (5) with respect to PepsiCo occurs and is continuing, then the entire principal amount of the outstanding notes (or such lesser amount as may be provided in the terms of the notes) will automatically become due and payable immediately without any declaration or other act on the part of the trustee or any holder.

After a declaration of acceleration, the holders of not less than 51% in aggregate principal amount of outstanding notes of any series may rescind this accelerated payment requirement if all existing Events of Default, except for nonpayment of the principal and interest on the notes of that series that has become due solely as a result of the accelerated payment requirement, have been cured or waived and if the rescission of acceleration would not conflict with any judgment or decree. The holders of a majority in principal amount of the outstanding notes of any series also have the right to waive past defaults, except a default in paying principal, premium or interest on any outstanding note, or in respect of a covenant or a provision that cannot be modified or amended without the consent of all holders of the notes of that series.

Holders of at least 51% in principal amount of the outstanding notes of a series may seek to institute a proceeding only after they have notified the trustee of a continuing Event of Default in writing and made a written request, and offered reasonable indemnity, to the trustee to institute a proceeding and the trustee has failed to do so within 60 days after it received this notice. In addition, within this 60 day period the trustee must not have received directions inconsistent with this written request by holders of a majority in principal amount of the outstanding notes of that series. These limitations do not apply, however, to a suit instituted by a holder of a note for the enforcement of the payment of principal, interest or any premium on or after the due dates for such payment.

During the existence of an Event of Default, the trustee is required to exercise the rights and powers vested in it under the indenture and use the same degree of care and skill in its exercise as a prudent man would under the circumstances in the conduct of that person's own affairs. If an Event of Default has occurred and is continuing, the trustee is not under any obligation to exercise any of its rights or powers at the request or direction of any of the holders unless the holders have offered to the trustee reasonable security or indemnity. Subject to certain provisions, the holders of a majority in principal amount of the outstanding notes of any series have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust, or power conferred on the trustee.

The trustee will, within 90 days after any default occurs, give notice of the default to the holders of the notes of that series, unless the default was already cured or waived. Unless there is a default in paying principal, interest or any premium when due, the trustee can withhold giving notice to the holders if it determines in good faith that the withholding of notice is in the interest of the holders.

### **Modification and Waiver**

The indenture may be amended or modified without the consent of any holder of notes in order to:

- evidence a succession to the trustee;
- cure ambiguities, defects or inconsistencies;
- provide for the assumption of our obligations in the case of a merger or consolidation or transfer of all or substantially all of our assets;
- make any change that would provide any additional rights or benefits to the holders of the notes of a series;
- add guarantors with respect to the notes of any series;
- secure the notes of a series;
- establish the form or forms of notes of any series;
- maintain the qualification of the indenture under the Trust Indenture Act; or

- make any change that does not adversely affect in any material respect the interests of any holder.

Other amendments and modifications of the indenture or the notes issued may be made with the consent of the holders of not less than a majority of the aggregate principal amount of the outstanding notes of each series affected by the amendment or modification. However, no modification or amendment may, without the consent of the holder of each outstanding note affected:

- reduce the principal amount, interest or premium payable, or extend the fixed maturity, of the notes;
- alter or waive the redemption provisions of the notes;
- change the currency in which principal, any premium or interest is paid;
- reduce the percentage in principal amount outstanding of notes of any series which must consent to an amendment, supplement or waiver or consent to take any action;
- impair the right to institute suit for the enforcement of any payment on the notes;
- waive a payment default with respect to the notes or any guarantor;
- reduce the interest rate or extend the time for payment of interest on the notes;
- adversely affect the ranking of the notes of any series; or
- release any guarantor from any of its obligations under its guarantee or the indenture, except in compliance with the terms of the indenture.

### **Satisfaction, Discharge and Covenant Defeasance**

We may terminate our obligations under the indenture, when:

- either:
  - all the notes of any series issued that have been authenticated and delivered have been delivered to the trustee for cancellation; or
  - all the notes of any series issued that have not been delivered to the trustee for cancellation have become due and payable, will become due and payable within one year, or are to be called for redemption within one year and we have made arrangements satisfactory to the trustee for the giving of notice of redemption by such trustee in our name and at our expense, and in each case, we have irrevocably deposited or caused to be deposited with the trustee sufficient funds to pay and discharge the entire indebtedness on the series of notes to pay principal, interest and any premium; and

- we have paid or caused to be paid all other sums then due and payable under the indenture; and
- we have delivered to the trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent under the indenture relating to the satisfaction and discharge of the indenture have been complied with.

We may elect to have our obligations under the indenture discharged with respect to the outstanding notes of any series ("legal defeasance"). Legal defeasance means that we will be deemed to have paid and discharged the entire indebtedness represented by the outstanding notes of such series under the indenture, except for:

- the rights of holders of the notes to receive principal, interest and any premium when due;
- our obligations with respect to the notes concerning issuing temporary notes, registration of transfer of the notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payment for security payments held in trust;
- the rights, powers, trusts, duties and immunities of the trustee; and
- the defeasance provisions of the indenture.

In addition, we may elect to have our obligations released with respect to certain covenants in the indenture ("covenant defeasance"). Any omission to comply with these obligations will not constitute a default or an event of default with respect to the notes of any series. In the event covenant defeasance occurs, certain events, not including non-payment, bankruptcy and insolvency events, described under "Events of Default" above will no longer constitute an event of default for that series.

In order to exercise either legal defeasance or covenant defeasance with respect to outstanding notes of any series:

- we must irrevocably have deposited or caused to be deposited with the trustee as trust funds for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to the benefit of the holders of the notes of a series:
  - money in an amount;
  - U.S. government obligations (or equivalent government obligations in the case of notes denominated in other than U.S. dollars or a specified currency) that will provide, not later than one day before the due date of any payment, money in an amount; or
  - a combination of money and U.S. government obligations (or equivalent government obligations, as applicable),

in each case sufficient, in the written opinion (with respect to U.S. or equivalent government obligations or a combination of money and U.S. or equivalent

government obligations, as applicable) of a nationally recognized firm of independent registered public accountants, to pay and discharge, and which shall be applied by the trustee to pay and discharge, all of the principal (including mandatory sinking fund payments), interest and any premium at the due date or maturity;

- in the case of legal defeasance, we must have delivered to the trustee an opinion of counsel stating that, under then applicable federal income tax law, the holders of the notes of that series will not recognize income, gain or loss for federal income tax purposes as a result of the deposit, defeasance and discharge to be effected and will be subject to the same federal income tax as would be the case if the deposit, defeasance and discharge did not occur;
- in the case of covenant defeasance, we must have delivered to the trustee an opinion of counsel to the effect that the holders of the notes of that series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the deposit and covenant defeasance to be effected and will be subject to the same federal income tax as would be the case if the deposit and covenant defeasance did not occur;
- no event of default or default with respect to the outstanding notes of that series has occurred and is continuing at the time of such deposit after giving effect to the deposit or, in the case of legal defeasance, no default relating to bankruptcy or insolvency has occurred and is continuing at any time on or before the 91st day after the date of such deposit, it being understood that this condition is not deemed satisfied until after the 91st day;
- the legal defeasance or covenant defeasance will not cause the trustee to have a conflicting interest within the meaning of the Trust Indenture Act, assuming all notes of a series were in default within the meaning of such Act;
- the legal defeasance or covenant defeasance will not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which we are a party;
- the legal defeasance or covenant defeasance will not result in the trust arising from such deposit constituting an investment company within the meaning of the Investment Company Act of 1940, as amended, unless the trust is registered under such Act or exempt from registration; and
- we must have delivered to the trustee an officers' certificate and an opinion of counsel stating that all conditions precedent with respect to the legal defeasance or covenant defeasance have been complied with.

### **Book-Entry, Delivery and Settlement**

We have obtained the information in this section concerning Clearstream and Euroclear and their book-entry systems and procedures from sources that we believe to be reliable. We take

no responsibility for an accurate portrayal of this information. In addition, the description of the clearing systems in this section reflects our understanding of the rules and procedures of Clearstream and Euroclear as they are currently in effect. Those clearing systems could change their rules and procedures at any time.

The notes of each series were initially represented by one or more fully registered global notes. Each such global note was deposited with, or on behalf of, a common depositary and registered in the name of the nominee of the common depositary for the accounts of Clearstream and Euroclear. Except as set forth below, the global notes may be transferred, in whole and not in part, only to Euroclear or Clearstream or their respective nominees. You may hold your interests in the global notes in Europe through Clearstream or Euroclear, either as a participant in such systems or indirectly through organizations which are participants in such systems. Clearstream and Euroclear will hold interests in the global notes on behalf of their respective participating organizations or customers through customers' securities accounts in Clearstream's or Euroclear's names on the books of their respective depositaries. Book-entry interests in the notes and all transfers relating to the notes will be reflected in the book-entry records of Clearstream and Euroclear. The address of Clearstream is 42 Avenue JF Kennedy, L-1855 Luxembourg, Luxembourg and the address of Euroclear is 1 Boulevard Roi Albert II, B-1210 Brussels, Belgium.

The distribution of the notes was cleared through Clearstream and Euroclear. Any secondary market trading of book-entry interests in the notes will take place through Clearstream and Euroclear participants and will settle in same-day funds. Owners of book-entry interests in the notes will receive payments relating to their notes in sterling with respect to the sterling notes and euro with respect to the euro notes, except as described in the applicable prospectus supplement.

Clearstream and Euroclear have established electronic securities and payment transfer, processing, depositary and custodial links among themselves and others, either directly or through custodians and depositaries. These links allow the notes to be issued, held and transferred among the clearing systems without the physical transfer of certificates. Special procedures to facilitate clearance and settlement have been established among these clearing systems to trade securities across borders in the secondary market.

The policies of Clearstream and Euroclear govern payments, transfers, exchanges and other matters relating to the investor's interest in the notes held by them. We have no responsibility for any aspect of the records kept by Clearstream or Euroclear or any of their direct or indirect participants. We also do not supervise these systems in any way.

Clearstream and Euroclear and their participants perform these clearance and settlement functions under agreements they have made with one another or with their customers. You should be aware that they are not obligated to perform or continue to perform these procedures and may modify them or discontinue them at any time.

Except as provided otherwise, owners of beneficial interests in the notes will not be entitled to have the notes registered in their names, will not receive or be entitled to receive

physical delivery of the notes in definitive form and will not be considered the owners or holders of the notes under the indenture, including for purposes of receiving any reports delivered by us or the trustee pursuant to the indenture. Accordingly, each person owning a beneficial interest in a note must rely on the procedures of the depositary and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, in order to exercise any rights of a holder of notes.

*Certificated Notes.* Subject to certain conditions, the notes represented by the global notes are exchangeable for certificated notes in definitive form of like tenor in minimum denominations of £100,000 principal amount and integral multiples of £1,000 in excess thereof with respect to the sterling notes and €100,000 principal amount and integral multiples of €1,000 in excess thereof with respect to the euro notes if:

- (1) the common depositary provides notification that it is unwilling, unable or no longer qualified to continue as depositary for the global notes and a successor is not appointed within 90 days;
- (2) we in our discretion at any time determine not to have all the notes of any series represented by the global note; or
- (3) default entitling the holders of the applicable notes of any series to accelerate the maturity thereof has occurred and is continuing.

Any note of any series that is exchangeable as above is exchangeable for certificated notes of such series issuable in authorized denominations and registered in such names as the common depositary shall direct. Subject to the foregoing, a global note is not exchangeable, except for a global note of the same aggregate denomination to be registered in the name of the common depositary (or its nominee).

*Same-day Payment.* Payments (including principal, interest and any additional amounts) and transfers with respect to notes of any series in certificated form may be executed at the office or agency maintained for such purpose within the City of London (initially the office of the paying agent maintained for such purpose) or, at our option, by check mailed to the holders thereof at the respective addresses set forth in the register of holders of the applicable notes of such series, provided that all payments (including principal, interest and any additional amounts) on notes in certificated form, for which the holders thereof have given wire transfer instructions, will be required to be made by wire transfer of immediately available funds to the accounts specified by the holders thereof. No service charge will be made for any registration of transfer, but payment of a sum sufficient to cover any tax or governmental charge payable in connection with that registration may be required.

**PEPSICO**  
**PENSION EQUALIZATION PLAN**  
**(PEP)**

*Plan Document for the Pre-Section 409A Program*  
*April 1, 2016 Restatement*

(With Amendments Through December 10, 2019)

PEPSICO PENSION EQUALIZATION PLAN

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## ARTICLE I

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### 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.

1989 Document. The Plan was amended and restated in its entirety effective as of January 1, 1989. The provisions of the Plan in effect prior to January 1, 1989 govern the rights and benefits of employees whose Credited Service ended before that date (and as necessary, before the effective date of any provision with a different pre-1989 effective date).

2005 Document. This document (the “Pre-409A PepsiCo PEP Document”) was first effective as of January 1, 2005 (the “Effective Date”) and was restated to reflect amendments through December 31, 2008. It generally retained without modification the provisions of the 1989 restatement. However, it was clarified to reflect that it set forth the terms of the Plan applicable to benefits that were grandfathered under Section 409A, *i.e.*, generally, benefits that were both earned and vested on or before December 31, 2004 (the “Pre-409A Program”).

2016 Restatement. This restatement of the Pre-409A PepsiCo PEP Document is effective as of April 1, 2016. There have been no material modifications made to the Pre-409A

PepsiCo PEP Document as a result of the 2016 restatement. The Pre-409A PepsiCo PEP Document continues generally to retain without modification the provisions of the 1989 restatement.

This restatement reflects amendments through April 1, 2016, including amendments 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 October 3, 2004 as amended through January 1, 2011 (“Pre-409A PBG PEP Document”) and as subsequently amended from time to time is attached hereto as Appendix Article PBG Pre-409A; it continues to govern PBG PEP benefits that were grandfathered under Section 409A and that were subject to the Pre-409A PBG PEP Document prior to the Plan merger, except for certain administrative provisions now governed by the main portion of the Pre-409A PepsiCo PEP Document as is explained in Appendix Article PBG Pre-409A. There has been no change to the time or form of payment of benefits that are subject to Section 409A under either the PepsiCo PEP Program or the PBG PEP Program that would constitute a material modification within the meaning of Treas. Reg. § 1.409A-6(a)(4) as a result of the merger or the revisions to the Pre-409A PepsiCo PEP Document and Pre-409A PBG PEP document.

409A Program. All benefits under the Plan that are earned or vested after January 1, 1989 shall be governed by the Plan Document for the Section 409A Program (the “409A Program”). Together, this document (the Pre-409A PepsiCo PEP Document) and the Plan Document for the Section 409A Program describe the terms of a single plan.

Preservation of Pre-409A Program Within PEP Plan. This document (the Pre-409A PepsiCo PEP Document) has been modified to clarify (without any material

modification) the integration of the Pre-409A Program with the 409A Program. However, amounts subject to the terms of this Pre-409A Program and amounts subject to the terms of the 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 a program of grandfathered benefits.

## ARTICLE II.

### Definitions and Construction

2.1 Definitions: This section provides definitions for certain words and phrases. Where the following words and phrases, in boldface and underlined, appear in this Plan 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:

(i) Annuity Starting Dates After December 31, 2018: To determine the amount of a Pension payable as of an Annuity Starting Date after December 31, 2018 (A) in the form of a Qualified Joint and Survivor Annuity or

other form of survivor annuity, (B) as an annuity with inflation protection, or (C) as a period certain and life annuity or other death benefit annuity, the Plan Administrator shall specify the factors that are to be used. Effective January 1, 2019, the factors specified by the Plan Administrator are set forth in Schedule 1 below. Subsequently, the Plan Administrator may specify new factors for these and other forms of payment, in its sole and absolute discretion, by a resolution adopted by the Plan Administrator. A Participant's benefit under the Pre-409A Program shall be determined under the actuarial factors specified and in effect as of the Annuity Starting Date of the Participant's benefit. For the avoidance of doubt, it is expressly intended and binding upon Participants that any actuarial factors for forms of payment specified by the Plan Administrator may be applied retroactively to previously accrued benefits, and without regard to the factors that previously applied for such purpose. In particular, in adjusting benefits under the Plan using the factors in Schedule 1 (below), the right to a benefit that is not less than would have applied under the prior basis for this adjustment shall not apply (even when, for example, it would apply under the Salaried Plan with respect to the 2019 Salaried Plan Factors). For this purpose, the phrase "2019 Salaried Plan Factors" refers to the new factors that appear in the Salaried Plan's definition of "Actuarial Equivalent" effective for annuity starting dates (as defined under the Salaried Plan) on or after January 1, 2019. If a Participant elects a survivor, period certain annuity or other death benefit annuity with inflation protection, Schedule 1(a) shall apply to adjust the Single Life Annuity for the survivor benefit, period certain or other death benefit, and Schedule 1(b) or (c)

shall apply solely to adjust for the elected inflation protection (for this purpose and as applies generally when determining an Actuarial Equivalent, the adjustment resulting from applying these factors from separate Schedules shall be determined using an actuarial computation method that is reasonable and applied consistently to similarly situated participants).

**SCHEDULE 1**

<u>Date</u>	<u>Mortality Table Factors</u>	<u>Interest Rate Factor</u>
(a) Annuity Starting Dates on or After 1/1/2019 Except for Inflation Protection	The 2019 mortality table*	5%
(b) Annuity Starting Dates on or After 1/1/2019 for 5% Inflation Protection	The 2019 mortality table*	4.2%
(c) Annuity Starting Dates on or After 1/1/2019 for 7% Inflation Protection	The 2019 mortality table*	4.6%

\*As this term is defined in the Salaried Plan’s definition of “Actuarial Equivalent”

(ii) Annuity Starting Dates Before January 1, 2019: To determine the amount of a Pension payable as of an Annuity Starting Date before January 1, 2019, and in the form of a Qualified Joint and Survivor Annuity or other form of survivor annuity, or as an annuity with inflation protection, the factors applicable as of such time for such purposes under the Salaried Plan shall apply. However, in determining a Pre-409A Pension payable as of an Annuity Starting Date before January 1, 2019, no change in such factors occurring on or after the Effective Date in the basis for determining the amount of an annuity form of payment from that in effect as of December 31, 2004 shall be taken into account to the extent it would result in a larger annuity (but this sentence shall

not apply for purposes of Section 5.1(b)(3), relating to the “Limit on the Pre-409A Pension Benefit”).

(2) Lump Sums: To determine the lump sum value of a Pension, or a Pre-Retirement Spouse’s Pension under Section 4.6, the factors applicable for such purposes under the Salaried Plan shall apply, except that when the term “PBGC Rate” is used in the Salaried Plan in this context it shall mean “PBGC Rate” as defined in this Plan. However, in determining a Pre-409A Pension, no amendment, which is effective on or after the Effective Date, to the Salaried Plan’s provisions for determining lump sums from those in effect as of December 31, 2004 shall be taken into account to the extent that doing so is expected to result in a larger lump sum (or in the case of a Salaried Plan amendment that becomes effective on or after January 1, 2015, a different lump sum, unless this Pre-409A Program document is amended to expressly apply the Salaried Plan amendment in determining a Pre-409A Pension), but this sentence shall not apply for purposes of Section 5.1(b)(3), relating to the “Limit on the Pre-409A Pension Benefit.” For example, therefore, the Salaried Plan amendment that adopted Pension Protection Act factors for lump sums effective January 1, 2008 is generally taken into account under the Pre-409A Program, but the Salaried Plan amendment that changed the “lookback period” and “stability period” for lump sums effective January 1, 2015 is not taken account under the Pre-409A Program, except for purposes of Section 5.1(b)(3).

(3) Other Cases: To determine the adjustment to be made in the Pension payable to or on behalf of a Participant in other cases (including to reduce a Vested Pension for early commencement), the factors are those applicable for such purpose under the Salaried Plan. However, in determining a Pre-409A Pension, no change occurring on or after the Effective Date in such factors from those in effect as of December 31, 2004 shall be taken into account to the extent that it would result in a larger pension (but this sentence shall not apply for purposes of Section 5.1(b)(3), relating to the “Limit on the Pre-409A Pension Benefit”).

**Advance Election**: A Participant’s election to receive his Pre-409A Retirement Pension as a Single Lump Sum or an Annuity, made in compliance with the requirements of Section 6.3.

**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(d).

**Authorized Leave of Absence:** Any absence authorized by an Employer under the Employer's standard personnel practices, whether paid or unpaid.

**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 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 Retirement Pension:** The Retirement Pension available to a Participant under Section 4.2.

**Effective Date:** The date upon which this document for the Pre-409A Program is generally effective, January 1, 2005. Certain identified provisions of the Plan may be effective on different dates, to the extent noted herein.

**Eligible Spouse:** The spouse of a Participant to whom the Participant is married on the earlier of the Participant's Annuity Starting Date or the date of the Participant's death.

**Employee:** An individual who qualifies as an "Employee" as that term is defined in the Salaried Plan.

**Employer:** An entity that qualifies as an "Employer" as that term is defined in the Salaried Plan.

**ERISA:** Public Law No. 93-406, the Employee Retirement Income Security Act of 1974, as amended from time to time.

**FICA Amount:** The Participant's share of the Federal Insurance Contributions Act (FICA) tax imposed on the 409A Pension and Pre-409A Pension of the Participant under Code Sections 3101, 3121(a) and 3121(v)(2).

**409A Program:** The portion of the Plan that governs deferrals that are subject to Section 409A. The terms of the 409A Program are set forth in a separate document (or separate set of documents).

**Guiding Principles Regarding Benefit Plan Committee Appointments:**

The guiding principles as set forth in Common Appendix Article PAC to be applied by the Chair of the PAC when selecting the members of the PAC.

**Highest Average Monthly Earnings:** “Highest Average Monthly Earnings”

as that term is defined in the 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).

**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 Retirement Pension:** The 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 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 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.

**PBGC:** The Pension Benefit Guaranty Corporation, a body corporate within the Department of Labor established under the provisions of Title IV of ERISA.

**PBGC Rate:** The PBGC Rate is 120 percent of the interest rate, determined on the Participant's Annuity Starting Date, that would be used by the PBGC for purposes of determining the present value of a lump sum distribution on plan termination.

**Pension:** One or more payments that are payable to a person who is entitled to receive benefits under the Plan. The term "Pre-409A Pension" shall be used to refer to the portion of a Pension that is derived from the Pre-409A Program. The term "409A Pension" shall be used to refer to the portion of a Pension that is derived from the 409A Program.

**PEP Election:** A Participant's election to receive his Pre-409A Retirement Pension in one of the Annuity forms available under Section 6.2, made in compliance with the requirements of Sections 6.3 and 6.4.

**PepsiCo Administration Committee or PAC:** The committee that has the responsibility for 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 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 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.

**Post-2004 Participant:** Any Participant who is not a Pre-2005 Participant.

**Pre-409A Program:** The program described in this document (and as necessary, predecessor documents to this document that are described in the Foreword). The term “Pre-409A Program” is used to identify the portion of the Plan that is not subject to Section 409A.

**Pre-Retirement Spouse’s Pension:** The Pension available to an Eligible Spouse under the Plan. The term “Pre-Retirement Spouse’s Pre-409A Pension” shall be used to refer to the Pension available to an Eligible Spouse under Section 4.6 of this document.

**Pre-2005 Participant:** A Participant who is not employed by the PepsiCo Organization after December 31, 2004, and whose rights to a Pension are solely based on the legally binding rights (i) that he had on (or before) December 31, 2004, and (ii) that were not materially modified after October 3, 2004.

**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 or Pre-Retirement Spouse’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 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 severance from employment. 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 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.

**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:** Termination of employment 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 on which a Participant's Retirement is considered to commence. Retirement shall be considered to commence on the day immediately following: (i) a Participant's last day of employment, or (ii) the last day of an Authorized Leave of Absence, if later. Notwithstanding the preceding sentence, in the case of a Disability Pre-409A Retirement Pension, Retirement shall be considered as commencing on the Participant's retirement date applicable for such purpose under the Salaried Plan.

**Retirement Pension:** The Pension payable to a Participant upon Retirement under the Plan. 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. The term "409A Retirement Pension" shall be used to refer to the portion of a Retirement Pension that is derived from the 409A Program.

**Salaried Plan:** The PepsiCo Salaried Employees Retirement Plan, as it may be amended from time to time.

**Section 409A:** Section 409A of the Code.

**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.

**75 Percent Survivor Annuity:** An Annuity which is payable to the Participant for life with 75 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 75 Percent Survivor Annuity shall be payable to any person. The amount of a Participant's monthly payment under a 75 Percent Survivor Annuity shall be reduced to the extent provided in sections 5.1 and 5.2, as applicable.

**Severance from Service Date**: The date on which an Employee's period of service is deemed to end, determined in accordance with Article III of Part B of the Salaried 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 Pre-409A Pension in the form of a single payment.

**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 “Pre-409A Vested Pension” shall be used to refer to the portion of a Vested Pension that is derived from the Pre-409A Program. The term “409A Vested Pension” shall be used to refer to the portion of a Vested Pension that is derived from the 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, and 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 and to a Pre-Retirement Spouse's Pension for his Eligible Spouse 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.

3.3 Credited Service: The amount of a Participant's Pension and a Pre-Retirement Spouse'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.

## ARTICLE IV.

### Requirements for Benefits

A Participant shall be entitled to receive a Pre-409A Pension and a surviving Eligible Spouse shall be entitled to certain survivor benefits as provided in this Article. The amount of any such Pre-409A Pension or survivor benefit shall be determined in accordance with Article V.

4.1 Normal Pre-409A Retirement Pension: A Participant shall be eligible for a Normal Pre-409A Retirement Pension if he meets the requirements for a Normal Retirement Pension in Section 4.1 of Part B of the Salaried Plan (except that no change occurring on or after the Effective Date in such requirements, from those in effect as of December 31, 2004, shall be taken into account). In determining the amount (but not the form and time of payment) of a Participant's Pre-409A Pension, the Participant's status under this Section 4.1 shall be fixed as of December 31, 2004.

4.2 Early Pre-409A Retirement Pension: A Participant shall be eligible for an Early Pre-409A Retirement Pension if he meets the requirements for an Early Retirement Pension in Section 4.2 of Part B of the Salaried Plan (except that no change occurring on or after the Effective Date in such requirements, from those in effect as of December 31, 2004, shall be taken into account). In determining the amount (but not the form and time of payment) of a Participant's Pre-409A Pension, the Participant's status under this Section 4.2 shall be fixed as of December 31, 2004.

4.3 Pre-409A Vested Pension: A Participant who is vested under Section 4.7 shall be eligible to receive a Pre-409A Vested Pension if his employment in an eligible classification under Part B of the Salaried Plan is terminated before he is eligible for a Normal Pre-409A Retirement Pension or an Early Pre-409A Retirement Pension (except that no change occurring on or after the Effective Date in such requirements, from those in effect as of December 31, 2004, shall be taken into account). 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. In determining the amount (but not the form and time of payment) of a Participant's Pre-409A Pension, the Participant's status under this Section 4.3 shall be fixed as of December 31, 2004.

4.4 Late Pre-409A Retirement Pension: A Participant who continues employment after his Normal Retirement Age shall not receive a Pension until his Late Retirement Date. Thereafter, a Participant shall be eligible for a Late Pre-409A Retirement Pension determined in accordance with Section 4.4 of Part B of the Salaried Plan (except that the following shall not be taken into account – (i) any change occurring on or after the Effective Date in the requirements of such section from those in effect as of December 31, 2004, (ii) any requirement for notice of suspension under ERISA section 203(a)(3)(B), or (iii) any adjustment as under Section 5.7(d) of Part B of the Salaried Plan). In determining the amount (but not the form and time of payment) of a Participant's Pre-409A Pension, the Participant's status under this Section 4.4 shall be fixed as of December 31, 2004.

4.5 Pre-409A Disability Retirement Pension: A Participant shall be eligible for a Pre-409A Disability Retirement Pension if he meets the requirements for a Disability

Retirement Pension under the Part B of the Salaried Plan (except that no change occurring on or after the Effective Date in such requirements, from those in effect as of December 31, 2004, shall be taken into account). In determining the amount (but not the form and time of payment) of a Participant's Pre-409A Disability Retirement Pension under this Section 4.5, the Participant's status under this Section 4.5 shall be fixed as of December 31, 2004.

4.6 Pre-Retirement Spouse's Pre-409A Pension: A Pre-Retirement Spouse's Pre-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 Pre-409A Pension payable under this section shall commence as of the same time as the corresponding pre-retirement spouse's pension under the Salaried Plan (except that no change occurring on or after the Effective Date in the Salaried Plan's requirements for such pension, from those in effect as of December 31, 2004, shall be taken into account), subject to Section 4.9.

(a) Active, Disabled and Retired Employees: A Pre-Retirement Spouse's Pre-409A Pension shall be payable under this subsection to a Participant's Eligible Spouse (if any) who is entitled under the Salaried Plan to a pre-retirement spouse's pension for survivors of active, disabled and retired employees (but if the Participant dies after December 31, 2004, this subsection shall only apply if the Participant had met the eligibility requirements for a Retirement Pension on December 31, 2004). The amount of such Pension shall be determined in accordance with the provisions of Section 5.3.

(b) Vested Employees: A Pre-Retirement Spouse's Pre-409A Pension shall be payable under this subsection to a Participant's Eligible Spouse (if any) who is entitled

under the Salaried Plan to the pre-retirement spouse's pension for survivors of vested terminated Employees (but if the Participant dies after December 31, 2004, this subsection shall apply if the Participant had met the requirements for a Vested Pension, but not those for a Retirement Pension, on December 31, 2004). The amount (if any) of such Pension shall be determined in accordance with the provisions of Section 5.3. 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.

Attained Age	Annual Charge
Up to 35	.0%
35 -- 39	.075%
40 -- 44	.1%
45 -- 49	.175%
50 -- 54	.3%
55 -- 59	.5%
60 -- 64	.5%

4.7 Vesting: 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 the Salaried Plan.

4.8 Time of Payment: The distribution of a Participant's Pre-409A Pension shall commence as of the time specified in Section 6.1. Any increase in a Participant's 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 when calculating the Participant's Pre-409A 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, the amount of such interest adjustment shall be limited to that which may be paid as part of the Participant's 409A Pension, consistent with Section 409A's payment rules and the limitation in the next sentence. Notwithstanding any provision of the Salaried Plan to the contrary, including Section 4.8(e), a Participant shall not receive interest for a delay in payment of his 409A Pension or Pre-409A Pension to the extent the delay is caused by the Participant.

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 Pre-409A Pension: If on the applicable benefit commencement date the Actuarial Equivalent lump sum value of the Participant's Pre-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 Pre-409A Pension. Notwithstanding the preceding sentence, for commencement dates prior to December 1, 2012, a Participant shall be cashed out under this subsection if, at the Participant's commencement date, the Actuarial Equivalent lump sum value of the

Participant's PEP Pension is equal to or less than \$15,000 (\$10,000 in the case of a Pre-2005 Participant). Such lump sum (or portion thereof) representing the Participant's Pre-409A Pension shall be paid pursuant to the terms of this Pre-409A Program. The applicable benefit commencement date shall be:

(1) Prior to December 1, 2012, the commencement date of any 409A Pension to which the Participant is entitled or, in the event the Participant is not entitled to a 409A Pension, the first of the month following the Participant's termination of employment date (however, if the lump sum value as of that date is too great to make the distribution, but the lump sum value is not too great as of his Annuity Starting Date under the terms of this Pre-409A Program, such Annuity Starting Date shall be the applicable commencement date); and

(2) Beginning as of December 1, 2012, the first of the month following the Participant's termination of employment date (however, if the lump sum value as of that date is too great to make the distribution, but the lump sum value is not too great as of his Annuity Starting Date under the terms of this Pre-409A Program, such Annuity Starting Date shall be the applicable commencement date).

(b) Distribution of Pre-Retirement Spouse's Pre-409A Pension Benefit:

If on the Eligible Spouse's applicable benefit commencement date, the Actuarial Equivalent lump sum value of the PEP Pre-Retirement Spouse's Pre-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 Pre-409A Pension. Notwithstanding the preceding sentence, for commencement 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 (\$10,000 in the case of a Pre-2005 Participant). Such lump sum (or portion thereof) representing the Eligible Spouse's Pre-Retirement Spouse's Pre-409A Pension shall be paid pursuant to the terms of this Pre-409A Program. The applicable benefit commencement date shall be:

(1) Prior to December 1, 2012, the commencement date of any Pre-Retirement Spouse's 409A Pension to which the Eligible Spouse is entitled or, in the event the Eligible Spouse is not entitled to a Pre-Retirement Spouse's 409A Pension, the first of the month following the Participant's death (however, if the lump sum value as of that date is too great to make the distribution, but the lump sum value is not too great as of the date that would be the Eligible Spouse's benefit commencement date under the terms of this Pre-409A Program, such benefit commencement date shall be the applicable commencement date); and

(2) Beginning as of December 1, 2012, the first of the month following the Participant's death (however, if the lump sum value as of that date is too great to make the distribution, but the lump sum value is not too great as of the date that would be the Eligible Spouse's benefit commencement

date under the terms of this Pre-409A Program, such benefit commencement date shall be the applicable commencement date).

(c) Special Cashout of Pre-409A Vested Pensions: Notwithstanding subsection (a) above, the Plan Administrator shall have discretion under this subsection to cash out a Pre-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 Pre-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 Pre-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 Pre-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 Pre-409A Vested Pensions who will be cashed out.

Any lump sum distributed under this section shall be in lieu of the Pension that otherwise would be distributable to the Participant or Eligible Spouse hereunder. To the extent necessary to preserve the grandfathered status of Pre-409A Pensions, the cashout provisions described in subsections (a) through (c) above are intended to operate in conformance with the rules for “limited cashout” features within the meaning of Treasury Regulation sections 1.409A-3(j)(4)(v) and 1.409A-6(a)(4)(i)(E), and they shall be interpreted and applied consistently with this regulation. No Participant or Eligible Spouse shall be given a direct or indirect election with respect to whether the Participant’s Vested Pension or the Pre-Retirement Spouse’s 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 reemployed and is eligible to reparticipate in the Salaried Plan after his Annuity Starting Date, payment of his Pre-409A Pension will be suspended if payment of his Salaried Plan pension is suspended (or if payment would have been suspended pursuant to such

provisions if (i) it were already in pay status, and (ii) changes in the Salaried Plan terms that occur after December 31, 2004 were disregarded). Thereafter, his Pre-409A Pension shall recommence at the time determined under Section 6.1 (even if the suspension of his Salaried Plan pension ceases earlier).

ARTICLE V.

Amount of Retirement Pension

When a Pension becomes payable to or on behalf of a Post-2004 Participant under this Plan, the amount of such Pre-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), 5.4 and 5.5. In the case of a Pre-2005 Participant, the amount of such Participant's Pre-409A Pension (or a Pre-Retirement Spouse's Pre-409A Pension payable on his behalf) shall be determined as provided in Article B of the Appendix.

5.1 Participant's Pre-409A Pension

(a) Calculating the Pre-409A Pension: In the case of a Post-2004 Participant, such Participant's Pre-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.

(b) Basis for Determining: The Pre-409A Pension Benefit amount in subsection (a) above shall be the greater of the amount determined on the basis set forth in paragraph (1) or (2) below, but never more than the limitation specified in paragraph (3) below:

(1) Present Value Method: The Pre-409A Pension Benefit amount under this paragraph shall be determined initially as a present value of the Participant's benefit under subsection (a) as of December 31, 2004 (determined as if the Participant voluntarily terminated on that date without cause, received a payment on the earliest possible commencement date ("Earliest Date") thereafter, and such payment was in the form with the maximum value available to the Participant in connection with a termination at such time), using the Actuarial Equivalent lump sum factors in effect on such date ("2004 Lump Sum Factors") to determine the present value. Such present value amount shall then be increased, if the Participant had not yet attained the Participant's Earliest Date as of December 31, 2004, for both interest and survivorship through such Earliest Date, using the 2004 Lump Sum Factors.

(2) Accrued Benefit Method: The Pre-409A Pension Benefit amount under this paragraph shall be based on the Participant's Accrued Benefit as of December 31, 2004, but with such Accrued Benefit amount reduced for early commencement (where applicable based on the Participant's actual Annuity Starting Date for his Pre-409A Pension), based upon the reduction factors for early commencement applicable to the Participant's status as eligible for a retirement benefit (under Section 4.2) or a vested benefit (under Section 4.3), whichever applies.

(3) Limit on the Pre-409A Pension Benefit:  
Notwithstanding paragraph (1) or (2) above, a Participant's Pre-409A Pension

Benefit amount shall never exceed the Participant's Total Pension reduced by his Salaried Plan Pension, with each calculated as of the actual Annuity Starting Date of Participant's Pre-409A Pension. For purposes of this paragraph (3), the provisions of Article IV that freeze the Participant's status as of December 31, 2004 (or consider only the status on such date), and the provisions of this document that bar taking into account Plan changes that are effective after December 31, 2004 shall not be taken into account.

(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 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 under Section 5.2.

For purposes of subsection (b)(1) and (2), the determination in clause (i) and (ii) above shall be made (except, in the case of subsection (b)(2), with respect to early commencement reductions, which shall be made as of the Annuity Starting Date)

as of December 31, 2004, and (except to the extent the provisions of the Plan specifically authorize taking into account subsequent changes) shall be made on the basis of the terms of the Salaried Plan without taking into account changes after December 31, 2004. As necessary to ensure the Participant's receipt of a "greater of" benefit, the foregoing comparison between clause (i) and clause (ii) 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 the Salaried Plan. For purposes of subsection (b)(1) and (2), the determination of a Participant's Salaried Plan Pension shall be made (except, in the case of subsection (b)(2), with respect to early commencement reductions, which shall be made as of the Annuity Starting Date) as of December 31, 2004, and (except to the extent the provisions of the Plan specifically authorize taking into account subsequent changes) shall be made on the basis of the terms of the Salaried Plan without taking into account changes after December 31, 2004.

5.2 PEP Guarantee: A Post-2004 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 Participants who are not eligible under subsection (a), 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 Severance from Service Date, 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 Severance from Service Date (or December 31, 2004, if earlier) 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(d)(3) of the Salaried Plan, as in effect on December 31, 2004), and his Highest Average Monthly Earnings and Primary Social Security Amount at the date of disability (or as of such earlier date as may apply under Section 5.1(b)).

(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 Annuity: Subject to subparagraph (iii) below and the last sentence of this subparagraph, if the Participant has an Eligible Spouse, the Participant's Eligible Spouse 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 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 death. If the Eligible Spouse 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 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 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 shall apply.

(C) This clause applies if the Participant will receive his Pension in a form that provides an Eligible Spouse benefit, continuing for the life of the surviving spouse, 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. 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.

5.3 Amount of Pre-Retirement Spouse's Pre-409A Pension: The monthly amount of the Pre-Retirement Spouse's Pre-409A Pension payable to a surviving Eligible Spouse of a Post-2004 Participant under Section 4.6 shall be determined under subsection (a) below.

(a) Calculation: An Eligible Spouse's Pre-Retirement Spouse's Pre-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.

(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 principles and limitations of Section 5.1(b) and under the terms of the Salaried Plan in effect on December 31, 2004 (except as otherwise applicable under Section 5.1(b)),

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 the Salaried Plan (relating to benefits that are deferred beyond the Participant's Normal Retirement Date); or

(ii) The amount (if any) of the Eligible Spouse's PEP Guarantee Pre-Retirement Spouse's Pension determined under the principles and limitations of Section 5.1(b) and under subsection (c).

In making this comparison, the benefits in subparagraphs (i) and (ii) above shall be calculated with reference to the specific time of payment applicable 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 principles and limitations of Section 5.1(b) under the terms of the Salaried Plan in effect on December 31, 2004 (except as otherwise applicable under Section 5.1(b)).

(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 earliest of the date of death, his actual Severance from Service Date;

(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.

If payment of a Pre-Retirement Spouse's Pension under this paragraph commences or is deemed to commence prior to the date which would have been the Participant's Normal Retirement Date, appropriate reductions for early commencement shall be applied to the Qualified Joint and Survivor Annuity upon which the Pre-Retirement Spouse's Pension is based.

(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 in accordance with the principles and limitations of Section

5.1(b) (if a comparable 25 percent benefit is available on behalf of the Participant under the Salaried Plan). A Pre-Retirement Spouse's Pension under this paragraph is not reduced for early commencement.

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 Pre-409A Pension shall also be recalculated hereunder. For this purpose, 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), 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.

5.5 Excludable Employment: Effective for periods of employment on or after June 30, 1997, an executive classified as level 22 or above (or the equivalent) whose employment by an Employer is for a limited duration assignment shall not become entitled to a benefit or to any increase in benefits in connection with such employment. In addition, in the case of agreements entered into after January 1, 2009, 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. All written agreements under this section 5.5 shall be irrevocable by the individual once executed.

ARTICLE VI.

Distribution Options

The terms of this Article govern (i) the distribution of benefits to a Participant who becomes entitled to a Pre-409A Pension, and (ii) the continuation of benefits (if any) to such Participant's beneficiary following the Participant's death. Other than as set forth in section 4.9 (cashout distributions), a Pre-Retirement Spouse's Pension derived from the Pre-409A Program shall be payable as an Annuity for the life of the Eligible Spouse (except as provided in Article VI of Part B of the Salaried Plan). The distribution of a 409A Pension is governed by the terms of the 409A Program.

6.1 Form and Timing of Distributions: This section shall govern the form and timing of distributions of Pre-409A Pensions that begin on or after March 1, 1992. Plan distributions that begin before that date shall be governed by the prior terms of the Plan. The provisions of this Section 6.1 are in all cases subject to the cashout rules set forth in Section 4.9.

(a) No Advance Election: This subsection shall apply to a Participant: (i) who does not have an Advance Election in effect as of the close of business on the day before his Retirement Date, or (ii) who terminates employment prior to Retirement. Subject to the next sentence, a Participant described in this subsection shall be paid his Pre-409A Pension in the same form and at the same time as he is paid his Pension under the Salaried Plan. If a Participant's Salaried Plan Annuity Starting Date occurs while he is still an employee of the PepsiCo Organization (because of the time of payment provisions in Code section 401(a)(9)), payment under the Plan shall not begin until the

first of the month next following the Participant's Severance from Service Date. In this instance, the form of payment under this Plan shall remain that applicable under the Salaried Plan. If the Participant will be paid his pension under the Salaried Plan in a form of payment that is not available to the Participant under this Pre-409A Program (*e.g.*, because the Participant attains Retirement status under the Salaried Plan but does not attain Retirement status under this Pre-409A Program, based on applying the terms of the Salaried Plan in effect on December 31, 2004), the principles of subsection (b)(2) below will govern the determination of the Participant's form of payment.

(b) Advance Election in Effect: This subsection shall apply to a Participant who has an Advance Election in effect as of the close of business on the day before his Retirement Date. To be in effect, an Advance Election must meet the advance receipt and other requirements of Section 6.3(b).

(1) Lump Sum Election: If a Participant covered by this subsection has an Advance Election to receive a Single Lump Sum in effect as of the close of business on the day before his Retirement Date, the Participant's Pre-409A Retirement Pension under the Plan shall be paid as a Single Lump Sum as of the first of the month coincident with or next following his Retirement Date.

(2) Annuity Election: If a Participant covered by this subsection has an Advance Election to receive an Annuity in effect as of the close of business on the day before his Retirement Date, the Participant's Pre-409A Retirement Pension under the Plan shall be paid in an Annuity beginning on the first of the month coincident with or next following his Retirement Date. The following

provisions of this paragraph govern the form of Annuity payable in the case of a Participant described in this paragraph.

(i) Salaried Plan Election: A Participant who has a qualifying Salaried Plan election shall receive his distribution in the same form of Annuity the Participant selected in such qualifying Salaried Plan election. For this purpose, a “qualifying Salaried Plan election” is a written election of a form of payment by the Participant that: (A) is currently in effect under the Salaried Plan as of the close of business on the day before the Participant’s Retirement Date, and (B) specifies an Annuity as the form of payment for all or part of the Participant’s Retirement Pension under the Salaried Plan. For purposes of the preceding sentence, a Participant who elects a combination lump sum and Annuity under the Salaried Plan is considered to have specified an Annuity for part of his Salaried Plan Pension.

(ii) PEP Election: A Participant who is not covered by subparagraph (i) and who has a PEP Election in effect as of the close of business on the day before his Retirement Date shall receive his distribution in the form of Annuity the Participant selects in such PEP Election.

(iii) No PEP Election: A Participant who is not covered by subparagraph (i) or (ii) above shall receive his distribution in the form of a Qualified Joint and Survivor Annuity if he is married, or in the form of a Single Life Annuity if he is not married. For purposes of this

subparagraph (iii), a Participant shall be considered married if he is married on the day before his Retirement Date.

6.2 Available Forms of Payment: The forms of payment set forth in subsections (a) and (b) may be provided to any Participant who is entitled to a Pre-409A Retirement Pension. The forms of payment for other Participants are set forth in subsection (c) below. The provisions of this section are effective for Annuity Starting Dates after 1989 and earlier distributions shall be governed by prior terms of the Plan.

(a) Basic Forms of Payment: A Participant's Pre-409A Retirement Pension shall be distributed in one of the forms of payment listed in this subsection. The particular form of payment applicable to a Participant shall be determined in accordance with Section 6.1. Payments shall commence on the date specified in Section 6.1 and shall end on the date specified in this subsection.

(1) Single Life Annuity Option: A Participant may receive his Pre-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 Pre-409A Pension in accordance with one of the following survivor options:

(i) 100 Percent Survivor Option: The Participant shall receive a reduced Pre-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 Pre-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 Pre-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 Pre-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 Pre-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 Pre-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 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).

(3) Single Lump Sum Payment Option: A Participant may receive payment of his Pre-409A Pension in the form of a Single Lump Sum payment.

(4) Combination Lump Sum/Monthly Benefit Option: A Participant who does not have an Advance Election in effect may receive a portion of his Pre-409A Pension in the form of a lump sum payment, and the remaining portion in the form of one of the monthly benefits described in paragraphs (1) and (2) above. The Pre-409A Pension is divided between the two forms of payment based on the whole number percentages designated by the Participant on a form provided for this purpose by the Plan Administrator. For the election to be effective, the sum of the two percentages designated by the Participant must equal 100 percent.

(i) The amount of the Pre-409A Pension paid in the form of a lump sum is determined by multiplying: (A) the amount that would be payable to the Participant as a Single Lump Sum payment if the Participant's entire benefit were payable in that form, by (B) the percentage that the Participant has designated for receipt in the form of a lump sum.

(ii) The amount of the Pre-409A Pension paid in the form of a monthly benefit is determined by multiplying: (A) the amount of the

monthly benefit elected by the Participant, determined in accordance with paragraph (1) or (2) above (whichever applies), by (B) the percentage that the Participant has designated for receipt in the form of a monthly benefit.

(b) Inflation Protection: The following levels of inflation protection may be provided to any Participant who is entitled to a Pre-409A Retirement Pension (except to the extent such Pre-409A Pension is paid as a lump sum).

(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.

(c) Available Options for Vested Benefits: The forms of payment available for a Participant with a Pre-409A Vested Pension are a Qualified Joint and Survivor Annuity or a 75 Percent Survivor Annuity for married Participants, and a Single Life Annuity for both married and unmarried Participants. The applicable form of payment shall be determined in accordance with Section 6.1(a).

6.3 Procedures for Elections: This section sets forth the procedures for making Advance Elections and PEP Elections.

(a) In General: To qualify as an Advance Election or PEP Election for purposes of Section 6.1, an election must be made in writing, on the form designated by the Plan Administrator, and must be signed by the Participant. These requirements also apply to any revocations of such elections. Spousal consent is not required for any election (or revocation of election) under the Plan.

(b) Advance Election: To qualify as an Advance Election, an election must be made on or after July 15, 1993 and meet the following requirements.

(1) Election: The Participant shall designate on the Advance Election form whether the Participant elects to take his Pre-409A Pension in the form of an Annuity or a Single Lump Sum.

(2) Receipt by Plan Administrator: The Advance Election must be received by the Plan Administrator before the start of the calendar year containing the Participant's Retirement Date, and at least 6 months before that

Retirement Date. An election that meets the foregoing requirements shall remain effective until it is changed or revoked.

(3) Change or Revocation of Election: A Plan Participant may change an Advance Election by filing a new Election that meets the foregoing requirements. A Plan Participant may revoke an Advance Election only by filing a revocation that is received by the Plan Administrator before the start of the calendar year containing the Plan Participant's Retirement Date, and at least 6 months before that Retirement Date.

Any Advance Election by a Participant shall be void if the Participant is not entitled to a Pre-409A Retirement Pension.

(c) PEP Election: A PEP Election may only be made by a Participant who has an Advance Election to receive an Annuity in effect at the time his PEP Election is received by the Plan Administrator. In determining whether an Advance Election is in effect for this purpose, the advance receipt requirement of subsection (b)(2) shall be considered met if it will be met by the Participant's proposed Retirement Date.

(1) Election: The Participant shall designate on the PEP Election form the Annuity form of benefit the Participant selects from those described in Section 6.2, including the Participant's choice of inflation protection, subject to the provisions of this Article VI. The forms of payment described in Section 6.2(a)(3) and (4) are not available pursuant to a PEP Election.

(2) Receipt by the Plan Administrator: The PEP Election must be received by the Plan Administrator no earlier than 180 days (90 days prior to January 1, 2007) before the Participant's Retirement Date, and no later than the

close of business on the day before the Participant's Retirement Date. The Participant shall furnish proof of the age of his beneficiary (including his Eligible Spouse if applicable), to the Plan Administrator by the day before the Participant's Retirement Date, for any form of payment which is subject to reduction in accordance with subsection 6.2(c) above.

A Participant may change his PEP Election by filing a new Election with the Plan Administrator that meets the foregoing requirements. The Participant's PEP Election shall become effective at the close of business on the day before the Participant's Retirement Date. Any PEP Election by a Participant shall be void if the Participant does not have an Advance Election in effect at such time.

(d) Elections Rules for 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 under this Pre-409A Program 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 termination of reemployment), 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 under this Pre-409A Program.

For purposes of this section, an election shall be treated as received on a particular day if it is:

(A) postmarked that day, or (B) actually received by the Plan Administrator on that day. Delivery under clause (B) must be made by the close of business, which time is to be determined by the Plan Administrator.

6.4 Special Rules for Survivor Options:

(a) Effect of Certain Deaths: If a Participant makes a PEP Election for a form of payment described in Section 6.2(a)(2) and the Participant or his beneficiary (beneficiaries in the case of Section 6.2(a)(2)(iv)) dies before the PEP Election becomes effective, the election shall be disregarded. If the Participant dies after such PEP Election becomes effective but before his Pre-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 dies: (i) after the PEP Election has become effective, (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:

(i) The 100 percent survivor option described in Section 6.2(a)(2)(i) if his nonspouse beneficiary is more than 10 years younger than he is, or

(ii) The 75 percent survivor option described in Section 6.2(a)(2)(ii) if his nonspouse beneficiary is more than 19 years younger than he is.

6.5 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 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 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. If no beneficiary is properly designated, then a Participant's election of a survivor's option described in Section 6.2(a)(2) shall not be given effect. A Participant entitled to a Pre-409A 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 on his Annuity Starting Date.

6.6 Payment of FICA and Related Income Taxes: As provided in section 6.7 of the Plan Document for the Section 409A Program, a portion of a Participant's 409A Pension, if any, shall be paid as a single lump sum and remitted directly to the Internal Revenue Service ("IRS") or other applicable tax authority 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 (all such amounts due are referred to collectively as "Employment Taxes"). To the extent that a Participant's 409A Pension, if any, is insufficient to pay the Employment Taxes when due (including if the Participant's 409A Pension has not commenced at the time the Employment Taxes are due), a portion of the Participant's Pre-409A Pension, if any, shall be paid as a single lump sum and remitted directly to the applicable tax authority in satisfaction of any amounts necessary to satisfy fully the Employment Taxes.

## 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 the claims review process described in this Section. The Plan Administrator has the discretionary right to modify the claims process described in this Section in any manner so long as the claims review process, as modified, includes the steps described below. Within a 90-day response period following the receipt of the claim by the Plan Administrator, the Plan Administrator will notice the claimant of:

- (a) The specific reason or reasons for the 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 required 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 Administrator expects to make the final decision. Further review of a claim is available upon written request by the claimant to the Plan Administrator within 60 days after the claimant receives 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, documents, 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 decisions. The final decision shall be in writing and drafted in a manner calculated to be understood by the claimant and include specific reasons for the decision with references to the specific Plan provisions on which the decision is based.

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 the 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.

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Miscellaneous

8.1 No guarantee 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, including any amendment authorized to be made under Section 9.2, may be made by the Board of Directors of the Company. In addition, any person or persons authorized (directly or indirectly) by the Board may take such action on behalf of the Company.

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 Code Section 409A: At all times, this Plan shall be operated to preserve the status of benefits under this Pre-409A Program as being exempt from Section 409A, *i.e.*, to preserve the grandfathered status of this Pre-409A Program. In all cases, the provision of the prior sentence shall apply notwithstanding any contrary provision of the Plan. Accordingly, in determining rights and benefits under this Pre-409A Program, changes in the Salaried Plan that are effective after December 31, 2004 shall be disregarded to the extent necessary to avoid a modification of this Pre-409A Program that would constitute a material modification for purposes of Section 409A.

8.7 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 exemption from Section 409A in accordance with Section 8.6.

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 preserve the exemption from Section 409A of this Pre-409A Program). 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 or amendments to eliminate available distribution options under Article VI hereof at any time before the earlier of the Participant's Annuity Starting Date under

this Plan or under the Salaried Plan; provided, however, that no amendment of the Plan shall be effective to the extent that the amendment would be considered a “material modification” (as that term is defined in Section 409A) of the Pre-409A Program and would, as a result, cause the Pre-409A Program to be subject to 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.

## ARTICLE X.

### ERISA Plan Structure

This Plan document in conjunction with the plan document(s) for the 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 shall be 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 grandfather benefits to 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 may 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.

ARTICLE XI.

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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.

## APPENDIX

### 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

### Accruals for 1993 and 1994

This Article A of the Appendix shall be effective on the date the Plan is adopted.

A.1 Accruals for 1993 and 1994: This section shall apply to any individual:

(i) who is a Salaried Plan Participant and employed by the PepsiCo Organization on December 31, 1993, (ii) whose Salaried Plan Pension is vested during 1993 (or would become vested in 1994 if his Service included the assumed period of continued service specified in (a)(1) below), and (iii) whose minimum 1993 Pension in subsection (a) below is not derived solely from that portion of the Plan described in (c) of Article X. In determining the amount of the 1993 and 1994 Pension amounts for any such individual, the provisions set forth in subsections (a) and (b) below shall apply.

(a) Minimum 1993 Pension: Any individual who is covered by this section shall accrue a minimum 1993 Pension as of December 31, 1993. In determining the amount of such individual's minimum 1993 Pension, the following shall apply.

(1) An individual's Service and Credited Service as of the end of 1993 shall be assumed to equal the respective Service and Credited Service he would have if his Service continued through December 31, 1994. Notwithstanding the preceding sentence, the assumed period of continued Service shall be less to the extent the Corporation's human resource records on December 31, 1993 reflect a scheduled termination date in 1994 for such

individual. In this case, the individual's assumed period of continued service shall be the portion of 1994 that ends with such scheduled termination date.

(2) An individual's Highest Average Monthly Earnings as of the end of 1993 shall be adjusted by the actuary's salary scale assumption which is used under the Salaried Plan, so that they equal the amount such scale projects for the individual as of the end of 1994. Notwithstanding the preceding sentence, the following special rules shall apply.

(i) A higher salary scale assumption shall be used for anyone whose projected 1994 earnings as reflected on the "Special PEP Salary Scale" of the PepsiCo Benefits Department on December 31, 1993 are higher than would be assumed under the first sentence of this paragraph. In this case, the individual's 1993 earnings shall be adjusted using such higher salary scale.

(ii) In the case of an individual whose assumed period of service under paragraph (1) above is less than all of 1994, the salary adjustment under the preceding provisions of this paragraph shall be reduced to the amount that would apply if the individual had no earnings after his scheduled termination date.

(3) An individual's attained age as of the end of 1993 shall be assumed to be the age he would have at the end of the assumed period of continued service applicable under paragraph (1) above.

Any individual who is covered by this section, and who is not otherwise vested as of December 31, 1993, shall be vested as of such date in both his Pension (determined

without regard to this subsection) and his minimum 1993 Pension. For purposes of this subsection, Code section 401(a)(17) shall be applied in 1993 by giving effect to the amendments to such Code section made by the Omnibus Budget Reconciliation Amendments of 1993.

(b) Determination of 1994 Accrual: If a participant in the Salaried Plan accrues a minimum 1993 Pension under subsection (a) above, the amount of any PEP Pension for 1994 that accrues shall be only the amount by which the PEP Pension that would otherwise accrue for 1994 exceeds his minimum 1993 Pension under subsection (a).

## ARTICLE B

### Plan Document Applicable to Pre-2005 Participants

B.1 Scope: This Article supplements the main portion of the Pre-409A PepsiCo PEP Document with respect to the rights and benefits of Pre-2005 Participants.

B.2 Definitions: Words or phrases appearing in this Article with initial capitals shall have the meaning set forth in the main body of the Plan.

B.3 Applicability of Plan Document: Except as set forth in subsection B.4 below, the provisions of the Plan shall apply in all respects to Pre-2005 Participants.

B.4 Determination of Pre-2005 Participant Benefit: If a Pension becomes payable to or on behalf of a Pre-2005 Participant, the following Sections 5.1, 5.2 and 5.3 contained in this Section B.4 shall replace Sections 5.1, 5.2 and 5.3 of the main Pre-409A PepsiCo PEP Document, and the amount of the Pre-2005 Participant's Pension shall be determined under Section 5.1, 5.2 or 5.3 below (whichever is applicable), subject to any adjustments required under Sections 4.6(b), 5.4 and 5.5 of the main Pre-409A PepsiCo PEP Document :

"5.1 PEP Pension:

(a) Same Form as Salaried Plan: If a Pre-2005 Participant's 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 Pension hereunder shall be the difference between:

(1) His Total Pension expressed in such form and payable as of such time, minus

(2) His Salaried Plan Pension expressed in such form and payable as of such time.

(b) Different Form than Salaried Plan: If a Pre-2005 Participant's 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 under the Salaried Plan, his Pension shall be the product of:

(1) The amount of the Pre-2005 Participant's Total Pension expressed in the form and payable as of such time as applies to his Pension under this Plan, multiplied by

(2) A fraction, the numerator of which is the value of his Total Pension reduced by the value of his Salaried Plan Pension, and the denominator of which is the value of his Total Pension (with value determined on a reasonable and consistent basis, in the discretion of the Plan Administrator, with respect to similarly situated employees).

(c) Definitions: The following definitions apply for purposes of this section.

(1) A Pre-2005 Participant's "Total Pension" means the greater of:

(i) The amount of the Pre-2005 Participant'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 the Salaried Plan; or

(ii) The amount (if any) of the Pre-2005 Participant's PEP

Guarantee determined under Section 5.2.

In making this comparison, the benefits in subparagraphs (i) and (ii) above shall be calculated with reference to the specific form and time of payment that is applicable. If the applicable form of payment is a lump sum, the Actuarial Equivalent factors in section (2) of the definition of Actuarial Equivalent shall apply for purposes of subparagraph (i) in lieu of those in the Salaried Plan.

(2) A Pre-2005 Participant's "Salaried Plan Pension" means the amount of the Pre-2005 Participant's pension determined under the terms of the Salaried Plan.

5.2 PEP Guarantee: A Pre-2005 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 Pre-2005 Participants, the PEP Guarantee shall not apply.

(a) Eligibility: A Pre-2005 Participant shall be covered by this section if the Pre-2005 Participant has 1988 pensionable earnings from an Employer of at least \$75,000. For purposes of this section, "1988 pensionable earnings" means the Pre-2005 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 Pre-2005 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 Pre-2005 Participant's Pension under this paragraph shall be determined in accordance with subparagraph (i) below. However, if the Pre-2005 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 Pre-2005 Participant's Highest Average Monthly Earnings for the first 10 years of Credited Service, plus

(B) 1 percent of the Pre-2005 Participant's Highest Average Monthly Earnings for each year of Credited Service in excess of 10 years, less

(C) 1-2/3 percent of the Pre-2005 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 Pre-2005 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 Severance from Service Date, and then shall be reduced by multiplying the resulting amount by a fraction, the numerator of which is the Pre-2005 Participant's actual years of Credited Service on his Severance from Service Date and the denominator of which is the years of Credited Service he would have earned had he remained in the employ of an Employer until his Normal Retirement Age.

(ii) Formula B: The Pension amount under this subparagraph shall be the greater of (A) or (B) below:

(A) 1-1/2 percent of Highest Average Monthly Earnings times the number of years of Credited Service, less 50 percent of the Pre-2005 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 Pre-2005 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 Pre-2005 Participant's Credited Service (determined in accordance with Section 3.3(d)(3) 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 Annuity: Subject to subparagraph (iii) below and the last sentence of this subparagraph, if the Pre-2005 Participant has an Eligible Spouse, the Pre-2005 Participant's Eligible Spouse shall be entitled to receive a survivor annuity equal to 50 percent of the Pre-2005 Participant's Annuity under this section, with no corresponding reduction in such Annuity for the Pre-2005 Participant. Annuity payments to a surviving Eligible Spouse shall begin on the first day of the month coincident with or following the Pre-2005 Participant's death and shall end with the last monthly payment due prior to the Eligible Spouse's death. If the Eligible Spouse is more than 10 years younger than the Pre-2005 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 is younger than the Pre-2005 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 is younger than the Pre-2005 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 Pre-2005 Participant's PEP Guarantee.

(A) If the Pre-2005 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 Pre-2005 Participant would attain his Normal Retirement Date.

(B) If the Pre-2005 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 shall apply.

(C) This clause applies if the Pre-2005 Participant will receive his Pension in a form that provides an Eligible Spouse benefit, continuing for the life of the surviving spouse, that is greater than that provided under subparagraph (i). In this instance, the Pre-2005 Participant's Pension under this section shall be reduced so that the total value of the benefit payable on the Pre-2005 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 Pre-2005 Participant will receive his Pension in a form that provides a survivor annuity for a beneficiary who is not his Eligible Spouse. In this instance, the Pre-2005 Participant's Pension under this section shall be reduced so that the total value of the benefit payable on the Pre-2005 Participant's behalf is the Actuarial Equivalent of a Single Life Annuity for the Pre-2005 Participant's life.

(E) This clause applies if the Pre-2005 Participant will receive his Pension in an Annuity form that includes inflation protection described in Section 6.2(b). In this instance, the Pre-2005 Participant's Pension under this section shall be reduced so that the total value of the benefit payable on the Pre-2005 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 Pre-2005 Participant whose Retirement Pension will be distributed in the form of a lump sum shall be the Actuarial Equivalent of the Pre-2005 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.

5.3 Amount of Pre-Retirement Spouse's Pension: The monthly amount of the Pre-Retirement Spouse's 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 Pension shall be the difference between:

(1) The Eligible Spouse's Total Pre-Retirement Spouse's Pension,

minus

(2) The Eligible Spouse's Salaried Plan Pre-Retirement Spouse's Pension.

(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 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 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 with reference to the specific time of payment applicable to the Eligible Spouse.

(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 Pre-2005 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 Pre-2005 Participant had:

(i) Separated from service on the date of death (or, if earlier, his actual Severance from Service Date);

(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.

If payment of a Pre-Retirement Spouse's Pension under this paragraph commences prior to the date which would have been the Pre-2005 Participant's Normal Retirement Date, appropriate reductions for early commencement shall

be applied to the Qualified Joint and Survivor Annuity upon which the Pre-Retirement Spouse's Pension is based.

(2) Special Rule for Active and Disabled Employees Who Die Prior to June 1, 2009: Notwithstanding paragraph (1) above, the Pre-Retirement Spouse's Pension paid on behalf of a Pre-2005 Participant described in Section 4.6(a) who dies prior to June 1, 2009 shall not be less than an amount equal to 25 percent of such Pre-2005 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 Pre-2005 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."

## ARTICLE PFS

### PFS Special Early Retirement Benefit

PFS.1 Scope: This Article supplements the main portion of the Plan document with respect to the rights and benefits of Covered Employees on and after the Effective Date.

PFS.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) Article: This Article PFS of the Appendix to the Plan.

(b) Covered Employee: An Employee who does not meet the eligibility requirements for the Salaried Plan Early Retirement Benefit solely because he is a highly compensated employee within the meaning of Section PFS.11(c) of the Salaried Plan Appendix.

(c) Effective Date: The date the provisions of this Article are effective, which shall be July 11, 1997.

(d) Salaried Plan Special Early Retirement Benefit: The special early retirement benefit for certain PFS employees described in Section PFS.11 of the Salaried Plan Appendix.

(e) Severance Date: The involuntary termination of employment described in Section PFS.11(a) of the Salaried Plan Appendix that qualifies an Employee for status as a Covered Employee.

(f) PFS: PepsiCo Foods Systems, a division of PepsiCo, Inc. prior to the Effective Date.

PFS.3 Special Early Retirement Benefit: In addition to any benefits he would otherwise be entitled to under this Plan, a Covered Employee shall receive a single lump sum benefit as soon as administratively practical following his Severance Date. The amount of such lump sum shall be the excess of:

(a) The Actuarial Equivalent present value (determined under subsection (2) of the definition of Actuarial Equivalent in Article II) of the Covered Employee's Total Pension under this Plan, for this purpose treating the Covered Employee as eligible for the Salaried Plan Special Early Retirement Benefit, over

(b) The Actuarial Equivalent present value (determined under subsection (2) of the definition of Actuarial Equivalent in Article II) of the Covered Employee's Total Pension under this Plan determined without regard to this Appendix.

Such calculation shall be made as of the Covered Employee's Severance Date. Except as specifically modified by this Article, the Early Retirement Pension provided by this section is subject to all the usual limitations and provisions set forth in the Plan.

## ARTICLE PBG

### PBG Pre-409A

Effective as of the end of the day on December 31, 2011, the PBG Pension Equalization Plan (“PBG PEP”) was merged with and into the PepsiCo PEP, with the PepsiCo PEP as the surviving plan after the Plan merger. This Appendix Article PBG is effective as of the end of the day on December 31, 2011. This Appendix PBG, as it is amended from time to time, shall govern PBG PEP benefits that were grandfathered under Section 409A and subject to the Pre-409A PBG PEP Document (as described below) prior to the Plan merger.

This Appendix PBG contains the PBG PEP document that was in effect on October 3, 2004 as amended through January 1, 2011 (“Pre-409A PBG PEP Document”), except that it does not include Articles VII (Administration), VIII (Miscellaneous), IX (Amendment and Termination), X (ERISA Plan Structure) and XI (Applicable Law) thereof. Instead, the corresponding Articles of the main portion of this document (that is, the PepsiCo Pre-409A PEP) shall apply to PBG PEP benefits governed by this Appendix Article PBG, and references in this Appendix PBG to Articles VII through XI shall be treated as references to the corresponding Articles of the main portion of this document. In addition, effective for Annuity Starting Dates on or after January 1, 2019, if a Participant elects a survivor, period certain annuity or other death benefit annuity (or an annuity with other optional features), the adjustment of the Single Life Annuity to Actuarial Equivalent optional annuity shall be determined under the provisions of the main section of this document.

There shall be no change to the time or form of payment of benefits that are subject to Section 409A under either the PepsiCo PEP or PBG PEP Document that would constitute a material modification within the meaning of Treas. Reg. § 1.409A-6(a)(4) as a result of the plan merger or the revisions made to this document or the Pre-409A PBG PEP Document when it was incorporated into this Appendix.

#### ARTICLE I – Foreword

The PEP Pension Equalization Plan (“PEP” or “Plan”) has been established by PBG for the benefit of salaried employees of the PBG Organization who participate in the PBG 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.

This Plan is first effective April 6, 1999. The Plan is a successor plan to the PepsiCo Pension Equalization Plan, which was last restated effective as of January 1, 1989. The PepsiCo Pension Equalization Plan covers eligible employees at the various divisions of PepsiCo, Inc., including eligible employees who are employed at various Pepsi-Cola Company facilities. On April 6, 1999, when this Plan became effective, PBG had its initial public offering. PBG employs many of the individuals employed at Pepsi-Cola Company facilities who were covered under the PepsiCo Pension Equalization Plan. This initial Plan document closely mirrors the PepsiCo Pension Equalization Plan document, including its historical provisions which are relevant for eligibility and benefit determinations under this Plan.

## 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, underlined and set out at the beginning of each lettered subsection, appear in this Plan 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, or as an annuity with inflation protection, the factors applicable for such purposes under the Salaried Plan shall apply.

(2) Lump Sums: To determine the lump sum value of a Pension, or a Pre-Retirement Spouse’s Pension under Section 4.6, the factors applicable for such purposes under the Salaried Plan shall apply, except that when the term “PBGC Rate” is used in the Salaried Plan in this context it shall mean “PBGC Rate” as defined in this Plan.

(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.

Advance Election: A Participant's election to receive his PEP Retirement Pension as a Single Lump Sum or an Annuity, made in compliance with the requirements of Section 6.3.

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(d).

Authorized Leave of Absence: Any absence authorized by an Employer under the Employer's standard personnel practices, whether paid or unpaid.

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.

Company: PepsiCo, Inc., an organization organized and existing under the laws of the State of North Carolina, or its successor or successors. For periods before between April 6, 1999 and February 26, 2010, the Company was The Pepsi Bottling Group, Inc., ("PBG") a corporation organized and existing under the laws of the State of New York, or its successor or successors. For periods before April 6, 1999, the Company was PepsiCo, Inc.

Covered Compensation: “Covered Compensation” as that term is defined in 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 Retirement Pension: The Retirement Pension available to a Participant under Section 4.2.

Effective Date: The date upon which this Plan is effective, which is April 6, 1999 (except as otherwise provided herein).

Eligible Spouse: The spouse of a Participant to whom the Participant is married on the earlier of the Participant’s Annuity Starting Date or the date of the Participant’s death.

Employee: An individual who qualifies as an “Employee” as that term is defined in the Salaried Plan.

Employer: An entity that qualifies as an “Employer” as that term is defined in the Salaried Plan.

ERISA: Public Law No. 93-406, the Employee Retirement Income Security Act of 1974, as amended from time to time.

Highest Average Monthly Earnings: “Highest Average Monthly Earnings” as that term is defined in 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).

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 Retirement Pension: The 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 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 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.

PepsiCo/PBG 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/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 February 26, 2010 shall take into account the different definition of "Company" that applies prior to February 26, 2010.

PBGC: The Pension Benefit Guaranty Corporation, a body corporate within the Department of Labor established under the provisions of Title IV of ERISA.

PBGC Rate: The PBGC Rate is 120 percent of the interest rate, determined on the Participant's Annuity Starting Date, that would be used by the PBGC for purposes of determining the present value of a lump sum distribution on plan termination.

Pension: One or more payments that are payable to a person who is entitled to receive benefits under the Plan.

PEP Election: A Participant's election to receive his PEP Retirement Pension in one of the Annuity forms available under Section 6.2, made in compliance with the requirements of Sections 6.3 and 6.4.

PepsiCo Prior Plan: The PepsiCo Pension Equalization Plan.

Plan: The PBG Pension Equalization Plan, the Plan set forth herein, as it may be amended from time to time. 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.

Plan Administrator: The PepsiCo Administration Committee, or its delegate or delegates, which shall authority to administer the Plan as provided in Article VII. For periods prior to February 26, 2010, the Company, which shall have authority to administer the Plan as provided in Article VII.

Plan Year: The initial Plan Year shall be a short Plan Year beginning on the Effective Date and ending on December 31, 1999. Thereafter, the Plan Year shall be the 12-month period commencing on January 1 and ending on the next December 31.

Pre-Retirement Spouse's Pension: The Pension available to an Eligible Spouse under Section 4.6.

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 or Pre-Retirement Spouse'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 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 severance from employment. 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 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.

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: Termination of employment 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 on which a Participant's Retirement is considered to commence. Retirement shall be considered to commence on the day immediately following: (i) a Participant's last day of employment, or (ii) the last day of an Authorized Leave of Absence, if later. Notwithstanding the preceding sentence, in the case of a Disability Retirement Pension,

Retirement shall be considered as commencing on the Participant's retirement date applicable for such purpose under the Salaried Plan.

Retirement Pension: The Pension payable to a Participant upon Retirement under the Plan.

Salaried Plan: For the period beginning June 14, 2010, the PepsiCo Salaried Employees Retirement Plan. For the period between April 6, 1999 and June 14, 2010, the PBG Salaried Employees Retirement Plan, as it may be amended from time to time. For the period before April 6, 1999, the PepsiCo Salaried Employees Retirement Plan.

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.

Severance from Service Date: The date on which an Employee's period of service is deemed to end, determined in accordance with Article III of Part C of the Salaried 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 Pension in the form of a single payment.

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.

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, 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 – 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.

3.2 Service. A Participant's entitlement to a Pension and to a Pre-Retirement Spouse's Pension for his Eligible Spouse 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 C of the Salaried Plan.

3.3 Credited Service. The amount of a Participant's Pension and a Pre-Retirement Spouse's Pension shall be based upon the Participant's period of Credited Service, as determined under Article III of Part C of the Salaried Plan.

## ARTICLE IV – Requirements for Benefits

A Participant shall be entitled to receive a Pension and a surviving Eligible Spouse shall be entitled to 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 Retirement Pension: A Participant shall be eligible for a Normal Retirement Pension if he meets the requirements for a Normal Retirement Pension in Section 4.1 of Part C of the Salaried Plan.

4.2 Early Retirement Pension: A Participant shall be eligible for an Early Retirement Pension if he meets the requirements for an Early Retirement Pension in Section 4.2 of Part C of the Salaried Plan.

4.3 Vested Pension: A Participant who is vested under Section 4.7 shall be eligible to receive a Vested Pension if his employment in an eligible classification under the Salaried Plan is terminated before he is eligible for a Normal Retirement Pension or an Early 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 Retirement Pension: A Participant who continues employment 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 C 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 5.6(d) of Part C of the Salaried Plan).

4.5 Disability Pension: A Participant shall be eligible for a Disability Pension if he meets the requirements for a Disability Pension under the Salaried Plan.

4.6 Pre-Retirement Spouse's Pension. Any Pre-Retirement Spouse's Pension payable under this section shall commence as of the same time as the corresponding pre-retirement spouse's pension under the Salaried Plan and, subject to Section 4.9, shall continue monthly for the life of the Eligible Spouse.

(a) Active, Disabled and Retired Employees: A Pre-Retirement Spouse's Pension shall be payable under this subsection to a Participant's Eligible Spouse (if any) who is entitled under the Salaried Plan to the special pre-retirement spouse's pension for survivors of active, disabled and retired employees. The amount of such Pension shall be determined in accordance with the provisions of Section 5.3.

(b) Vested Employees: A Pre-Retirement Spouse's Pension shall be payable under this subsection to a Participant's Eligible Spouse (if any) who is entitled under the Salaried Plan to the pre-retirement spouse's pension for survivors of vested terminated Employees. The amount of such Pension shall be determined in accordance with the provisions of Section 5.3. 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.

Attained Age	Annual Charge
Up to 35	0%
35 – 39	.075%
40 – 44	.1%
45 – 49	.175%
50 – 54	.3%
55 – 59	.5%
60 – 64	.5%

4.7 Vesting. 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 the Salaried Plan.

4.8 Time of Payment. The distribution of a Participant's Pre-409A Pension shall commence as of the time specified in Section 6.1.

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 Pension: If at a Participant's Annuity Starting Date the Actuarial Equivalent lump sum value of the portion of the Participant's PEP Pension that is not subject to 409A 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 Pre-409A Pension. Notwithstanding the preceding sentence, for Annuity Starting Dates prior to December 1, 2012, a Participant's Pre-409A Pension 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 Pre-409A Pension is equal to or less than \$10,000.

(b) Distribution of Pre-Retirement Spouse's Pension Benefit: If at the time payments under the Salaried Plan commence to an Eligible Spouse the Actuarial Equivalent lump sum value of the Pre-409A Pre-Retirement Spouse's 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 Pre-409A Pre-Retirement Spouse's Pension. 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 Pre-409A Pre-Retirement Spouse's Pension is equal to or less than \$10,000.

(c) Special Cashout of Vested Pensions: Notwithstanding subsection (a) above, the Plan Administrator shall have discretion under this subsection to cash out a Pre-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 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 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.

(3) Not later than November 30, the Plan Administrator shall memorialize in writing the exercise of its discretion under this subsection (c) 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 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 Vested Pensions who will be cashed out.

Any lump sum distributed under this Section 4.9 shall be in lieu of the Pension that otherwise would be distributable to the Participant or Eligible Spouse hereunder. To the extent necessary to preserve the grandfathered status of Pre-409A Pensions, the cashout provisions described in subsections (a) through (c) above are intended to operate in conformance with the rules for "limited cashout" features within the meaning of Treasury Regulation § 1.409A-3(j)(4)(v) and 1.409A-6(a)(4)(i)(E), and they shall be interpreted and applied consistently with this regulation. No Participant or Eligible Spouse shall be given a direct or indirect election with respect to whether the Participant's Vested Pension or the Pre- Retirement Spouse's Pension will be cashed out under this section.

4.10 Coordination with Long Term Disability Plan. The terms of this section apply notwithstanding the preceding provisions of this Article. At any time prior to April 14, 1991, a Participant shall not be eligible to receive a Normal, Early, Vested or Disability Pension for any

month or period of time for which he is eligible for, and receiving, benefits under a long term disability plan maintained by an Employer. However, a Participant's Eligible Spouse shall not be ineligible for a Pre-Retirement Spouse's Pension or benefits under a Qualified Joint and Survivor Annuity because the Participant was receiving benefits under a long term disability plan at the date of his death.

4.11 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 Pension will be suspended if payment of his Salaried Plan pension is suspended (or would have been if it were already in pay status). Thereafter, his Pension shall recommence at the time determined under Section 6.1 (even if the suspension of his Salaried Plan pension ceases earlier).

## ARTICLE V – Amount of Retirement Pension

When a Pension becomes payable to or on behalf of a Participant under this Plan, the amount of such Pension shall be determined under Section 5.1, 5.2 or 5.3 (whichever is applicable), subject to any adjustments required under Sections 4.6(b), 5.4 and 5.5.

### 5.1 PEP Pension:

(a) Same Form as Salaried Plan: If a Participant's 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 Pension hereunder shall be the difference between:

- (1) His Total Pension expressed in such form and payable as of such time, minus
- (2) His Salaried Plan Pension expressed in such form and payable as of such time.

(b) Different Form than Salaried Plan: If a Participant's 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 under the Salaried Plan, his Pension shall be the product of:

- (1) The amount of the Participant's Total Pension expressed in the form and payable as of such time as applies to his Pension under this Plan, multiplied by
- (2) A fraction, the numerator of which is the value of his Total Pension reduced by the value of his Salaried Plan Pension, and the denominator of which is the value of his Total Pension (with value determined on a reasonable and consistent basis, in the discretion of the Plan Administrator, with respect to similarly situated employees).

(c) Definitions: The following definitions apply for purposes of this section.

- (3) A Participant's "Total Pension" means the greater of:

(i) The amount of the Participant'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 5.6(d) of Part C of the Salaried Plan; or (ii) The amount (if any) of the Participant's PEP Guarantee determined under Section 5.2.

In making this comparison, the benefits in subparagraphs (i) and (ii) above shall be calculated with reference to the specific form and time of payment that is applicable. If the applicable form of payment is a lump sum, the Actuarial Equivalent factors in section (2) of the definition of Actuarial Equivalent in Article II shall apply for purposes of subparagraph (i) in lieu of those in the Salaried Plan.

(4) A Participant's "Salaried Plan Pension" means the amount of the Participant's pension determined under the terms of the Salaried Plan.

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 that was recognized for benefits 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 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 in a classification eligible for the Salaried Plan prior to July 1, 1975, the amount of his Pension under this paragraph shall be the greater of the amounts determined under subparagraphs (i) and (ii), provided that subparagraph (ii)(B) shall not apply in determining the amount of a Vested Pension.

(i) Formula A: The Pension amount under this subparagraph shall be:

(A) 3 percent of the Participant's Highest Average Monthly Earnings for the first 10 years of Credited Service, plus

(B) 1 percent of the Participant's Highest Average Monthly Earnings for each year of Credited Service in excess of 10 years, less

(C) 1-2/3 percent of the Participant's Primary Social Security Amount multiplied by years of Credited Service not in excess of 30 years.

In determining the amount of a Vested Pension under this Formula A, the Pension shall first be calculated on the basis of (I) the Credited Service the Participant would have earned had he remained in the employ of the Employer until his Normal Retirement Age, and (II) his

Highest Average Monthly Earnings and Primary Social Security Amount at his Severance from Service Date, 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 Severance from Service Date and the denominator of which is the years of Credited Service he would have earned had he remained in the employ of an Employer until his Normal Retirement Age.

(ii) Formula B: The Pension amount under this subparagraph shall be the greater of (A) or (B) below:

(A) 1-1/2 percent of Highest Average Monthly Earnings times the number of years of Credited Service, less 50 percent of the Participant's Primary Social Security Amount, or

(B) 3 percent of Highest Average Monthly Earnings times the number of years of Credited Service up to 15 years, less 50 percent of the Participant's Primary Social Security Amount.

In determining the amount of a Disability Pension under Formula A or B above, the Pension shall be calculated on the basis of the Participant's Credited Service (determined in accordance with Section 3.3(d)(3) of Part C 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 Annuity: Subject to subparagraph (iii) below and the last sentence of this subparagraph, if the Participant has an Eligible Spouse and has commenced receipt of an Annuity under this section, the Participant's Eligible Spouse 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 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 death. If the Eligible Spouse 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 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 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 shall apply.

(C) This clause applies if the Participant will receive his Pension in a form that provides an Eligible Spouse benefit, continuing for the life of the surviving spouse, 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. 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.

5.3 Amount of Pre-Retirement Spouse's Pension: The monthly amount of the Pre-Retirement Spouse's 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 Pension shall be the difference between:

- (1) The Eligible Spouse's Total Pre-Retirement Spouse's Pension,  
minus
- (2) The Eligible Spouse's Salaried Plan Pre-Retirement Spouse's Pension.

(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 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 5.6(d) of Part C 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 with reference to the specific time of payment applicable to the Eligible Spouse.

(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 Severance from Service Date);

(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.

If payment of a Pre-Retirement Spouse's Pension under this paragraph commences prior to the date which would have been the Participant's Normal Retirement Date,

appropriate reductions for early commencement shall be applied to the Qualified Joint and Survivor Annuity upon which the Pre-Retirement Spouse's Pension is based.

(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(d)(2) of Part C 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 Spouse's Pension under this paragraph is not reduced for early commencement.

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 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 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 Pre-409A Pension shall also be recalculated hereunder. For this purpose, 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), 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.

5.5 Excludable Employment: Effective for periods of employment on or after June 30, 1997, an executive classified as level 22 or above whose employment by an Employer is for a limited duration assignment shall not become entitled to a benefit or to any increase in benefits in connection with such employment.

## ARTICLE VI – Distribution Options

The terms of this Article govern the distribution of benefits to a Participant who becomes entitled to payment of a Pension under the Plan.

6.1 Form and Timing of Distributions: This section shall govern the form and timing of distributions of Pre-409A Pensions that begin on or after March 1, 1992. Plan distributions that begin before that date shall be governed by Prior Plan as in effect at the time of the distribution. The provisions of this Section 6.1 are in all cases subject to the cashout rules set forth in Section 4.9.

(a) No Advance Election: This subsection shall apply to a Participant: (i) who does not have an Advance Election in effect as of the close of business on the day before his Retirement Date, or (ii) who terminates employment prior to Retirement. Subject to the next sentence, a Participant described in this subsection shall be paid his Pre-409A Pension in the same form and at the same time as he is paid his Pension under the Salaried Plan. If a Participant's Salaried Plan Annuity Starting Date occurs while he is still an employee of the PBG Organization (because of the time of payment provisions in Code section 401(a)(9)), payment under the Plan shall not begin until the first of the month next following the Participant's Severance from Service Date. In this instance, the form of payment under this Plan shall remain that applicable under the Salaried Plan.

(b) Advance Election in Effect: This subsection shall apply to a Participant: (i) who has an Advance Election in effect as of the close of business on the day before his Retirement Date, and (ii) whose Retirement Date is after 1993. To be in effect, an Advance Election must meet the advance receipt and other requirements of Section 6.3(b).

(1) Lump Sum Election: If a Participant covered by this subsection has an Advance Election to receive a Single Lump Sum in effect as of the close of business on the day before his Retirement Date, the Participant's Retirement Pension under the Plan shall be paid as a Single Lump Sum as of the first of the month coincident with or next following his Retirement Date.

(2) Annuity Election: If a Participant covered by this subsection has an Advance Election to receive an Annuity in effect as of the close of business on the day before his Retirement Date, the Participant's Retirement Pension under the Plan shall be paid in an Annuity beginning on the first of the month coincident with or next following his Retirement Date. The following provisions of this paragraph govern the form of Annuity payable in the case of a Participant described in this paragraph.

(i) Salaried Plan Election: A Participant who has a qualifying Salaried Plan election shall receive his distribution in the same form of Annuity the Participant selected in such qualifying Salaried Plan election. For this purpose, a "qualifying Salaried Plan election" is a written election of a form of payment by the Participant that: (A) is currently in effect under the Salaried Plan as of the close of business on the day before the Participant's Retirement Date, and (B) specifies an Annuity as the form of payment for all or part of the Participant's Retirement Pension under the Salaried Plan. For purposes of the preceding sentence, a Participant who elects a combination lump sum and Annuity under the Salaried Plan is considered to have specified an Annuity for part of his Salaried Plan Pension.

(ii) PEP Election: A Participant who is not covered by subparagraph (i) and who has a PEP Election in effect as of the close of business on the day before his Retirement Date shall receive his distribution in the form of Annuity the Participant selects in such PEP Election.

(iii) No PEP Election: A Participant who is not covered by subparagraph (i) or (ii) above shall receive his distribution in the form of a Qualified Joint and Survivor Annuity if he is married, or in the form of a Single Life Annuity if he is not married. For purposes of this subparagraph (iii), a Participant shall be considered married if he is married on the day before his Retirement Date.

6.2 Available Forms of Payment: The forms of payment set forth in subsections (a) and (b) may be provided to any Participant who is entitled to a Retirement Pension. The forms of payment for other Participants are set forth in subsection (c) below. The provisions of this section are effective for Annuity Starting Dates after 1989 and earlier distributions shall be governed by the Prior Plan as in effect at the time of distribution.

(a) Basic Forms of Payment: A Participant's Retirement Pension shall be distributed in one of the forms of payment listed in this subsection. The particular form of payment applicable to a Participant shall be determined in accordance with Section 6.1. Payments shall commence on the date specified in Section 6.1 and shall end on the date specified in this subsection.

(1) Single Life Annuity Option: A Participant may receive his 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 Pension in accordance with one of the following survivor options:

(i) 100 percent Survivor Option: The Participant shall receive a reduced 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 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 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 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 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 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 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).

(3) Single Lump Sum Payment Option: A Participant may receive payment of his Pension in the form of a Single Lump Sum payment.

(4) Combination Lump Sum/Monthly Benefit Option: A Participant who does not have an Advance Election in effect may receive a portion of his Pension in the form of a lump sum payment, and the remaining portion in the form of one of the monthly benefits described in paragraphs (1) and (2) above. The Pension is divided between the two forms of payment based on the whole number percentages designated by the Participant on a form provided for this purpose by the Plan Administrator. For the election to be effective, the sum of the two percentages designated by the Participant must equal 100 percent.

(i) The amount of the Pension paid in the form of a lump sum is determined by multiplying: (A) the amount that would be payable to the Participant as a Single Lump Sum payment if the Participant's entire benefit were

payable in that form, by (B) the percentage that the Participant has designated for receipt in the form of a lump sum.

(ii) The amount of the Pension paid in the form of a monthly benefit is determined by multiplying: (A) the amount of the monthly benefit elected by the Participant, determined in accordance with paragraph (1) or (2) above (whichever applies), by (B) the percentage that the Participant has designated for receipt in the form of a monthly benefit.

(b) Inflation Protection: The following levels of inflation protection may be provided to any Participant who is entitled to a Retirement Pension (except to the extent such Pension is paid as a lump sum).

(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 January 1, 1989 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.

(c) Available Options for Vested Benefits: The forms of payment available for a Participant with a Vested Pension are a Qualified Joint and Survivor Annuity for married Participants and a Single Life Annuity for both married and unmarried Participants. The applicable form of payment shall be determined in accordance with Section 6.1(a).

6.3 Procedures for Elections: This section sets forth the procedures for making Advance Elections and PEP Elections.

(a) In General: To qualify as an Advance Election or PEP Election for purposes of Section 6.1, an election must be made in writing, on the form designated by the Plan Administrator, and must be signed by the Participant. These requirements also apply to any revocations of such elections. Spousal consent is not required for any election (or revocation of election) under the Plan.

(b) Advance Election: To qualify as an Advance Election, an election must be made under this Plan on or after July 15, 1993 and meet the following requirements.

(1) Election: The Participant shall designate on the Advance Election form whether the Participant elects to take his Pension in the form of an Annuity or a Single Lump Sum.

(2) Receipt by Plan Administrator: The Advance Election must be received by the Plan Administrator before the start of the calendar year containing the Participant's Retirement Date, and at least 6 months before that Retirement Date. An

election that meets the foregoing requirements shall remain effective until it is changed or revoked.

(3) Change or Revocation of Election: A Plan Participant may change an Advance Election by filing a new Election that meets the foregoing requirements. A Plan Participant may revoke an Advance Election only by filing a revocation that is received by the Plan Administrator before the start of the calendar year containing the Plan Participant's Retirement Date, and at least 6 months before that Retirement Date.

Any Advance Election by a Participant shall be void if the Participant is not entitled to a Retirement Pension.

(c) PEP Election: A PEP Election may only be made by a Participant who has an Advance Election to receive an Annuity in effect at the time his PEP Election is received by the Plan Administrator. In determining whether an Advance Election is in effect for this purpose, the advance receipt requirement of subsection (b)(2) shall be considered met if it will be met by the Participant's proposed Retirement Date.

(1) Election: The Participant shall designate on the PEP Election form the Annuity form of benefit the Participant selects from those described in Section 6.2, including the Participant's choice of inflation protection, subject to the provisions of this Article VI. The forms of payment described in Section 6.2(a)(3) and (4) are not available pursuant to a PEP Election.

(2) Receipt by the Plan Administrator: The PEP Election must be received by the Plan Administrator no earlier than 90 days before the Participant's Retirement Date, and no later than the close of business on the day before the Participant's Retirement Date. The Participant shall furnish proof of the age of his

beneficiary (including his Eligible Spouse if applicable), to the Plan Administrator by the day before the Participant's Retirement Date, for any form of payment which is subject to reduction in accordance with subsection 6.2(c) above.

A Participant may change his PEP Election by filing a new Election with the Plan Administrator that meets the foregoing requirements. The Participant's PEP Election shall become effective at the close of business on the day before the Participant's Retirement Date. Any PEP Election by a Participant shall be void if the Participant does not have an Advance Election in effect at such time.

(d) Elections Rules for 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 termination of reemployment), 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.

For purposes of this section, an election shall be treated as received on a particular day if it is: (A) postmarked that day, or (B) actually received by the Plan Administrator on that day.

Delivery under clause (B) must be made by the close of business, which time is to be determined by the Plan Administrator.

6.4 Special Rules for Survivor Options:

(a) Effect of Certain Deaths: If a Participant makes a PEP Election for a form of payment described in Section 6.2(a)(2) and the Participant or his beneficiary (beneficiaries in the case of Section 6.2(a)(2)(iv)) dies before the PEP Election becomes effective, the election shall be disregarded. If the Participant dies after such PEP Election becomes effective but before his 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 dies: (i) after the PEP Election has become effective, (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 6.2(a)(2)(i) if his nonspouse 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 nonspouse beneficiary is more than 19 years younger than he is.

6.5 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 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 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 (or for periods before the Effective Date, the Plan Administrator under the Prior Plan). If no beneficiary is properly designated, then a Participant's election of a survivor's option described in Section 6.2(a)(2) shall not be given effect.

## APPENDIX

### 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 – 1993 Accruals

This Article A of the Appendix shall be effective on the date the Plan is adopted.

A.1 1993 Accruals: This section shall apply to any individual: (i) who was a Salaried Plan Participant and employed by the PBG Organization on December 31, 1993, (ii) whose Salaried Plan Pension was vested during 1993 (or would have become vested in 1994 if his Service after 1993 included the assumed period of continued service specified in (a)(1) below), and (iii) whose minimum 1993 Pension in subsection (a) below is not derived solely from that portion of the Plan described in (c) of Article X of the main portion of this Plan document. In determining the amount of the 1993 and 1994 Pension amounts for any such individual, the provisions set forth in subsections (a) and (b) below shall apply.

(a) Minimum 1993 Pension: Any individual who is covered by this section shall accrue a minimum 1993 Pension as of December 31, 1993. In determining the amount of such individual's minimum 1993 Pension, the following shall apply.

(1) An individual's Service and Credited Service as of the end of 1993 shall be assumed to equal the respective Service and Credited Service he would have if his Service continued through December 31, 1994. Notwithstanding the preceding sentence, the assumed period of continued Service shall be less to the extent PepsiCo,

Inc.'s human resource records on December 31, 1993 reflected a scheduled termination date in 1994 for such individual. In this case, the individual's assumed period of continued service shall be the portion of 1994 that ends with such scheduled termination date.

(2) An individual's Highest Average Monthly Earnings as of the end of 1993 shall be adjusted by the actuary's salary scale assumption which is used under the Salaried Plan, so that they equal the amount such scale projects for the individual as of the end of 1994. Notwithstanding the preceding sentence, the following special rules shall apply.

(i) A higher salary scale assumption shall be used for anyone whose projected 1994 earnings as reflected on the "Special PEP Salary Scale" of the PBG Benefits Department on December 31, 1993 were higher than would be assumed under the first sentence of this paragraph. In this case, the individual's 1993 earnings shall be adjusted using such higher salary scale.

(ii) In the case of an individual whose assumed period of service under paragraph (1) above is less than all of 1994, the salary adjustment under the preceding provisions of this paragraph shall be reduced to the amount that would apply if the individual had no earnings after his scheduled termination date.

(3) An individual's attained age as of the end of 1993 shall be assumed to be the age he would have at the end of the assumed period of continued service applicable under paragraph (1) above.

Any individual who is covered by this section, and who is not otherwise vested as of December 31, 1993, shall be vested as of such date in both his Pension (determined without regard to this subsection) and his minimum 1993 Pension. For purposes of this subsection, Code section 401(a)(17) shall be applied in 1993 by giving effect to the amendments to such Code section made by the Omnibus Budget Reconciliation Amendments of 1993.

(b) Determination of Later Accruals: If a participant in the Salaried Plan accrues a minimum 1993 Pension under subsection (a) above, the amount of any Pre-409A Pension that accrues thereafter shall be only the amount by which the Pre-409A Pension that would otherwise accrue for years after 1993 exceeds his minimum 1993 Pension under subsection (a).

#### ARTICLE P98 – PepsiCo Special Early Retirement Benefit

P98.1 Scope: This Article supplements the main portion of the Plan document with respect to the rights and benefits of Covered Employees on and after the Effective Date.

P98.2 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) Article: This Article P98 of the Appendix to the Plan.

(b) Covered Employee: An Employee who does not meet the eligibility requirements for the Salaried Plan Early Retirement Benefit as of his Severance Date solely because he is a highly compensated employee within the meaning of Article S and Section S.3(a)

(4) of the Appendix to the Legacy PBG Salaried Employees Retirement Plan in Part C of the Salaried Plan document.

(c) Effective Date: The date the provisions of this Article are effective, which shall be February 1, 1998.

(d) Salaried Plan Special Early Retirement Benefit: The special early retirement benefit for certain Company employees referred to in Section S.3(b) of the Appendix to the Legacy PBG Salaried Employees Retirement Plan in Part C of the Salaried Plan document.

(e) Severance Date: The involuntary termination of employment referred to in Section S.2(b)(1) of the Appendix to the Legacy PBG Salaried Employees Retirement Plan in Part C of the Salaried Plan document, that qualifies an eligible Employee for status as a Covered Employee.

P98.3 Amount and Form of Retirement Pension: In lieu of any benefits he would otherwise be entitled to under this Plan, a Covered Employee shall receive a single lump sum benefit as soon as administratively practical following his Severance Date. No other benefits under this Plan are payable to a Participant who is entitled to a benefit under this section. The amount of such lump sum shall be the excess of:

(a) The Actuarial Equivalent present value of the Covered Employee's Total Pension (as defined in Section 5.1(c)) determined as of his Severance Date, for this purpose treating the Covered Employee as eligible for the Salaried Plan Special Early Retirement Benefit, and treating the benefit as commencing on his Severance Date; over

(b) The Actuarial Equivalent present value of the Covered Employee's Salaried Plan Pension (as defined in Section 5.1(c)) determined as of his Severance Date, for this

purpose determining the benefit without regard to this Appendix, and treating the benefit as commencing on his Normal Retirement Date.

For purposes of this calculation, amounts shall be determined as of the Participant's Severance Date, "Actuarial Equivalent" shall be based on the factors in effect on such date using the definition in section (2) of Actuarial Equivalent for lump sums conversions, and the Participant shall be treated as taking his Total Pension in the form of a Single Life Annuity. In the case of a Covered Employee who is eligible for a PEP Guarantee (as defined in Section 5.2), and for purposes of subsection (a) only, the reduction factors for early commencement of a PEP Guarantee under Section 5.2 of this Plan shall apply in lieu of those in the Salaried Plan Special Early Retirement Benefit formula if they provide a greater PEP benefit.

#### 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 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, INC. SUBSIDIARIES**

<b><u>Entity Name</u></b>	<b><u>Jurisdiction</u></b>
Abechuko Inversiones, S.L.	Spain
Alikate Inversiones, S.L.	Spain
Alimentos del Istmo, S.A.	Panama
Alimentos Quaker Oats y Compania Limitada	Guatemala
Alimesa S.A.	Argentina
Amavale Agricola Ltda.	Brazil
Anderson Hill Insurance Limited	Bermuda
Aquafina Inversiones, S.L.	Spain
Asia Bottlers Limited	China
BAESA Capital Corporation Ltd.	Cayman Islands
Balmoral Industries LLC	United States, Delaware
Bare Foods Co.	United States, Delaware
Barrhead LLC	United States, Delaware
Beaman Bottling Company	United States, Delaware
Bebidas Sudamerica S.A.	Argentina
Beech Limited	Cayman Islands
Beimiguel Inversiones, S.L.	Spain
Bell Taco Funding Syndicate	Australia
Bendler Investments II Ltd	United Kingdom
Bendler Investments S.à r.l	Luxembourg
Beverage Services Limited	Bermuda
Beverages, Foods & Service Industries, Inc.	United States, Delaware
Bishkeksut, OJSC	Kyrgyzstan
Blaue NC, S. de R.L. de C.V.	Mexico
Bluebird Foods Limited	New Zealand
Bluecan Holdings Unlimited Company	Ireland
Bolsherechensky Molkombinat, JSC	Russia
Boquitas Fiestas S.R.L.	Honduras
Boquitas Fiestas, LLC	United States, Delaware
Bottling Group Financing, LLC	United States, Delaware
Bottling Group Holdings, LLC	United States, Delaware
Bottling Group, LLC	United States, Delaware
Brading Holding S.à r.l	Luxembourg
Bronte Industries, Ltd	United Kingdom
BUG de Mexico, S.A. de C.V.	Mexico
C & I Leasing, Inc.	United States, Maryland
Canguro Rojo Inversiones, S.L.	Spain
Caroni Investments, LLC	United States, Delaware
CEME Holdings, LLC	United States, Delaware
Centro-Mediterranea de Bebidas Carbonicas PepsiCo, S.L.	Spain
ChampBev, Inc.	United States, California
China Concentrate Holdings (Hong Kong) Limited	Hong Kong
Chipsy for Food Industries S.A.E.	Egypt
Chipsy International for Food Industries S.A.E.	Egypt
Cipa Industrial de Produtos Alimentares Ltda.	Brazil
Cipa Nordeste Industrial de Produtos Alimentares Ltda.	Brazil
CMC Investment Company	Bermuda
Cocina Autentica, Inc.	United States, Delaware

Comercializadora CMC Investment y Compania Limitada	Guatemala
Comercializadora Nacional SAS Ltda.	Colombia
Comercializadora PepsiCo Mexico, S de R.L. de C.V.	Mexico
Compania de Bebidas PepsiCo, S.L.	Spain
Concentrate Holding Uruguay Pte. Ltd.	Singapore
Concentrate Manufacturing (Singapore) Pte. Ltd.	Singapore
Confiteria Alegro, 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
CytoSport Holdings, Inc.	United States, Delaware
CytoSport, Inc.	United States, California
Davlyn Realty Corporation	United States, Delaware
Defosto Holdings Limited	Cyprus
Desarrollo Inmobiliario Gamesa, S. de R.L. de C.V.	Mexico
Donon Holdings 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
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
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
Fairlight International SRL	Barbados
Far East Bottlers (Hong Kong) Limited	Hong Kong
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
Forest Akers Nederland B.V.	Netherlands
Fovarosi Asvanyviz es Uditopari Zartkoruen Mukodo Reszvenytarsasag	Hungary
Freshwater International B.V.	Netherlands
Frito Lay (Hungary) Trading and Manufacturing Limited Liability Company	Hungary
Frito Lay de Guatemala y Compania Limitada	Guatemala
Frito Lay Gida Sanayi Ve Ticaret Anonim Sirketi	Turkey
Frito Lay Poland Sp. z o.o.	Poland
Frito Lay Sp. z o.o.	Poland
Frito-Lay Australia Holdings Pty Limited	Australia
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 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
GMP Manufacturing, Inc.	United States, California
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, JSC	Russia
Health Warrior, Inc.	United States, Delaware
Heathland, LP	United States, Delaware
Helioscope Limited	Cyprus
Hillbrook, Inc.	United States, Vermont
Hillgrove, Inc.	United States, Delaware
Hillwood Bottling, LLC	United States, Delaware
Hogganfield Limited Partnership	United Kingdom
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
Ignite Acquisition, Inc.	United States, Delaware
Inmobiliaria Interamericana, S.A. De C.V.	Mexico
Integrated Beverage Services (Bangladesh) Limited	Bangladesh
Integrated Foods & Beverages Pvt. Ltd.	Bangladesh
International Bottlers Management Co. LLC	United States, Delaware
International Bottlers-Almaty Limited Liability Partnership	Kazakhstan
International KAS Aktiengesellschaft	Liechtenstein

Inversiones Borneo S.R.L.	Peru
Inversiones PFI Chile Limitada	Chile
Inviting Foods Holdings, Inc.	United States, Delaware
Inviting Foods LLC	United States, Delaware
IZZE Beverage Co.	United States, Delaware
Jatabe Inversiones, S.L.	Spain
Jugodesalud Inversiones, S.L.	Spain
Jungla Mar del Sur, S.A.	Costa Rica
KAS Anorthosis S.à r.l	Luxembourg
KAS S.L.	Spain
KeVita, Inc.	United States, California
Kinvara, LLC	United States, Delaware
Kungursky Molkombinat, JSC	Russia
Larragana S.L.	Spain
Latin American Holdings Ltd.	Cayman Islands
Latin American Snack Foods ApS	Denmark
Latin Foods International, LLC	United States, Delaware
Latvian Snacks SIA	Latvia
Lebedyansky Holdings, LLC	Russia
Lebedyansky, LLC	Russia
Limited Liability Company "Sandora"	Ukraine
Linkbay Limited	Cyprus
Lithuanian Snacks UAB	Lithuania
Lorencito Inversiones, S.L.	Spain
Maizoro, S. de R.L. de C.V.	Mexico
Manurga Inversiones, S.L.	Spain
Marbo d.o.o. Laktasi	Bosnia and Herzegovina
Marbo Product d.o.o. Beograd	Serbia
Matudis - Comercio de Produtos Alimentares, Limitada	Portugal
Matutano - Sociedade de Produtos Alimentares, Lda.	Portugal
Mid-America Improvement Corporation	United States, Illinois
Miglioni Inversiones, S.L.	Spain
Mountainview Insurance Company, Inc.	United States, Vermont
Nadamas Inversiones, S.L.	Spain
Naked Juice Co.	United States, Pennsylvania
Naked Juice Co. of Glendora, Inc.	United States, California
NCJV, LLC	United States, Delaware
New Bern Transport Corporation	United States, Delaware
New Century Beverage Company, LLC	United States, Delaware
Noble Leasing LLC	United States, Delaware
Northeast Hot-Fill Co-op, Inc.	United States, Delaware
Office at Solyanka LLC	Russia
Onbiso Inversiones, S.L.	Spain
One World Enterprises, LLC	United States, Delaware
One World Investors, Inc.	United States, Delaware
P.B.I. Fruit Juice Company BVBA	Belgium
P-A Barbados Bottling Company, LLC	United States, Delaware
P-A Bottlers (Barbados) SRL	Barbados
P-Americas, LLC	United States, Delaware
Panafota Holdings Unlimited Company	Ireland
Papas Chips S.A.	Uruguay
PAS Luxembourg, S.à r.l	Luxembourg
PAS Netherlands B.V.	Netherlands

PBG Canada Holdings II, LLC	United States, Delaware
PBG Canada Holdings, Inc.	United States, Delaware
PBG Cyprus Holdings Limited	Cyprus
PBG Investment Partnership	Canada
PBG Midwest Holdings S.à r.l	Luxembourg
PBG Mohegan Holdings Limited	Gibraltar
PBG Soda Can Holdings, S.à r.l	Luxembourg
PCBL, LLC	United States, Delaware
PCNA Manufacturing, Inc.	United States, Delaware
PCTI Puerto Rico, Inc.	Puerto Rico
Pei N.V.	Curacao
Pep Trade LLC	Egypt
Pepsi B.V.	Netherlands
Pepsi Beverages Holdings, Inc.	United States, Delaware
Pepsi Bottling Group Global Finance, LLC	United States, Delaware
Pepsi Bottling Group GmbH	Germany
Pepsi Bottling Group Hoosiers B.V.	Netherlands
Pepsi Bottling Holdings, Inc.	United States, Delaware
Pepsi Bugshan Investments S.A.E.	Egypt
Pepsi Cola Colombia Ltda	Colombia
Pepsi Cola Egypt S.A.E.	Egypt
Pepsi Cola Servis Ve Dagitim Limited Sirketi	Turkey
Pepsi Cola Trading Ireland	Ireland
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 Nemzetkozi Szolgaltato Korlatolt Felelossegu Tarsasag	Hungary
PepsiCo (China) Limited	China
PepsiCo (Gibraltar) Limited	Gibraltar
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 Austria Services GmbH	Austria
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 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 Indústria e Comércio de Alimentos Ltda.	Brazil
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
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 Financial Shared Services, Inc.	United States, Delaware
PepsiCo Food & Beverage Holdings Hong Kong Limited	Hong Kong
PepsiCo Foods (China) Company Limited	China
PepsiCo Foods (Private) Limited	Pakistan
PepsiCo Foods (Sichuan) Co., Ltd.	China
PepsiCo Foods Group Pty Ltd	Australia
PepsiCo Foods Nigeria Limited	Nigeria
PepsiCo Foods Taiwan Co., Ltd.	Taiwan
PepsiCo Foods Vietnam Company	Vietnam
PepsiCo Foods, A.I.E.	Spain
PepsiCo France SNC	France
PepsiCo Global Business Services India LLP	India
PepsiCo Global Business Services Poland Sp. z o.o.	Poland
PepsiCo Global Holdings Limited	Bermuda
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 Global Trading Solutions Unlimited Company	Ireland
PepsiCo Golden Holdings, 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 Toshkent LLC	Uzbekistan
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 Hong Kong Limited	Hong Kong
PepsiCo International Limited	United Kingdom
PepsiCo International Pte Ltd.	Singapore
PepsiCo Investments (Europe) I B.V.	Netherlands
PepsiCo Investments Ltd.	Mauritius
PepsiCo Ireland Food & Beverages Unlimited Company	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 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 Panimex Inc	Mauritius
PepsiCo Products B.V.	Netherlands
PepsiCo Products FLCC	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 CZ s.r.o.	Czech Republic
PepsiCo Services, LLC	United States, Delaware
PepsiCo Twist B.V.	Netherlands
PepsiCo UK Pension Plan Trustee Limited	United Kingdom
PepsiCo Ventures B.V.	Netherlands
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 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 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 (Private) Limited	Pakistan
Pepsi-Cola International Limited	Bermuda

Pepsi-Cola International Limited (U.S.A.)	United States, Delaware
Pepsi-Cola International, Cork	Ireland
Pepsi-Cola Korea Co., Ltd.	Korea, Republic Of
Pepsi-Cola Management and Administrative Services, Inc.	United States, Delaware
Pepsi-Cola Manufacturing (Mediterranean) Limited	Bermuda
Pepsi-Cola Manufacturing Company Of Uruguay S.R.L.	Uruguay
Pepsi-Cola Manufacturing International, Limited	Bermuda
Pepsi-Cola Marketing Corp. Of P.R., Inc.	Puerto Rico
Pepsi-Cola Mediterranean, Ltd.	United States, Wyoming
Pepsi-Cola Metropolitan Bottling Company, Inc.	United States, New Jersey
Pepsi-Cola Mexicana Holdings LLC	United States, Delaware
Pepsi-Cola Mexicana, S. de R.L. de C.V.	Mexico
Pepsi-Cola National Marketing, LLC	United States, Delaware
Pepsi-Cola of Corvallis, Inc.	United States, Oregon
Pepsi-Cola Operating Company Of Chesapeake And Indianapolis	United States, Delaware
Pepsi-Cola Panamericana S.R.L.	Peru
Pepsi-Cola Sales and Distribution, Inc.	United States, Delaware
Pepsi-Cola Technical Operations, Inc.	United States, Delaware
Pet Iberia S.L.	Spain
Pete & Johnny Limited	United Kingdom
Pine International Limited	Cayman Islands
Pine International, LLC	United States, Delaware
Pinstripe Leasing, LLC	United States, Delaware
Pipers Crisps Limited	United Kingdom
PlayCo, Inc.	United States, Delaware
Portfolio Concentrate Solutions Unlimited Company	Ireland
PR Beverages Bermuda Holding Ltd.	Bermuda
PR Beverages Cyprus (Russia) Holding Limited	Cyprus
PR Beverages Cyprus Holding Limited	Cyprus
PRB Luxembourg International S.à r.l	Luxembourg
PRB Luxembourg S.à r.l	Luxembourg
Premier Nutrition Trading L.L.C.	United Arab Emirates
Prestwick LLC	United States, Delaware
Prev PepsiCo Sociedade Previdenciaria	Brazil
Productos S.A.S. C.V.	Netherlands
Productos SAS Management B.V.	Netherlands
PRS, Inc.	United States, Delaware
PSAS Inversiones LLC	United States, Delaware
PSE Logistica S.R.L.	Argentina
PT Quaker Indonesia	Indonesia
Punch N.V.	Curacao
Punica Getranke GmbH	Germany
Q O Puerto Rico, Inc.	Puerto Rico
QFL OHQ Sdn. Bhd.	Malaysia
QTG Development, Inc.	United States, Delaware
QTG Services, Inc.	United States, Delaware
Quadrant - Amroq Beverages S.R.L.	Romania
Quaker Development B.V.	Netherlands
Quaker European Beverages, LLC	United States, Delaware
Quaker European Investments B.V.	Netherlands
Quaker Foods	United Kingdom
Quaker Global Investments B.V.	Netherlands
Quaker Holdings (UK) Limited	United Kingdom

Quaker Manufacturing, LLC	United States, Delaware
Quaker Oats Asia, Inc.	United States, Delaware
Quaker Oats Australia Pty Ltd	Australia
Quaker Oats B.V.	Netherlands
Quaker Oats Capital Corporation	United States, Delaware
Quaker Oats Europe LLC	United States, Delaware
Quaker Oats Europe, Inc.	United States, Delaware
Quaker Oats Limited	United Kingdom
Quaker Sales & Distribution, Inc.	United States, Delaware
Raptas Finance S.à r.l.	Luxembourg
Rare Fare Foods, LLC	United States, Delaware
Rare Fare Holdings, Inc.	United States, Delaware
Rasines Inversiones, S.L.	Spain
Reading Industries, Ltd	United Kingdom
Real Estate Holdings, LLC	Puerto Rico
Rebujito Inversiones, S.L.	Spain
Rolling Frito-Lay Sales, LP	United States, Delaware
Ronkas Inversiones, S.L.	Spain
S & T of Mississippi, Inc.	United States, Mississippi
Sabritas de Costa Rica, S. de R.L.	Costa Rica
Sabritas Snacks America Latina de Nicaragua y Cia, Ltda	Nicaragua
Sabritas y Cia. S en C de C.V.	El Salvador
Sabritas, LLC	United States, Delaware
Sabritas, S. de R.L. de C.V.	Mexico
Sakata Rice Snacks Australia Pty Ltd	Australia
Sandora Holdings B.V.	Netherlands
Saudi Snack Foods Company Limited	Saudi Arabia
Sea Eagle International SRL	Barbados
Seepoint Holdings Ltd.	Cyprus
Senselet Food Processing PLC	Ethiopia
Senselet Holding B.V.	Netherlands
Servicios Gamesa Puerto Rico, L.L.C.	Puerto Rico
Servicios GBF, Sociedad de Responsabilidad Limitada	Honduras
Servicios GFLG y Compania Limitada	Guatemala
Servicios SYC, S. de R.L. de C.V.	El Salvador
Seven-Up Asia, Inc.	United States, Missouri
Seven-Up Light B.V.	Netherlands
Seven-Up Nederland B.V.	Netherlands
Shanghai PepsiCo Snack Company Limited	China
Shanghai YuHo Agricultural Development Co., Ltd	China
Shoebill, LLC	United States, Delaware
SIH International, LLC	United States, Delaware
Simba (Proprietary) Limited	South Africa
Sitka Spruce	South Africa
Smartfoods, Inc.	United States, Delaware
Smiths Crisps Limited	United Kingdom
Snack Food Investments GmbH	Switzerland
Snack Food Investments II GmbH	Switzerland
Snack Food Investments Limited	Bermuda
Snack Food-Beverage Asia Products Limited	Hong Kong
Snacks America Latina S.R.L.	Peru
Snacks Guatemala, Ltd.	Bermuda
Soda Trend GmbH	Germany

Soda-Club (CO2) Atlantic GmbH	Switzerland
Soda-Club (CO2) SA	Switzerland
Soda-Club CO2 Ltd.	British Virgin Islands
Soda-Club Switzerland GmbH	Switzerland
Soda-Club Worldwide B.V.	Netherlands
SodaStream (CO2) SA	Switzerland
SodaStream (New Zealand) Ltd.	New Zealand
SodaStream (SA) (Pty) Ltd.	South Africa
SodaStream (Switzerland) AG	Switzerland
SodaStream Australia Pty Ltd	Australia
SodaStream Canada Ltd.	Canada
SodaStream Enterprises N.V.	Netherlands
SodaStream France SAS	France
SodaStream GmbH	Germany
SodaStream Industries Ltd.	Israel
SodaStream International B.V.	Netherlands
SodaStream International Ltd.	Israel
SodaStream Israel Ltd.	Israel
SodaStream K.K.	Japan
SodaStream Nordics AB	Sweden
SodaStream Österreich GmbH	Austria
SodaStream USA, Inc.	United States, Delaware
South Beach Beverage Company, Inc.	United States, Delaware
South Properties, Inc.	United States, Illinois
Springboig Industries, Ltd	United Kingdom
Spruce Limited	Cayman Islands
Stacy's Pita Chip Company, Incorporated	United States, Massachusetts
Star Foods E.M. S.R.L.	Romania
Stepplan Inversiones, S.L.	Spain
Stokely-Van Camp, Inc.	United States, Indiana
Stratosphere Communications Pty Ltd	Australia
Stratosphere Holdings (2018) Limited	New Zealand
SVC Logistics, Inc.	United States, Delaware
SVC Manufacturing, Inc.	United States, Delaware
SVE Russia Holdings GmbH	Germany
Tasman Finance S.à 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 Pepsi Bottling Group (Canada), ULC	Canada
The Quaker Oats Company	United States, New Jersey
The Smith's Snackfood Company Pty Limited	Australia
Thomond Group Holdings Limited	Hong Kong
Tobago Snack Holdings, LLC	United States, Delaware
Tropicana Alvalle S.L.	Spain
Tropicana Beverages Greater China 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
VentureCo (Israel) Ltd	Israel
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 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 Foods LLC	Russia
Wimm-Bill-Dann Georgia Ltd.	Georgia
Wimm-Bill-Dann JSC	Russia
Wimm-Bill-Dann Ukraine, PJSC	Ukraine

**PEPSICO**

**PENSION EQUALIZATION PLAN**

**(PEP)**

*Plan Document for the Section 409A Program  
January 1, 2019 Restatement*

(With Amendments Through December 10, 2019)

PEPSICO PENSION EQUALIZATION PLAN

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## ARTICLE I

### Foreword

The PepsiCo Pension Equalization Plan (“PEP” or “Plan”) has been established by PepsiCo for the benefit of salaried employees of the PepsiCo Organization who participate in the PepsiCo Salaried Employees Retirement Plan (“Salaried Plan”). PEP provides benefits for eligible employees whose pension benefits under the Salaried Plan are limited by the provisions of the Internal Revenue Code of 1986, as amended. In addition, PEP provides benefits for certain eligible employees based on the pre-1989 Salaried Plan formula (see, for example, Part B thereof).

1989 Restatement. The Plan was amended and restated in its entirety in 1989.

409A Program Document 2005 Restatement. The Plan was last amended and restated in its entirety effective as of January 1, 2005. The 2005 restatement sets forth the terms of the Plan that are applicable to benefits that are subject to Section 409A, *i.e.*, generally, benefits that are earned or vested after December 31, 2004 or materially modified within the meaning of Treas. Reg. § 1.409A-6(a)(4) (the “409A Program”).

Amendments to the 2005 Restatement. The 2005 restatement was amended to reflect the merger into this Plan of the PBG Pension Equalization Plan (“PBG PEP”), effective at the end of the day on December 31, 2011. The PBG PEP document that was in effect on April 1, 2009, as amended through January 1, 2011 (the “409A PBG PEP Document”) is attached hereto as Appendix Article PBG 409A and shall continue to govern PBG PEP benefits that were subject to the 409A PBG PEP Document prior to the Plan merger, except for certain administrative provisions that are now governed by the main portion of the 409A PepsiCo PEP Document as is

explained in Appendix Article PBG 409A. There has been no change to the time or form of payment of benefits that are subject to Internal Revenue Code Section 409A (“Section 409A”) under either the PepsiCo PEP or PBG PEP Documents as a result of the merger or the revisions to the 409A PepsiCo PEP Document and 409A PBG PEP Document.

2017 and 2019 Restatements. This restatement of the 409A Program Document is effective as of January 1, 2019. Before this restatement, the 409A Program Document was most recently restated effective as of January 1, 2017.

Interplay of this 409A Program and Pre-409A Program. All benefits under the Plan that are not subject to the 409A Program (i.e., generally, benefits that are earned or vested before January 1, 2005 and not materially modified thereafter within the meaning of Treas. Reg. § 1.409A-6(a)(4)) shall be governed by the Plan Document for the Pre-Section 409 Program (the “Pre-409A Program”). Together, this document and the document for the Pre-409A Program describe the terms of a single plan. However, amounts subject to the terms of this 409A Program and amounts subject to the terms of the Pre-409A Program shall be tracked separately at all times. The preservation of the terms of the Pre-409A Program, without material modification, and the separation between the 409A Program amounts and the Pre-409A Program amounts are intended to be sufficient to permit the pre-409A Program to remain exempt from Section 409A as grandfathered benefits.

## ARTICLE II

### Definitions and Construction

2.1 Definitions: This section provides definitions for certain words and phrases listed below. Where the following words and phrases, in boldface and underlined, appear in this Plan document (including the Foreword) with initial capitals they shall have the meaning set forth below, unless a different meaning is plainly required by the context.

**Accrued Benefit**: The Pension payable at Normal Retirement Date determined in accordance with Article V, based on the Participant's Highest Average Monthly Earnings and Credited Service at the date of determination.

**Actuarial Equivalent**: Except as otherwise specifically set forth in the Plan or any Appendix to the Plan with respect to a specific benefit determination, a benefit of equivalent value computed on the basis of the factors set forth below. The application of the following assumptions to the computation of benefits payable under the Plan shall be done in a uniform and consistent manner. In the event the Plan is amended to provide new rights, features or benefits, the following actuarial factors shall not apply to these new elements unless specifically adopted by the amendment.

(1) **Annuities and Inflation Protection**: To determine the amount of a Pension payable in the form of a Qualified Joint and Survivor Annuity or optional form of survivor annuity, as an annuity with inflation protection, or as a period certain and life annuity, the Plan Administrator shall select the factors that are to be used. Effective January 1, 2009, the factors

selected by the Plan Administrator are set forth in Schedule 1, below (prior factors appear in the Appendix). Thereafter, the Plan Administrator shall review such factors for forms of payment (including for annuities and lump sums) from time to time and shall amend such factors in its discretion. In general, a Participant shall have no right to have any of the actuarial factors specified for forms of payment under the Plan from time to time applied to his benefit (or any portion thereof), except to the extent that a particular factor is currently in effect at the time it is to be applied under the Plan. For the avoidance of doubt, it is expressly intended and binding upon Participants that any actuarial factors for forms of payment selected by the Plan Administrator from time-to-time may be applied retroactively to already accrued benefits, and without regard to the actuarial factors that may have applied previously for such purpose. However, in adjusting benefits under the Plan using those factors in Schedule 1 (below) that become effective for Annuity Starting Dates on or after January 1, 2019, the right to receive a benefit that is not less than would have applied under the prior basis for this adjustment shall apply to the same extent (and in the same manner) as applies under the Salaried Plan with respect to the 2019 Salaried Plan Factors. For this purpose, the phrase "2019 Salaried Plan Factors" refers to the new factors that appear in the Salaried Plan's definition of "Actuarial Equivalent" effective for annuity starting dates (as defined under the Salaried Plan) on or after January 1, 2019. Effective for Annuity Starting Dates on or after January 1, 2019, if a Participant elects a survivor, period certain annuity or other death benefit annuity with inflation protection, Schedule 1(b) shall apply

to adjust the Single Life Annuity for the survivor benefit, period certain or other death benefit, and Schedule 1(c) or (d) shall apply solely to adjust for the elected inflation protection (for this purpose and as applies generally when determining an Actuarial Equivalent, the adjustment resulting from applying these factors from separate Schedules shall be determined using an actuarial computation method that is reasonable and applied consistently to similarly situated participants).

**SCHEDULE 1**

<u>Date</u>	<u>Mortality Table Factors</u>	<u>Interest Rate Factor</u>
(a) Annuity Starting Dates from 1/1/2009 until 12/31/2018	GAR 94	5%
(b) Annuity Starting Dates on or After 1/1/2019 Except for Inflation Protection	The 2019 mortality table*	5%
(c) Annuity Starting Dates on or After 1/1/2019 for 5% Inflation Protection	The 2019 mortality table*	4.2%
(d) Annuity Starting Dates on or After 1/1/2019 for 7% Inflation Protection	The 2019 mortality table*	4.6%

\*As this term is defined in the Salaried Plan’s definition of “Actuarial Equivalent”

(2) Lump Sums: To determine the lump sum value of a Pension, a Pre-Retirement Spouse’s Pension under Section 4.6, or a Pre-Retirement Domestic Partner’s Pension under Section 4.12, the lump sum equivalent factors currently applicable to lump sum distributions under the Salaried Plan shall apply (disregarding transition factors). These factors are subject to change in accordance with paragraph (1) above.

(3) Other Cases: To determine the adjustment to be made in the Pension payable to or on behalf of a Participant in other cases, the factors

are those applicable for such purpose under the Salaried Plan. In this respect, the 2019 Salaried Plan Factors shall be effective hereunder for Annuity Starting Dates (as defined under this Plan) on or after January 1, 2019. These factors are subject to change in accordance with paragraph (1) above.

**Annuity**: A Pension payable as a series of monthly payments for at least the life of the Participant.

**Annuity Starting Date**: The Annuity Starting Date shall be the first day of the first period for which an amount is payable under this Plan as an annuity or in any other form. A Participant who: (1) is reemployed after his initial Annuity Starting Date, and (2) is entitled to benefits hereunder after his reemployment, shall have a subsequent Annuity Starting Date for such benefits only to the extent provided in Section 6.3(b).

**Cashout Limit**: The annual dollar limit on elective deferrals under Code section 402(g)(1)(B), as in effect from time to time.

**Code**: The Internal Revenue Code of 1986, as amended from time to time. All references herein to particular Code Sections shall also refer to any successor provisions and shall include all related regulations, interpretations and other guidance.

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

**Covered Compensation**: "Covered Compensation" as that term is defined in Part B of the Salaried Plan.

**Credited Service:** The period of a Participant's employment, calculated in accordance with Section 3.3, which is counted for purposes of determining the amount of benefits payable to, or on behalf of, the Participant.

**Disability Retirement Pension:** The Retirement Pension available to a Participant under Section 4.5.

**Early 409A Retirement Pension:** The 409A Retirement Pension available to a Participant under Section 4.2.

**Elapsed Time Service:** The period of time beginning with a Participant's first date of employment with the PepsiCo Organization and ending with the Participant's Final Separation from Service, irrespective of any breaks in service between those two dates. By way of illustration, if a Participant began employment with the PepsiCo Organization on January 1, 2000, left the employment of the PepsiCo Organization from January 1, 2001 until December 31, 2004, and was then reemployed by the PepsiCo Organization on January 1, 2005 until he had a Final Separation from Service on December 31, 2008, the Participant would have eight years of Elapsed Time Service as of his Final Separation from Service.

**Eligible Domestic Partner.** The definition in this Section 2.1 is effective for applicable dates on and after January 1, 2019, and applies solely to a Participant who is actively employed by, or on an Authorized Leave of Absence from, a member of the PepsiCo Organization on or after January 1, 2019. For other dates or Participants, see Appendix Article H.

(1) **Definition.** For applicable dates on or after January 1, 2019, “Eligible Domestic Partner” means an individual who is of the same sex or opposite sex as the Participant and who satisfies paragraph (a), (b) or (c), subject to the additional rules set forth in paragraph (e).

(a) **Civil Union.** If on the applicable date the Participant has entered into a civil union that is valid on the applicable date in the state in which it was entered into, the Participant’s Eligible Domestic Partner (if any) is the individual with whom the Participant has entered into such a civil union.

(b) **Enrollment in Health Benefits.** If the Participant does not have an Eligible Domestic Partner pursuant to paragraph (a) above, the Participant’s Eligible Domestic Partner (if any) is the individual who, on the applicable date, is enrolled in any of the Company’s health benefit options as the Participant’s domestic partner.

(c) **Other Acceptable Evidence of Partnership.** If on the applicable date a Participant does not have an Eligible Domestic Partner under paragraph (a) or (b) above, such Participant’s Eligible Domestic Partner (if any) is the individual who satisfies such criteria of domestic partnership as the Plan Administrator has specified in writing.

(d) **No Eligible Domestic Partner Except as Described Above.** If on the applicable date a Participant does not have an Eligible

Domestic Partner under paragraph (a), (b), or (c) above, such Participant is not eligible to have an Eligible Domestic Partner.

(e) Additional Rules. The term “Eligible Domestic Partner” does not apply to a Participant’s Eligible Spouse. A Participant is not permitted to have more than one Eligible Domestic Partner at any point in time, and a Participant who has an Eligible Spouse is not permitted to have an Eligible Domestic Partner.

(2) Terms Used in this Definition. For purposes of the definition of “Eligible Domestic Partner” in this Section 2.1, the following definitions apply: “applicable date” means the earlier of the Participant’s Annuity Starting Date and date of death, and “state” means any domestic or foreign jurisdiction having the legal authority to sanction civil unions.

**Eligible Spouse:** The spouse of a Participant to whom the Participant is considered lawfully married for purposes of Federal tax law on the earlier of the Participant’s Annuity Starting Date or the date of the Participant’s death and who, solely for periods before September 16, 2013, is of the opposite sex.

**Employee:** An individual who qualifies as an “Employee” as that term is defined in Part B of the Salaried Plan.

**Employer:** An entity that qualifies as an “Employer” as that term is defined in Part B of the Salaried Plan.

**ERISA**: Public Law No. 93-406, the Employee Retirement Income Security Act of 1974, including any amendments thereto, any similar subsequent federal laws, and any rules and regulations from time to time in effect under any of such laws.

**FICA Amount**: The Participant's share of the Federal Insurance Contributions Act (FICA) tax imposed on the 409A Pension and Pre-409A Pension of the Participant under Code Sections 3101, 3121(a) and 3121(v)(2).

**409A Program**: The program described in this document. The term "409A Program" is used to identify the portion of the Plan that is subject to Section 409A.

**Guiding Principles Regarding Benefit Plan Committee Appointments**:  
The guiding principles as set forth in Common Appendix Article PAC to be applied by the Chair of the PAC when selecting the members of the PAC.

**Highest Average Monthly Earnings**: "Highest Average Monthly Earnings" as that term is defined in the Part B of the Salaried Plan, but without regard to the limitation imposed by section 401(a)(17) of the Code (as such limitation is interpreted and applied under the Salaried Plan). Notwithstanding the foregoing, to the extent that a Participant receives, during a leave of absence, earnings that would be counted as Highest Average Monthly Earnings if they were received during a period of active service, but that will be received after the Participant's Separation from Service, the Plan Administrator may provide for determining the Participant's 409A Pension at Separation from Service by projecting the benefit the Participant would have if all such earnings were taken into account under the Plan.

**Key Employee:**

The individuals identified in accordance with the following paragraphs.

(1) In General. Any Participant who at any time during the applicable year is:

(i) An officer of any member of the PepsiCo

Organization having annual compensation greater than \$130,000 (as adjusted for the applicable year under Code Section 416(i)(1));

(ii) A 5-percent owner of any member of the PepsiCo

Organization; or

(iii) A 1-percent owner of any member of the PepsiCo

Organization having annual compensation of more than \$150,000.

For purposes of subparagraph (i) above, no more than 50 employees identified in the order of their annual compensation shall be treated as officers. For purposes of this Section, annual compensation means compensation as defined in Treas. Reg. §1.415(c)-2(a), without regard to Treas. Reg. §§1.415(c)-2(d), 1.415(c)-2(e), and 1.415(c)-2(g). The Plan Administrator shall determine who is a Key Employee in accordance with Code Section 416(i) (provided, that Code Section 416(i)(5) shall not apply in making such determination), and provided further 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 identify Key Employees as of the last day of

each calendar year, based on compensation for such year, and such designation shall be effective for purposes of this Plan for the twelve-month period commencing on April 1<sup>st</sup> of the next following calendar year (*e.g.*, the Key Employee identification by the Plan Administrator as of December 31, 2008 shall be effective for the period from April 1, 2009 to March 31, 2010).

(3) Rule of Administrative Convenience. Effective beginning with the December 31, 2017 identification date, in addition to the foregoing, the Plan Administrator shall treat all other employees classified as Leadership Group 6 and above on the applicable identification date prescribed in paragraph (2) as Key Employees effective for the twelve-month period commencing on April 1<sup>st</sup> of the next following calendar year (however, from the April 1, 2008 effective date through February 25, 2010, Band IV and above applied in lieu of Leadership Group 6 and above); provided that if this would result in counting more than 200 individuals as Key Employees as of any such determination date, then the number treated as Key Employees will be reduced to 200 by eliminating from consideration those employees otherwise added by this paragraph (3) in order by their base compensation, from the lowest to the highest.

(4) Identification of Key Employees Between February 26, 2010 and March 31, 2010. For the period between February 26, 2010 and March 31 2010, Key Employees shall be identified by combining the lists of Key Employees of all members of the PepsiCo Organization as in effect immediately prior to February 26, 2010. The foregoing method of identifying Key Employees

is intended to comply with Treas. Reg. § 1.409A-1(i)(6)(i), which authorizes the use of an alternative method of identifying specified employees that complies with Treas. Reg. §§ 1.409A-1(i)(5) and -1(i)(8) and Section VII.C.4.d of the Preamble to the Final Regulations under Section 409A of the Code, which permits “service recipients to simply combine the pre-transaction separate lists of specified employees where it is determined that such treatment would be administratively less burdensome.”

(5) Identification of Key Employees from April 1, 2010 to March 31, 2018. Notwithstanding the foregoing, for the 12-month periods beginning on the April 1, 2010 effective date through March 31, 2018, Key Employees shall be identified as follows:

(i) For the period that begins on April 1, 2010, and ends on March 31, 2011, an employee shall be a Key Employee (subject to subparagraph (iii) below) if he was classified as at least a Band IV or its equivalent on December 31, 2009. For this purpose, an employee shall be considered to be at least a Band IV or its equivalent as of a date if the employee is classified as one of the following types of employees in the PepsiCo Organization on that date: (i) a Band IV employee or above in a PepsiCo Business, (ii) a Level E7 employee or above in a PBG Business, or (iii) a Salary Grade 19 employee or above at a PAS Business.

(ii) For the twelve-month period that begins on April 1, 2011, and for each twelve-month period that begins on April 1 in subsequent years through March 31, 2017, an employee shall be a Key

Employee (subject to subparagraph (iii) below) if the employee was an employee of the PepsiCo Organization who was classified as Band IV or above on the December 31 that immediately precedes such April 1.

(iii) For the period covered by this paragraph (5) notwithstanding the rule of administrative convenience in paragraph (3) above, an employee shall be a Key Employee for the 12-month period that begins on any April 1, if as of the preceding December 31 the employee would be a specified employee, within the meaning of Treasury Regulation 1.409A-1(i), or any successor, by applying as of such December 31 the default rules that apply under such regulation for determining the minimum number of a service recipient's specified employees. If the preceding sentence and the methods for identifying Key Employees set forth in subparagraph (i) or (ii) above, taken together, would result in more than 200 individuals being counted as Key Employees as of any December 31 determination date, then the number of individuals treated as Key Employees pursuant to subparagraph (i) or (ii), who are not described in the first sentence of this subparagraph (iii), shall be reduced to 200 by eliminating from consideration those employees otherwise added by such subparagraph in order of their base compensation, from the lowest base compensation to the highest.

(iv) For purposes of this paragraph (5), "PAS Business" means each employer, division of an employer or other organizational subdivision of an employer that the Company classifies as part of the PAS

business; “PBG Business” means each employer, division of an employer or other organizational subdivision of an employer that the Company classifies as part of the PBG business; and “PepsiCo Business” means each employer, division of an employer or other organizational subdivision of an employer that the Company classifies as part of the PepsiCo business.

The method for identifying Key Employees set forth in this definition is intended as an alternative method of identifying Key Employees under Treas. Reg. § 1.409A-1(i)(5), and is adopted herein and shall be interpreted and applied consistently with the rules applicable to such alternative arrangements.

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

**Late Retirement Date:** The Late Retirement Date shall be the first day of the month coincident with or immediately following a Participant’s actual Retirement Date occurring after his Normal Retirement Age.

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

**Normal Retirement Age:** The Normal Retirement Age under the Plan is age 65 or, if later, the age at which a Participant first has 5 Years of Elapsed Time Service.

**Normal Retirement Date:** A Participant’s Normal Retirement Date shall be the first day of the month coincident with or immediately following a Participant’s Normal Retirement Age.

**Participant:** An Employee participating in the Plan in accordance with the provisions of Section 3.1.

**Pension:** One or more payments that are payable by the Plan to a person who is entitled to receive benefits under the Plan. The term “409A Pension” shall be used to refer to the portion of a Pension that is derived from the 409A Program. The term “Pre-409A Pension” shall be used to refer to the portion of a Pension that is derived from the Pre-409A Program.

**PepsiCo Administration Committee or PAC:** The committee that has the responsibility for the administration and operation of the Plan, as set forth in the Plan, as well as any other duties set forth therein. As of any time, the Chair of the PAC shall be the person who is then the Company’s Senior Vice President, Total Rewards, but if such position is vacant or eliminated, the Chair shall be the person who is acting to fulfill the majority of the duties of the position (or plurality of the duties, if no one is fulfilling a majority), as such duties existed immediately prior to the vacancy or the position elimination. The Chair shall appoint the other members of the PAC, applying the principles set forth in the Guiding Principles Regarding Benefit Plan Committee Appointments and acting promptly from time to time to ensure that there are four other members of the PAC, each of whom shall have experience and expertise relevant to the responsibilities of the PAC. At least two times each year, the PAC shall prepare a written report of its significant activities that shall be available to any U.S.-based executive of the Company who is at least a senior vice president.

**PepsiCo Organization:** The controlled group of organizations of which the Company is a part, as defined by Code section 414 and regulations issued thereunder. An entity shall be considered a member of the PepsiCo Organization only during the period it is one of the group of organizations described in the preceding sentence.

**Plan:** The PepsiCo Pension Equalization Plan, the Plan set forth herein and in the Pre-409A Program document(s), as the Plan may be amended from time to time (subject to the limitations on amendment that are applicable hereunder and under the Pre-409A Program). The Plan is also sometimes referred to as PEP, or as the PepsiCo Pension Benefit Equalization Plan.

**Plan Administrator:** The PAC, or its delegate or delegates. The Plan Administrator shall have authority to administer the Plan as provided in Article VII.

**Plan Year:** The 12-month period commencing on January 1 and ending on December 31.

**Pre-409A Program:** The portion of the Plan that governs deferrals that are not subject to Section 409A. The terms of the Pre-409A Program are set forth in a separate document (or separate set of documents).

**Pre-Retirement Domestic Partner's Pension:** The Pension available to an Eligible Domestic Partner under the Plan. The term "Pre-Retirement Domestic Partner's 409A Pension" shall be used to refer to the Pension available to an Eligible Domestic Partner under Section 4.12 of this document.

**Pre-Retirement Spouse's Pension:** The Pension available to an Eligible Spouse under the Plan. The term "Pre-Retirement Spouse's 409A Pension" shall be used to refer to the Pension available to an Eligible Spouse under Section 4.6 of this document.

**Primary Social Security Amount:** In determining Pension amounts, Primary Social Security Amount shall mean:

(1) For purposes of determining the amount of a Retirement, Vested, Pre-Retirement Spouse's Pension or Pre-Retirement Domestic Partner's Pension, the Primary Social Security Amount shall be the estimated monthly amount that may be payable to a Participant commencing at age 65 as an old-age insurance benefit under the provisions of Title II of the Social Security Act, as amended. Such estimates of the old-age insurance benefit to which a Participant would be entitled at age 65 shall be based upon the following assumptions:

(i) That the Participant's social security wages in any year prior to Retirement or Separation from Service are equal to the Taxable Wage Base in such year, and

(ii) That he will not receive any social security wages after Retirement or Separation from Service.

However, in computing a Vested Pension under Formula A of Section 5.2, the estimate of the old-age insurance benefit to which a Participant would be entitled at age 65 shall be based upon the assumption that he continued to receive social security wages until age 65 at the same rate as the Taxable Wage Base in effect at his Separation from Service. For purposes of this subsection, "social security wages" shall mean wages within the meaning of the Social Security Act.

(2) For purposes of determining the amount of a Disability Pension, the Primary Social Security Amount shall be (except as provided in the next sentence) the initial monthly amount actually received by the disabled

Participant as a disability insurance benefit under the provisions of Title II of the Social Security Act, as amended and in effect at the time of the Participant's Retirement due to disability. Notwithstanding the preceding sentence, for any period that a Participant receives a Disability Pension before receiving a disability insurance benefit under the provisions of Title II of the Social Security Act, then the Participant's Primary Social Security Amount for such period shall be determined pursuant to paragraph (1) above.

(3) For purposes of paragraphs (1) and (2), the Primary Social Security Amount shall exclude amounts that may be available because of the spouse or any dependent of the Participant or any amounts payable on account of the Participant's death. Estimates of Primary Social Security Amounts shall be made on the basis of the Social Security Act as in effect at the Participant's Separation from Service, without regard to any increases in the social security wage base or benefit levels provided by such Act which take effect thereafter.

**Prohibited Misconduct:** Any of the following activities engaged in, directly or indirectly, by a Participant shall constitute Prohibited Misconduct:

(1) The Participant accepting any employment, assignment, position or responsibility, or acquiring any ownership interest, which involves the Participant's "Participation" (as defined below) in a business entity that markets, sells, distributes or produces "Covered Products" (as defined below), unless such business entity makes retail sales or consumes Covered Products without in any way competing with the PepsiCo Organization.

(2) The Participant, directly or indirectly (including through someone else acting on the Participant's recommendation, suggestion, identification or advice), soliciting any PepsiCo Organization employee to leave the PepsiCo Organization's employment or to accept any position with any other entity.

(3) The Participant using or disclosing to anyone any confidential information regarding the PepsiCo Organization other than as necessary in his or her position with the PepsiCo Organization. Such confidential information shall include all non-public information the Participant acquired as a result of his or her positions with the PepsiCo Organization. Examples of such confidential information include non-public information about the PepsiCo Organization's customers, suppliers, distributors and potential acquisition targets; its business operations and structure; its product lines, formulas and pricing; its processes, machines and inventions; its research and know-how; its financial data; and its plans and strategies.

(4) The Participant engaging in any acts that are considered to be contrary to the PepsiCo Organization's best interests, including violating the Company's Code of Conduct, engaging in unlawful trading in the securities of the Company or of any other company based on information gained as a result of his or her employment with the PepsiCo Organization, or engaging in any other activity which constitutes gross misconduct.

(5) The Participant engaging in any activity that constitutes fraud.

Notwithstanding the foregoing and for the avoidance of doubt, nothing in this Plan shall prohibit the Participant from communicating with government authorities concerning any possible legal violations without notice to the Company, participating in government investigations, and/or receiving any applicable award for providing information to government authorities. The Company nonetheless asserts and does not waive its attorney-client privilege over any information appropriately protected by the privilege. Further, pursuant to the Defend Trade Secrets Act, an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order. For purposes of this subsection, "Participation" shall be construed broadly to include: (i) serving as a director, officer, employee, consultant or contractor with respect to such a business entity; (ii) providing input, advice, guidance or suggestions to such a business entity; or (iii) providing a recommendation or testimonial on behalf of such a business entity or one or more products it produces. For purposes of this subsection, "Covered Products" shall mean any product that falls into one or more of the following categories, so long as the

PepsiCo Organization is producing, marketing, selling or licensing such product anywhere in the world – beverages, including without limitation carbonated soft drinks, tea, water, juice drinks, sports drinks, coffee drinks and value-added dairy drinks; juices and juice products; snacks, including salty snacks, sweet snacks meat snacks, granola and cereal bars, and cookies; hot cereals; pancake mixes; value-added rice products; pancake syrups; value-added pasta products; ready-to-eat cereals; dry pasta products; or any product or service that the Participant had reason to know was under development by the PepsiCo Organization during the Participant’s employment with the PepsiCo Organization.

**Qualified Joint and Survivor Annuity:** An Annuity which is payable to the Participant for life with 50 percent of the amount of such Annuity payable after the Participant’s death to his surviving Eligible Spouse or Eligible Domestic Partner for life. If the Eligible Spouse or Eligible Domestic Partner (as applicable) predeceases the Participant, no survivor benefit under a Qualified Joint and Survivor Annuity shall be payable to any person. The amount of a Participant’s monthly payment under a Qualified Joint and Survivor Annuity shall be reduced to the extent provided in Sections 5.1 and 5.2, as applicable.

**Retirement:** Separation from Service for reasons other than death after a Participant has fulfilled the requirements for either a Normal, Early, Late, or Disability Retirement Pension under Article IV.

**Retirement Date:** The date immediately following the Participant’s Retirement.

**Retirement Pension:** The Pension payable to a Participant upon Retirement under the Plan. The term “409A Retirement Pension” shall be used to refer to the portion of a Retirement Pension that is derived from the 409A Program. The term “Pre-409A Retirement Pension” shall be used to refer to the portion of a Retirement Pension that is derived from the Pre-409A Program.

**Salaried Plan:** The program of pension benefits set forth in Part B of the PSERP Component of both the PepsiCo Employees Retirement Plan A (“PERP-A”) and the PepsiCo Employees Retirement Plan I (“PERP-I”), as it may be amended from time to time, and as it was set forth prior to January 1, 2017 in predecessor plans to PERP-A and PERP-I.

**Section 409A:** Section 409A of the Code.

**Separation from Service:** A Participant’s separation from service with the PepsiCo Organization, within the meaning of Section 409A(a)(2)(A)(i). The term may also be used as a verb (*i.e.*, “Separates from Service”) with no change in meaning. Notwithstanding the preceding sentence, a Participant’s transfer to an entity owned 20% or more by the Company will not constitute a Separation of Service to the extent permitted by Section 409A. A Participant’s “Final Separation from Service” is the date of his Separation from Service that most recently precedes his Annuity Starting Date; provided, however, that to the extent a Participant is reemployed after an Annuity Starting Date, he will have a new Final Separation from Service with respect to any benefits to which he becomes entitled as a result of his reemployment. The following principles shall generally apply in determining when a Separation from Service occurs:

(1) A Participant separates from service with the Company if the Employee dies, retires, or otherwise has a termination of employment with the Company. Whether a termination of employment has occurred is determined based on whether the facts and circumstance indicate that the Company and the Employee reasonably anticipated that no further services would be performed after a certain date or that the level of bona fide services the Employee would perform after such date (as an employee or independent contractor) would permanently decrease to no more than 20 percent of the average level of bona fide services performed over the immediately preceding 36-month period (or the full period in which the Employee provided services to the Company if the Employee has been providing services for less than 36 months).

(2) An Employee will not be deemed to have experienced a Separation from Service if such Employee is on military leave, sick leave, or other bona fide leave of absence, to the extent such leave does not exceed a period of six months or, if longer, such longer period of time during which a right to re-employment is protected by either statute or contract. If the period of leave exceeds six months and the individual does not retain a right to re-employment under an applicable statute or by contract, the employment relationship is deemed to terminate on the first date immediately following such six-month period. Notwithstanding the foregoing, where a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a

continuous period of not less than six months, where such impairment causes the Employee to be unable to perform the duties of his or her position of employment or any substantially similar position of employment, a 29-month period of absence may be substituted for such six-month period.

(3) If an Employee provides services both as an employee and as a member of the Board of Directors of the Company, the services provided as a Director are generally not taken into account in determining whether the Employee has Separated from Service as an Employee for purposes of the Plan, in accordance with final regulations under Section 409A.

**Service:** The period of a Participant's employment calculated in accordance with Section 3.2 for purposes of determining his entitlement to benefits under the Plan.

**Single Life Annuity:** A level monthly Annuity payable to a Participant for his life only, with no survivor benefits to his Eligible Spouse or any other person.

**Single Lump Sum:** The distribution of a Participant's total 409A Pension in the form of a single payment, which payment shall be the Actuarial Equivalent of the Participant's 409A Pension as of the Participant's Normal Retirement Date (or Late Retirement Date, if applicable), but not less than the Actuarial Equivalent of the Participant's 409A Pension as of the Participant's Early Retirement Date, in the case of a Participant who is entitled to an immediate Early 409A Retirement Pension.

**Social Security Act:** The Social Security Act of the United States, as amended, an enactment providing governmental benefits in connection with events such as old age, death and disability. Any reference herein to the Social Security Act (or

any of the benefits provided thereunder) shall be taken as a reference to any comparable governmental program of another country, as determined by the Plan Administrator, but only to the extent the Plan Administrator judges the computation of those benefits to be administratively feasible.

**Taxable Wage Base**: The contribution and benefit base (as determined under section 230 of the Social Security Act) in effect for the Plan Year.

**Vested Pension**: The Pension available to a Participant under Section 4.3. The term “409A Vested Pension” shall be used to refer to the portion of a Vested Pension that is derived from the 409A Program. The term “Pre-409A Vested Pension” shall be used to refer to the portion of a Vested Pension that is derived from the Pre-409A Program.

2.2 **Construction**: The terms of the Plan shall be construed in accordance with this section.

(a) **Gender and Number**: The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender, and the singular may include the plural, unless the context clearly indicates to the contrary.

(b) **Compounds of the Word “Here”**: The words “hereof”, “hereunder” and other similar compounds of the word “here” shall mean and refer to the entire Plan, not to any particular provision or section.

(c) **Examples**: Whenever an example is provided or the text uses the term “including” followed by a specific item or items, or there is a passage having a similar effect, such passages of the Plan shall be construed as if the phrase “without

limitation” followed such example or term (or otherwise applied to such passage in a manner that avoids limits on its breadth of application).

(d) Subdivisions of the Plan Document: This Plan document is divided and subdivided using the following progression: articles, sections, subsections, paragraphs, subparagraphs, clauses, and sub-clauses. Articles are designated by capital roman numerals. Sections are designated by Arabic numerals containing a decimal point. Subsections are designated by lower-case letters in parentheses. Paragraphs are designated by Arabic numerals in parentheses. Subparagraphs are designated by lower-case roman numerals in parentheses. Clauses are designated by upper-case letters in parentheses. Sub-clauses are designated by upper-case roman numerals in parentheses. Any reference in a section to a subsection (with no accompanying section reference) shall be read as a reference to the subsection with the specified designation contained in that same section. A similar rule shall apply with respect to paragraph references within a subsection and subparagraph references within a paragraph.

## ARTICLE III

### Participation and Service

3.1 Participation: An Employee shall be a Participant in the Plan during the period:

(a) When he would be currently entitled to receive a Pension under the Plan if his employment terminated at such time, or

(b) When he would be so entitled but for the vesting requirement of Section 4.7.

It is expressly contemplated that an Employee, who is entitled to receive a Pension under the Plan as of a particular time, may subsequently cease to be entitled to receive a Pension under the Plan.

3.2 Service: A Participant's entitlement to a Pension or, in the event the Participant dies before commencing a benefit hereunder, either a Pre-Retirement Spouse's Pension for his Eligible Spouse or a Pre-Retirement Domestic Partner's Pension for his Eligible Domestic Partner, shall be determined under Article IV based upon his period of Service. A Participant's period of Service shall be determined under Article III of Part B of the Salaried Plan, except as provided in (a) below.

(a) Inpats. Any Salaried Plan provision which results in disregarding for certain purposes the pre-transfer Service of certain inpats who transfer to the United States, shall not apply to this Plan before January 1, 2015, unless such earlier application avoids duplication of benefits.

(b) Leaves of Absence. If a Participant's period of Service (as so determined) would extend beyond the Participant's Separation from Service date because of a leave of absence, the Plan Administrator may provide for determining the Participant's 409A Pension at Separation from Service by projecting the benefit the Participant would have if all such Service were taken into account under the Plan.

3.3 Credited Service: Subject to the next two sentences, the amount of a Participant's Pension, Pre-Retirement Spouse's Pension or Pre-Retirement Domestic Partner's Pension shall be based upon the Participant's period of Credited Service, as determined under Article III of Part B of the Salaried Plan.

(a) Inpats. Any provision in Section 3.5 of Part B of the Salaried Plan which resulted in disregarding the pre-transfer Credited Service of certain inpats who transferred to the United States shall not apply under this Plan in the case of such inpats who transfer to the United States before October 1, 2014, unless such earlier application avoids duplication of benefits under the Salaried Plan.

(b) Leaves of Absence. If a Participant's period of Credited Service (as so determined) would extend beyond the Participant's Separation from Service date because of a leave of absence, the Plan Administrator may provide for determining the Participant's 409A Pension at Separation from Service by projecting the benefit the Participant would have if all such Service were taken into account under the Plan.

## ARTICLE IV

### Requirements for Benefits

A Participant shall be eligible to receive a Pension and a surviving Eligible Spouse or surviving Eligible Domestic Partner, as applicable, shall be eligible for certain survivor benefits as provided in this Article. The amount of any such Pension or survivor benefit shall be determined in accordance with Article V.

4.1 Normal 409A Retirement Pension: A Participant shall be eligible for a Normal 409A Retirement Pension if he Separates from Service after attaining Normal Retirement Age.

4.2 Early 409A Retirement Pension: A Participant shall be eligible for an Early 409A Retirement Pension if he Separates from Service prior to attaining Normal Retirement Age but after attaining at least age 55 and completing 10 or more years of Elapsed Time Service.

4.3 409A Vested Pension: A Participant who is vested under Section 4.7 shall be eligible to receive a 409A Vested Pension if he Separates from Service before he is eligible for a Normal 409A Retirement Pension or an Early 409A Retirement Pension. A Participant who terminates employment prior to satisfying the vesting requirement in Section 4.7 shall not be eligible to receive a Pension under this Plan.

4.4 Late 409A Retirement Pension: A Participant who continues without a Separation from Service after his Normal Retirement Age shall not receive a Pension until his Late Retirement Date. Thereafter, a Participant shall be eligible for a Late Retirement Pension

determined in accordance with Section 4.4 of Part B of the Salaried Plan (but without regard to any requirement for notice of suspension under ERISA section 203(a)(3)(B) or any adjustment as under Section 5.7(d) of Part B of the Salaried Plan).

4.5 409A Disability Pension: A Participant shall be eligible for a 409A Disability Pension if he meets the requirements for a Disability Pension under Part B of the Salaried Plan. A Participant's 409A Disability Pension, if any, shall generally be comprised of two parts. The first part shall represent the benefits with respect to a disabled Participant's Credited Service through the day of the Participant's Separation from Service (*i.e.*, the Participant's "Pre-Separation Accruals"). In the event the disabled Participant continues to receive Credited Service related to the disability after such Separation from Service, the Participant's 409A Disability Pension shall have a second part, which shall represent all benefits accrued with respect to Credited Service from the date immediately following the Participant's Separation from Service until the earliest of the Participant's (i) attainment of age 65, (ii) benefit commencement date under Part B of the Salaried Plan or (iii) recovery from the disability (*i.e.*, the Participant's "Post-LTD Accruals").

4.6 Pre-Retirement Spouse's 409A Pension: A Pre-Retirement Spouse's 409A Pension is payable under this section only in the event the Participant dies prior to his Annuity Starting Date. Any Pre-Retirement Spouse's 409A Pension payable on behalf of a Participant shall commence as of the first day of the month following the later of (i) the Participant's death and, (ii) the date the Participant attains or would have attained age 55. Subject to Section 4.9, any Pre-Retirement Spouse's 409A Pension shall continue monthly for the life of the Eligible Spouse.

(a) Active, Disabled and Retired Employees: A Pre-Retirement Spouse's 409A Pension shall be payable under this subsection to a Participant's Eligible Spouse (if any) who is entitled under Part B of the Salaried Plan to the pre-retirement spouse's pension for survivors of active, disabled and retired employees. The amount (if any) of such Pension shall be determined in accordance with the provisions of Section 5.3 (with the 409A Pension, if any, determined after application of Section 5.6).

(b) Vested Employees: A Pre-Retirement Spouse's 409A Pension shall be payable under this subsection to a Participant's Eligible Spouse (if any) who is entitled under Part B the Salaried Plan to the pre-retirement spouse's pension for survivors of vested terminated Employees. The amount (if any) of such Pension shall be determined in accordance with the provisions of Section 5.3 (with the 409A Pension, if any, determined after application of Section 5.6). If pursuant to this Section 4.6(b) a Participant has Pre-Retirement Spouse's coverage in effect for his Eligible Spouse, any Pension calculated for the Participant under Section 5.2(b) shall be reduced for each year such coverage is in effect by the applicable percentage set forth below (based on the Participant's age at the time the coverage is in effect) with a pro rata reduction for any portion of a year. No reduction shall be made for coverage in effect within the 90-day period following a Participant's termination of employment.

<u>Attained Age</u>	<u>Annual Charge</u>
Up to 35	.0%
35 – 39	.075%
40 – 44	.1%
45 – 49	.175%
50 – 54	.3%
55 – 59	.5%
60 – 64	.5%

4.7 Vesting: Subject to Section 8.7 (Section 457A), a Participant shall be fully vested in, and have a nonforfeitable right to, his Accrued Benefit at the time he becomes fully vested in his accrued benefit under Part B of the Salaried Plan.

4.8 Time of Payment: The distribution of a Participant's 409A Pension shall commence as of the time specified in Section 6.1, subject to Section 6.6. Any increase in a Participant's 409A Pension or Pre-409A Pension for interest due to a delay in payment, by application of Section 3.1(e) of Part A of the Salaried Plan (delay in payment) when calculating either portion of the Participant's Pension, shall accrue entirely under the 409A Program and be paid (subject to the last sentence of this Section) at the same time and in the same form that the Participant's 409A Pension is paid. Accordingly, if a Participant is entitled to an interest adjustment for a delay in payment of his Pre-409A Pension, such interest adjustment shall be limited to that which may be paid as part of the Participant's 409A Pension, consistent with 409A's payment rules and the limitation in the next sentence. Notwithstanding any provision of the Salaried Plan to the contrary, including such Section 3.1(e) of Part A, a Participant shall not receive interest for any delay in payment of his 409A Pension or Pre-409A Pension to the

extent the delay is caused by the Participant or interest is prohibited by the terms of an Internal Revenue Service correction program regarding compliance with Code section 409A.

4.9 Cashout Distributions: Notwithstanding the availability or applicability of a different form of payment under Article VI, the following rules shall apply in the case of certain small benefit Annuity payments:

(a) Distribution of Participant's 409A Pension: If at a Participant's Annuity Starting Date the Actuarial Equivalent lump sum value of the Participant's 409A Pension is equal to or less than the Cashout Limit, the Plan Administrator shall distribute to the Participant such lump sum value of the Participant's 409A Pension.

Notwithstanding the preceding sentence, for Annuity Starting Dates prior to December 1, 2012, a Participant shall be cashed out under this subsection if, at the Participant's Annuity Starting Date, the Actuarial Equivalent lump sum value of the Participant's PEP Pension is equal to or less than \$15,000.

(b) Distribution of Pre-Retirement Spouse's 409A Pension: If at the time payments are to commence to an Eligible Spouse under Section 4.6, the Actuarial Equivalent lump sum value of the PEP Pre-Retirement Spouse's 409A Pension to be paid is equal to or less than the Cashout Limit, the Plan Administrator shall distribute to the Eligible Spouse such lump sum value of the PEP Pre-Retirement Spouse's Pension that is subject to Section 409A. Notwithstanding the preceding sentence, for Annuity Starting Dates prior to December 1, 2012, an Eligible Spouse shall be cashed out under this subsection if the Actuarial Equivalent lump sum value of the Eligible Spouse's PEP Pre-Retirement Spouse's Pension is equal to or less than \$15,000.

(c) Special Cashout of 409A Vested Pensions: Notwithstanding subsection (a) above, the Plan Administrator shall have discretion under this subsection to cash out a 409A Vested Pension in a single lump sum prior to the date that would apply under subsection (a).

(1) The Plan Administrator shall have discretion under this subsection to cash out in a single lump sum any 409A Vested Pension that, as of December 1, 2012 – (i) has not otherwise had its Annuity Starting Date occur, (ii) has an Actuarial Equivalent lump sum value that is equal to or less than the Cashout Limit as of such date, and (iii) is practicable to calculate and distribute (as determined pursuant to the exercise of the Plan Administrator’s discretion), with such cashout being made on December 1, 2012.

(2) The Plan Administrator shall also have discretion under this subsection to cash out in a single lump sum any 409A Vested Pension that, as of the first day of any month in 2013 or a later year specified by the Plan Administrator pursuant to the exercise of its discretion – (i) has not otherwise had its Annuity Starting Date occur, (ii) has an Actuarial Equivalent lump sum value that is equal to or less than the Cashout Limit as of such date, and (iii) is practicable to calculate and distribute (as determined pursuant to the exercise of the Plan Administrator’s discretion), with such cashout being made on the first day of the month specified.

Not later than November 30, the Plan Administrator shall memorialize in writing the exercise of its discretion under this subsection to select Vested Pensions for cashout on December 1, 2012, through the creation of a written list (in either hard copy or

electronic form) of Participants with 409A Vested Pensions who will be cashed out. In addition, not later than the day before the date specified pursuant to paragraph (2) above, the Plan Administrator shall memorialize in writing the exercise of its discretion under this subsection to select Vested Pensions for cashout on the specified date, through the creation of a written list (in either hard copy or electronic form) of Participants with 409A Vested Pensions who will be cashed out.

(d) Distribution of Pre-Retirement Domestic Partner's 409A Pension.

If at the time payments are to commence to an Eligible Domestic Partner under Section 4.12, the Actuarial Equivalent lump sum value of the Pre-Retirement Domestic Partner's 409A Pension to be paid is equal to or less than the Cashout Limit, the Plan Administrator shall distribute to the Eligible Domestic Partner such Actuarial Equivalent lump sum value of the Pre-Retirement Domestic Partner's Pension that is subject to Section 409A.

(e) Exceptions to the Availability of Cashout. Effective January 1,

2018, a cashout shall not be available with respect to a Participant who is eligible for either a "PEP Kicker" or a "Qualified Kicker" under a "Severance Program". For purposes of this Section 4.9, the quoted terms in the prior sentence shall have the meanings that they are assigned in Appendix Article E.

Any lump sum distributed under this section shall be in lieu of the Pension that otherwise would be distributable to the Participant, Eligible Spouse or Eligible Domestic Partner hereunder. The cashout provisions described in subsections (a) through (d) above are intended to be "limited cashout" features within the meaning of Treasury Regulation § 1.409A-3(j)(4)(v), and they shall be interpreted and applied consistently with this regulation. Accordingly, in determining if an

applicable dollar limit is satisfied, a Participant's entire benefit under this Plan that is subject to Section 409A and all benefits subject to Section 409A under all other nonaccount balance plans (within the meaning of Treasury Regulation § 1.409A-1(c)(2)(i)(C)) shall be taken into account (the "accountable benefit"), and a Participant's entire accountable benefit must be cashed out as of the time in question as a condition to any payout under this Section. In addition, a cashout under this Section shall not cause an accountable benefit to be paid out before completing any applicable six-month delay (see, *e.g.*, Section 6.6). No Participant, Eligible Spouse or Eligible Domestic Partner shall be given a direct or indirect election with respect to whether the Participant's Vested Pension, Pre-Retirement Spouse's 409A Pension or Pre-Retirement Eligible Domestic Partner's 409A Pension will be cashed out under this section.

4.10 Reemployment of Certain Participants: In the case of a current or former Participant who is receiving his Pension as an Annuity under Section 6.1(b), and who is reemployed and is eligible to re-participate in Part B of the Salaried Plan after his Annuity Starting Date, payment of his 409A Pension will continue to be paid in the same form as it was paid prior to his reemployment. Any additional 409A Pension that is earned by the Participant shall be paid based on the Separation from Service that follows the Participant's re-employment.

4.11 Forfeiture of Benefits: Effective beginning with benefits accrued after December 31, 2008 ("Post-2008 Accruals"), and notwithstanding any other provision of this Plan to the contrary, if the Plan Administrator determines that a Participant has engaged in Prohibited Misconduct at any time prior to the second anniversary of his or her Separation from Service, the Participant shall forfeit all Post-2008 Accruals (whether paid previously, being paid

currently or payable in the future), and his or her 409A Pension shall be adjusted to reflect such forfeiture and previously paid Post-2008 Accruals shall be recovered.

4.12 Pre-Retirement Domestic Partner's 409A Pension: A Pre-Retirement Domestic Partner's 409A Pension is payable under this section only in the event the Participant dies prior to his Annuity Starting Date under either the 409A Program or the Pre-409A Program. Any Pre-Retirement Domestic Partner's 409A Pension payable on behalf of a Participant shall commence on the first day of the month following the later of (i) the Participant's death and, (ii) the date the Participant attains or would have attained age 55. Subject to Section 4.9, any Pre-Retirement Domestic Partner's 409A Pension shall continue monthly for the life of the Eligible Domestic Partner.

(a) Active, Disabled and Retired Employees: A Pre-Retirement Domestic Partner's 409A Pension shall be payable under this subsection to a Participant's Eligible Domestic Partner (if any) who is entitled under Part B of the Salaried Plan to the pre-retirement domestic partner's pension for survivors of active, disabled and retired employees. The amount (if any) of such Pension shall be determined in accordance with the provisions of Section 5.8 (with the 409A Pension, if any, determined after application of Section 5.6).

(b) Vested Employees: A Pre-Retirement Domestic Partner's 409A Pension shall be payable under this subsection to a Participant's Eligible Domestic Partner (if any) who is entitled under Part B of the Salaried Plan to the pre-retirement domestic partner's pension for survivors of vested terminated Employees. The amount (if any) of such Pension shall be determined in accordance with the provisions of Section

5.8 (with the 409A Pension, if any, determined after application of Section 5.6). If, pursuant to this Section 4.12(b), a Participant has Pre-Retirement Domestic Partner's Pension coverage in effect for his Eligible Domestic Partner, any Pension calculated for the Participant under Section 5.2(b) shall be reduced for each year such coverage is in effect by the applicable percentage set forth below (based on the Participant's age at the time the coverage is in effect) with a pro rata reduction for any portion of a year. No reduction shall be made for coverage in effect within the 180-day period following a Participant's termination of employment.

Attained Age	Annual Charge
Up to 35	.0%
35-39	.075%
40-44	.1%
45-49	.175%
50-54	.3%
55-59	.5%
60-64	.5%

## ARTICLE V

### Amount of Retirement Pension

When a 409A Pension becomes payable to or on behalf of a Participant under this Plan, the amount of such 409A Pension shall be determined under Section 5.1 or 5.3 (whichever is applicable), subject to any adjustments required under Sections 4.6(b) and 5.4.

5.1 Participant's 409A Pension: Subject to Section 8.7 (Section 457A), a Participant's 409A Pension shall be determined as follows –

(a) Calculating the 409A Pension: A Participant's 409A Pension shall be calculated as follows (on the basis specified in subsection (b) below and using the definitions appearing in subsection (c) below):

(1) His Total Pension, reduced by

(2) His Salaried Plan Pension, and then further reduced by

(but not below zero)

(3) His Pre-409A Pension.

(b) Basis for Determining: The 409A Pension amount in subsection (a) above shall be determined on a basis that (i) takes into account applicable reductions for early or late commencement as of the Annuity Starting Date of the 409A Pension, (ii) reflects, if applicable and customary, the relative value of forms of payment, (iii) otherwise adjusts the reductions in (a)(2) and (3) above to their Actuarial Equivalent, in each such respect as appropriate and customary under the circumstances and in accordance with rules authorized by the Plan Administrator, including to take account

the time and form of any prior payments and to eliminate all duplication of benefits as determined by the Plan Administrator, and (iv) effective for Annuity Starting Dates after December 31, 2018, allows a Participant's 409A Pension to provide a makeup (as appropriate under the circumstances under rules authorized by the Plan Administrator) for the application of early commencement reduction factors to the Participant's Pre-409A Pension that apply a greater early commencement reduction to such Pre-409A Pension than would apply under the 2019 Salaried Plan Factors (including with respect to any portion of the Participant's Pre-409A Pension that is derived from the PEP Guarantee).

(c) Definitions: The following definitions apply for purposes of this section.

(1) A Participant's "Total Pension" means the greater of:

(i) The amount of the Participant's pension

determined under the terms of Part B of the Salaried Plan, but without regard to: (A) the limitations imposed by sections 401(a)(17) and 415 of the Code (as such limitations are interpreted and applied under the Salaried Plan), and (B) the actuarial adjustment under Section 5.7(d) of Part B of the Salaried Plan (relating to benefits that are deferred beyond the Participant's Normal Retirement Date); or

(ii) The amount (if any) of the Participant's PEP

Guarantee determined under Section 5.2.

As necessary to ensure the Participant's receipt of a "greater of" benefit, the foregoing comparison shall be made by reflecting, as applicable, the relative value of forms of payment.

(2) A Participant's "Salaried Plan Pension" means the amount of the Participant's pension determined under the terms of Part B of the Salaried Plan.

(3) A Participant's "Pre-409A Pension" means the amount of the Participant's pension determined under Section 5.6.

5.2 PEP Guarantee: A Participant who is eligible under subsection (a) below shall be entitled to a PEP Guarantee benefit determined under subsection (b) below. In the case of other Participants, the PEP Guarantee shall not apply.

(a) Eligibility: A Participant shall be covered by this section if the Participant has 1988 pensionable earnings from an Employer of at least \$75,000. For purposes of this section, "1988 pensionable earnings" means the Participant's remuneration for the 1988 calendar year, within the meaning of the Salaried Plan as in effect in 1988. "1988 pensionable earnings" does not include remuneration from an entity attributable to any period when that entity was not an Employer.

(b) PEP Guarantee Formula: The amount of a Participant's PEP Guarantee shall be determined under the applicable formula in paragraph (1), subject to the special rules in paragraph (2).

(1) Formulas: The amount of a Participant's Pension under this paragraph shall be determined in accordance with subparagraph (i) below.

However, if the Participant was actively employed by the PepsiCo Organization in a classification eligible for the Salaried Plan prior to July 1, 1975, the amount of his Pension under this paragraph shall be the greater of the amounts determined under subparagraphs (i) and (ii), provided that subparagraph (ii)(B) shall not apply in determining the amount of a Vested Pension.

(i) Formula A: The Pension amount under this subparagraph shall be:

(A) 3 percent of the Participant's Highest Average Monthly Earnings for the first 10 years of Credited Service, plus

(B) 1 percent of the Participant's Highest Average Monthly Earnings for each year of Credited Service in excess of 10 years, less

(C) 1-2/3 percent of the Participant's Primary Social Security Amount multiplied by years of Credited Service not in excess of 30 years.

In determining the amount of a Vested Pension under this Formula A, the Pension shall first be calculated on the basis of (I) the Credited Service the Participant would have earned had he remained in the employ of the Employer until his Normal Retirement Age, and (II) his Highest Average Monthly Earnings and Primary Social Security Amount at his Separation from Service, and then shall be reduced by multiplying the resulting amount by a fraction, the numerator of which is the Participant's actual

years of Credited Service on his Separation from Service and the denominator of which is the years of Credited Service he would have earned had he remained in the employ of an Employer until his Normal Retirement Age.

(ii) Formula B: The Pension amount under this subparagraph shall be the greater of (A) or (B) below:

(A) 1-1/2 percent of Highest Average Monthly Earnings times the number of years of Credited Service, less 50 percent of the Participant's Primary Social Security Amount, or

(B) 3 percent of Highest Average Monthly Earnings times the number of years of Credited Service up to 15 years, less 50 percent of the Participant's Primary Social Security Amount.

In determining the amount of a Disability Pension under Formula A or B above, the Pension shall be calculated on the basis of the Participant's Credited Service (determined in accordance with Section 3.3(c)(3) of Part B of the Salaried Plan), and his Highest Average Monthly Earnings and Primary Social Security Amount at the date of disability.

(2) Calculation: The amount of the PEP Guarantee shall be determined pursuant to paragraph (1) above, subject to the following special rules:

(i) Surviving Eligible Spouse's or Eligible Domestic

Partner's Annuity: Subject to subparagraph (iii) below and the last

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sentence of this subparagraph, if the Participant has an Eligible Spouse or Eligible Domestic Partner, the Participant's Eligible Spouse or Eligible Domestic Partner shall be entitled to receive a survivor annuity equal to 50 percent of the Participant's Annuity under this section, with no corresponding reduction in such Annuity for the Participant. Annuity payments to a surviving Eligible Spouse or Eligible Domestic Partner shall begin on the first day of the month coincident with or following the Participant's death and shall end with the last monthly payment due prior to the Eligible Spouse's or Eligible Domestic Partner's death. If the Eligible Spouse or Eligible Domestic Partner is more than 10 years younger than the Participant, the survivor benefit payable under this subparagraph shall be adjusted as provided below.

(A) For each full year more than 10 but less than 21 that the surviving Eligible Spouse or Eligible Domestic Partner is younger than the Participant, the survivor benefit payable to such Eligible Spouse or Eligible Domestic Partner shall be reduced by 0.8 percent.

(B) For each full year more than 20 that the surviving Eligible Spouse or Eligible Domestic Partner is younger than the Participant, the survivor benefit payable to such Eligible Spouse or Eligible Domestic Partner shall be reduced by an additional 0.4 percent.

(ii) Reductions: The following reductions shall apply in determining a Participant's PEP Guarantee.

(A) If the Participant will receive an Early Retirement Pension, the payment amount shall be reduced by 3/12ths of 1 percent for each month by which the benefit commencement date precedes the date the Participant would attain his Normal Retirement Date.

(B) If the Participant is entitled to a Vested Pension, the payment amount shall be reduced to the actuarial equivalent of the amount payable at his Normal Retirement Date (if payment commences before such date), and the Section 4.6(b) reductions for any Pre-Retirement Spouse's coverage and Section 4.12(b) reductions for any Pre-Retirement Domestic Partner's coverage shall apply.

(C) This clause applies if the Participant will receive his Pension in a form that provides an Eligible Spouse or Eligible Domestic Partner benefit, continuing for the life of the surviving Eligible Spouse or surviving Eligible Domestic Partner, that is greater than that provided under subparagraph (i). In this instance, the Participant's Pension under this section shall be reduced so that the total value of the benefit payable on the Participant's behalf is the actuarial equivalent of the Pension otherwise payable under the foregoing provisions of this section.

(D) This clause applies if the Participant will receive his Pension in a form that provides a survivor annuity for a beneficiary who is not his Eligible Spouse or Eligible Domestic Partner. In this instance, the Participant's Pension under this section shall be reduced so that the total value of the benefit payable on the Participant's behalf is the actuarial equivalent of a Single Life Annuity for the Participant's life.

(E) This clause applies if the Participant will receive his Pension in an Annuity form that includes inflation protection described in Section 6.2(b). In this instance, the Participant's Pension under this section shall be reduced so that the total value of the benefit payable on the Participant's behalf is the actuarial equivalent of the elected Annuity without such protection.

(iii) Lump Sum Conversion: The amount of the Retirement Pension determined under this section for a Participant whose Retirement Pension will be distributed in the form of a lump sum shall be the actuarial equivalent of the Participant's PEP Guarantee determined under this section, taking into account the value of any survivor benefit under subparagraph (i) above and any early retirement reductions under subparagraph (ii)(A) above.

For purposes of this paragraph (2), actuarial equivalence shall be determined taking into account the PEP Guarantee's purpose to preserve substantially the

value of a benefit under the pre-1989 terms of the Plan and the 409A Plan's design that offers alternative annuities that are considered actuarial equivalent for purposes of Section 409A (taking into account, without limitation, the special rule for subsidized joint and survivor annuities in Treasury Regulation § 1.409A-3(b)(ii)(C)).

5.3 Amount of Pre-Retirement Spouse's 409A Pension: The monthly amount of the Pre-Retirement Spouse's 409A Pension payable to a surviving Eligible Spouse under Section 4.6 shall be determined under subsection (a) below.

(a) Calculation: An Eligible Spouse's Pre-Retirement Spouse's 409A Pension shall be equal to:

- (1) The Eligible Spouse's Total Pre-Retirement Spouse's Pension, reduced by
- (2) The Eligible Spouse's Salaried Plan Pre-Retirement Spouse's Pension, and then further reduced by (but not below zero)
- (3) The Eligible Spouse's Pre-Retirement Spouse's Pension derived from the Pre-409A Program.

(b) Basis for Determining: The Pre-Retirement Spouse's 409A Pension amount in subsection (a) above shall be determined on a basis (i) that takes into account applicable reductions for early or late commencement, and (ii) otherwise adjusts the reductions in (a)(2) and (3) above to their Actuarial Equivalent as appropriate under the circumstances and pursuant to rules of the Plan Administrator, including to take account the time and form of any prior payments.

(c) Definitions: The following definitions apply for purposes of this section.

(1) An Eligible Spouse's "Total Pre-Retirement Spouse's Pension" means the greater of:

(i) The amount of the Eligible Spouse's pre-retirement spouse's pension determined under the terms of Part B of the Salaried Plan, but without regard to: (A) the limitations imposed by sections 401(a)(17) and 415 of the Code (as such limitations are interpreted and applied under the Salaried Plan), and (B) the actuarial adjustment under Section 5.7(d) of Part B of the Salaried Plan; or

(ii) The amount (if any) of the Eligible Spouse's PEP Guarantee Pre-Retirement Spouse's Pension determined under subsection (c).

In making this comparison, the benefits in subparagraphs (i) and (ii) above shall be calculated as if payable as of what would be the Normal Retirement Date of the Participant related to the Eligible Spouse. The greater benefit determined under the prior sentence shall then be reduced/increased for commencement before/after, as applicable, such Normal Retirement Date.

(2) An "Eligible Spouse's Salaried Plan Pre-Retirement Spouse's Pension" means the amount of the Eligible Spouse's Pre-Retirement Spouse's Pension determined under the terms of the Salaried Plan.

(3) An "Eligible Spouse's Pre-Retirement Spouse's Pension derived from the Pre-409A Program" means the amount of the Eligible Spouse's

Pre-Retirement Spouse's Pension determined under the terms of the Pre-409A Program.

(c) PEP Guarantee Pre-Retirement Spouse's Pension: An Eligible Spouse's PEP Guarantee Pre-Retirement Spouse's Pension shall be determined in accordance with paragraph (1) or (2) below, whichever is applicable, with reference to the PEP Guarantee (if any) that would have been available to the Participant under Section 5.2.

(1) Normal Rule: The Pre-Retirement Spouse's Pension payable under this paragraph shall be equal to the amount that would be payable as a survivor annuity, under a Qualified Joint and Survivor Annuity, if the Participant had:

(i) Separated from Service on the date of death (or, if earlier, his actual Separation from Service);

(ii) Commenced a Qualified Joint and Survivor Annuity on the same date payments of the Qualified Pre-Retirement Spouse's Pension are to commence; and

(iii) Died on the day immediately following such commencement.

(2) Special Rule for Active and Disabled Employees: Notwithstanding paragraph (1) above, the Pre-Retirement Spouse's Pension paid on behalf of a Participant described in Section 4.6(a) shall not be less than an amount equal to 25 percent of such Participant's PEP Guarantee determined under Section 5.2. For this purpose, Credited Service shall be determined as

provided in Section 3.3(c)(2) of Part B the Salaried Plan, and the deceased Participant's Highest Average Monthly Earnings, Primary Social Security Amount and Covered Compensation shall be determined as of his date of death. A Pre-Retirement Spouse's Pension under this paragraph is not reduced for early commencement.

Principles similar to those applicable under – (i) Section 5.1(b), and (ii) the last sentence of Section 5.2(b)(2) shall apply in determining the Pre-Retirement Spouse's 409A Pension under this section.

5.4 Certain Adjustments: Pensions determined under the foregoing sections of this Article are subject to adjustment as provided in this section. For purposes of this section, "specified plan" shall mean the Salaried Plan or a nonqualified pension plan similar to this Plan. A nonqualified pension plan is similar to this Plan if it is sponsored by a member of the PepsiCo Organization and if its benefits are not based on participant pay deferrals.

(a) Adjustments for Rehired Participants: This subsection shall apply to a current or former Participant who is reemployed after his Annuity Starting Date and whose benefit under the Salaried Plan is recalculated based on an additional period of Credited Service. In the event of any such recalculation, the Participant's PEP Pension shall also be recalculated hereunder to the maximum extent permissible under Section 409A. For this purpose and to the maximum extent permissible under Section 409A, the PEP Guarantee under Section 5.2 is adjusted for in-service distributions and prior distributions in the same manner as benefits are adjusted under the Salaried Plan, but by taking into account benefits under this Plan and any specified plans.

(b) Adjustment for Increased Pension Under Other Plans: If the benefit paid under a specified plan on behalf of a Participant is increased after PEP benefits on his behalf have been determined (whether the increase is by order of a court, by agreement of the plan administrator of the specified plan, or otherwise), then the PEP benefit for the Participant shall be recalculated to the maximum extent permissible under Section 409A. If the recalculation identifies an overpayment hereunder, the Plan Administrator shall take such steps as it deems advisable to recover the overpayment. It is specifically intended that there shall be no duplication of payments under this Plan and any specified plans to the maximum extent permissible under Section 409A.

(c) No Benefit Offsets That Would Violate Section 409A. Effective as of January 1, 2009, if a Participant has earned a benefit under a plan maintained by a member of the PepsiCo Organization that is a “qualifying plan” for purposes of the “Non-Duplication” rule in Section 3.8 of Part A of the Salaried Plan and the “Transfers and Non-Duplication” rule in Section 3.5 of Part B of the Salaried Plan, such Transfers and Non-Duplication rules shall apply when calculating the Participant’s Total Pension under Section 5.1(c)(1) above only to the extent the application of such rule to the Participant’s 409A Pension will not result in a change in the time or form of payment of such pension that is prohibited by Section 409A. For purposes of the limit on offsets in the preceding sentence, it is the Company’s intent to undertake to make special arrangements with respect to the payment of the benefit under the qualifying plan that are legally permissible under the qualifying plan and compliant with Section 409A, in order to avoid such a change in time or form of payment to the maximum extent possible; to the extent

that Section 409A compliant special arrangements are timely put into effect in a particular situation, the limit on offsets in the prior sentence will not apply.

5.5 Excludable Employment: An executive who has signed a written agreement with the Company pursuant to which the individual either (i) waives eligibility under the Plan (even if the individual otherwise meets the definition of Employee under the Plan), or (ii) agrees not to participate in the Plan, shall not thereafter become entitled to a benefit or to any increase in benefits in connection with such employment (whichever applies). Written agreements may be entered into either before or after the executive becomes eligible for or begins participation in the Plan, and such written agreement may take any form that is deemed effective by the Company. This Section 5.5 shall apply with respect to agreements that are entered into on or after January 1, 2009.

5.6 Pre-409A Pension: A Participant's Pre-409A Pension is the portion of the Participant's Pension that is grandfathered under Treasury Regulation § 1.409A-6(a)(3)(i) and (iv). Principles similar to those applicable under – (i) Section 5.1(b), and (ii) the last sentence of Section 5.2(b)(2) shall apply in determining the Pre-409A Pension under this section.

5.7 Offsets: 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. In addition, in the event a Participant has earned a 409A Benefit (a "Prior 409A Benefit") that was paid before, or will become payable either before or under different payment terms than, an additional 409A Benefit for the Participant, the calculation of the Participant's additional 409A Benefit shall include an offset for the Prior 409A Benefit. This offset shall be determined as of the Annuity Starting Date of the additional 409A Benefit on a basis that (i) takes into account applicable reductions for early or late commencement as of the Annuity Starting Date of the additional 409A Pension, (ii) reflects, if applicable and customary, the relative value of forms of payment, and (iii) otherwise adjusts the offset to its Actuarial Equivalent, in each such respect as appropriate and customary under the circumstances and in accordance with rules authorized by the Plan Administrator. Therefore, by way of example, but not by way of limitation, when pursuant to Section 4.5 a Participant is entitled to Post-Disability Accruals after having become entitled to Pre-Separation Accruals, such an offset of the Pre-Separation Accruals will apply in determining the Post-Disability Accruals.

5.8 Amount of Pre-Retirement Domestic Partner's Pension: The monthly amount of the Pre-Retirement Domestic Partner's 409A Pension payable to a surviving Eligible Domestic Partner under Section 4.12 shall be determined under subsection (a) below.

(a) Calculation: An Eligible Domestic Partner's Pre-Retirement Domestic Partner's 409A Pension shall be equal to:

(1) The Eligible Domestic Partner's Total Pre-Retirement Domestic Partner's Pension, reduced by

(2) The Eligible Domestic Partner's Salaried Plan

Pre-Retirement Domestic Partner's Pension, and then further reduced by (but not below zero)

(3) The Eligible Domestic Partner's Pre-Retirement Domestic Partner's Pension derived from the Pre-409A Program.

(b) Basis for Determining: The Pre-Retirement Domestic Partner's 409A Pension amount in subsection (a) above shall be determined on a basis (i) that takes into account applicable reductions for early or late commencement, and (ii) otherwise adjusts the reductions in (a)(2) and (3) above to their Actuarial Equivalent as appropriate under the circumstances and pursuant to rules of the Plan Administrator, including to take account the time and form of any prior payments.

(c) Definitions: The following definitions apply for purposes of this section:

(1) An Eligible Domestic Partner's "Total Pre-Retirement Domestic Partner's Pension" means the greater of:

(i) The amount of the Eligible Domestic Partner's pre-retirement domestic partner's pension determined under the terms of the Salaried Plan, but without regard to: (A) the limitations imposed by sections 401(a)(17) and 415 of the Code (as such limitations are interpreted and applied under the Salaried Plan), and (B) the actuarial adjustment under Section 5.7(d) of Part B of the Salaried Plan, or

(ii) The amount (if any) of the Eligible Domestic Partner's PEP Guarantee Pre-Retirement Domestic Partner's 409A Pension determined under subsection (c).

In making this comparison, the benefits in subparagraphs (i) and (ii) above shall be calculated as if payable as of what would be the Normal Retirement Date of the Participant related to the Eligible Domestic Partner. The greater benefit determined under the prior sentence shall then be reduced/increased for commencement before/after, as applicable, such Normal Retirement Date.

(2) An "Eligible Domestic Partner's Salaried Plan Pre-Retirement Domestic Partner's Pension" means the amount of the Eligible Domestic Partner's Pre-Retirement Domestic Partner's Pension determined under the terms of the Salaried Plan.

(3) An "Eligible Domestic Partner's Pre-Retirement Domestic Partner's Pension derived from the Pre-409A Program" means the amount of the Eligible Domestic Partner's Pre-Retirement Domestic Partner's Pension determined under the terms of the Pre-409A Program

(c) PEP Guarantee Pre-Retirement Domestic Partner's Pension: An Eligible Domestic Partner's PEP Guarantee Pre-Retirement Domestic Partner's 409A Pension shall be determined in accordance with paragraph (1) or (2) below, whichever is applicable, with reference to the PEP Guarantee (if any) that would have been available to the Participant under Section 5.2.

(1) Normal Rule: The Pre-Retirement Domestic Partner's 409A Pension payable under this paragraph shall be equal to the amount that

would be payable as a survivor annuity, under a Qualified Joint and Survivor Annuity, if the Participant had:

(i) Separated from Service on the date of death (or, if earlier, his actual Separation from Service);

(ii) Commenced a Qualified Joint and Survivor Annuity on the same date payments of the Qualified Pre-Retirement Domestic Partner's Pension are to commence; and

(iii) Died on the day immediately following such commencement.

(2) Special Rule for Active and Disabled Employees:

Notwithstanding paragraph (1) above, the Pre-Retirement Domestic Partner's 409A Pension paid on behalf of a Participant described in Section 4.6(a) shall not be less than an amount equal to 25 percent of such Participant's PEP Guarantee determined under Section 5.2. For this purpose, Credited Service shall be determined as provided in Section 3.3(c)(2) of the Salaried Plan, and the deceased Participant's Highest Average Monthly Earnings, Primary Social Security Amount and Covered Compensation shall be determined as of his date of death. A Pre-Retirement Domestic Partner's 409A Pension under this paragraph is not reduced for early commencement.

Principles similar to those applicable under (i) Section 5.1(b), and (ii) the last sentence of Section 5.2(b)(2) shall apply in determining the Pre-Retirement Domestic Partner's 409A Pension under this section.

ARTICLE VI

Distribution of Benefits

The terms of this Article govern (i) the distribution of benefits to a Participant who becomes entitled to a 409A Pension, and (ii) the continuation of benefits (if any) to such Participant's beneficiary following the Participant's death. A Pre-Retirement Spouse's Pension or Pre-Retirement Domestic Partner's Pension derived from the 409A Program shall be payable as an Annuity for the life of the Eligible Spouse or Eligible Domestic Partner, as applicable, in all cases, subject to Section 4.9 (cashout distributions). The distribution of a Pre-409A Pension is governed by the terms of the Pre-409A Program.

6.1 Form and Timing of Distributions: Benefits under the 409A Program shall be distributed as follows:

(a) 409A Retirement Pension: The following rules govern the distribution of a Participant's 409A Retirement Pension:

(1) Generally: A Participant's 409A Retirement Pension shall be distributed as a Single Lump Sum on the first day of the month that is coincident with or next follows the Participant's Retirement Date, subject to paragraph (2) and Section 6.6 (delay for Key Employees).

(2) Prior Payment Election: Notwithstanding paragraph (1), a Participant who is entitled to a 409A Retirement Pension and who made an election (i) up to and including December 31, 2007, and (ii) at least six months prior to and in a calendar year prior to the Participant's Annuity Starting Date

shall receive his benefit in accordance with such payment election. A payment election allowed a Participant to choose either (i) to receive a distribution of his benefit in an Annuity form, (ii) to commence distribution of his benefit at a time other than as provided in paragraph 6.1(a)(1), or both (i) and (ii). A payment election made by a Participant who is only eligible to receive a Vested Pension on his Separation from Service shall be disregarded. Subject to Section 4.9 (cashouts), a Participant who has validly elected to receive an Annuity shall receive his benefit as a Qualified Joint and Survivor Annuity if he is married or as a Single Life Annuity if he is unmarried, unless he elects one of the optional forms of payment described in Section 6.2 in accordance with the election procedures in Section 6.3(a). A Participant shall be considered married if he is married on his Annuity Starting Date (with such Annuity Starting Date determined taking into account any election applicable under this subsection). To the extent a Participant's benefit commences later than it would under paragraph 6.1(a)(1) as a result of an election under this paragraph 6.1(a)(2), the Participant's benefit will be increased for earnings at the interest rate used to compute the Actuarial Equivalent lump sum value through the date the check for payment is prepared, which interest shall be paid at the time elected by the Participant under this paragraph 6.1(a)(2).

(b) 409A Vested Pension: Subject to Section 4.9, Section 6.6 and subsection (c) below, a Participant's 409A Vested Pension shall be distributed in accordance with paragraph (1) or (2) below, unless, in the case of a Participant who is married (as determined under the standards in paragraph 6.1(a)(2), above) or has an

Eligible Domestic Partner on his Annuity Starting Date, he elects one of the optional forms of payment distributions in Section 6.2 in accordance with the election procedures in Section 6.3(a):

(1) Separation Prior to Age 55: In the case of a Participant who Separates from Service with at least five years of Service prior to attaining age 55, the Participant's 409A Vested Pension shall be distributed as an Annuity commencing on the first of the month that is coincident with or immediately follows the date he attains age 55, which shall be the Annuity Starting Date of his 409A Vested Pension. A distribution under this subsection shall be in the form of a Qualified Joint and Survivor Annuity if the Participant is married or as a Single Life Annuity if he is not married; provided that an unmarried Participant who has an Eligible Domestic Partner may elect a 50% Survivor Annuity or 75% Survivor Annuity with his Eligible Domestic Partner as his beneficiary as provided in Section 6.2. A Participant shall be considered married or to have an Eligible Domestic Partner for purposes of this paragraph if he is married or has an Eligible Domestic Partner on the Annuity Starting Date of his 409A Vested Pension.

(2) Separation at Ages 55 Through 64: In the case of a Participant who Separates from Service with at least five years but less than ten years of Service and on or after attaining age 55 but prior to attaining age 65, the Participant's 409A Vested Pension shall be distributed as an Annuity (as provided in paragraph (1) above) commencing on the first of the month that follows his Separation from Service.

(c) Disability Pension: The portion of a Participant's 409A Disability Pension representing Pre-Separation Accruals shall be paid on the first day of the month following the later of (i) the Participant's attainment of age 55 and (ii) the Participant's Separation from Service. The available forms of payment for the portion of a Participant's 409A Disability Pension representing Pre-Separation Accruals (as defined in Section 4.5) shall be those forms available to a Participant who is entitled to a Vested Pension or a Retirement Pension, as set forth in Section 6.2, below (including, to the extent applicable, the different forms available to a married Participant / Participant with a domestic partner versus a single Participant). The portion of a Participant's 409A Disability Pension representing Post-LTD Accruals shall be paid on the first day of the month following the Participant's attainment of age 65 in a lump sum.

6.2 Available Forms of Payment: This section sets forth the payment options available to a Participant who is entitled to a Retirement Pension under paragraph 6.1(a)(2) above or a Vested Pension under subsection 6.1(b) above.

(a) Basic Forms: A Participant who is entitled to a Retirement Pension may choose one of the following optional forms of payment by making a valid election in accordance with the election procedures in Section 6.3(a). A Participant who is entitled to a Vested Pension and who is married on his Annuity Starting Date may choose one of the optional forms of payment available under paragraph (1), (2)(ii) or (2)(iii) below with his Eligible Spouse as his beneficiary (and no other optional form of payment available under this subsection (a) shall be permitted to such a Participant). A Participant who is entitled to a Vested Pension, who is not married and who has an Eligible Domestic

Partner on his Annuity Starting Date may choose one of the optional forms available under paragraph (2)(ii) or (2)(iii) below with his Eligible Domestic Partner as his beneficiary (and no other optional forms of payment available under this subsection shall be permitted to such a Participant). A Participant who is entitled to a Vested Pension and who is not married and does not have an Eligible Domestic Partner on his Annuity Starting Date shall receive a Single Life Annuity. Each optional annuity is the actuarial equivalent of the Single Life Annuity:

(1) Single Life Annuity Option: A Participant may receive his 409A Pension in the form of a Single Life Annuity, which provides monthly payments ending with the last payment due prior to his death.

(2) Survivor Options: A Participant may receive his 409A Pension in accordance with one of the following survivor options:

(i) 100 Percent Survivor Option: The Participant shall receive a reduced 409A Pension payable for life, ending with the last monthly payment due prior to his death. Payments in the same reduced amount shall continue after the Participant's death to his beneficiary for life, beginning on the first day of the month coincident with or following the Participant's death and ending with the last monthly payment due prior to the beneficiary's death.

(ii) 75 Percent Survivor Option: The Participant shall receive a reduced 409A Pension payable for life, ending with the last monthly payment due prior to his death. Payments in the amount of 75 percent of such reduced 409A Pension shall be continued after the

Participant's death to his beneficiary for life, beginning on the first day of the month coincident with or following the Participant's death and ending with the last monthly payment due prior to the beneficiary's death.

(iii) 50 Percent Survivor Option: The Participant shall receive a reduced 409A Pension payable for life, ending with the last monthly payment due prior to his death. Payments in the amount of 50 percent of such reduced 409A Pension shall be continued after the Participant's death to his beneficiary for life, beginning on the first day of the month coincident with or following the Participant's death and ending with the last monthly payment due prior to the beneficiary's death. A 50 percent survivor option under this paragraph shall be a Qualified Joint and Survivor Annuity if the Participant's beneficiary is his Eligible Spouse.

(iv) Ten Years Certain and Life Option: The Participant shall receive a reduced 409A Pension which shall be payable monthly for his lifetime but for not less than 120 months. If the retired Participant dies before 120 payments have been made, the monthly 409A Pension amount shall be paid for the remainder of the 120 month period to the Participant's primary beneficiary (or if the primary beneficiary has predeceased the Participant, the Participant's contingent beneficiary).

(b) Inflation Protection: The following levels of inflation protection may be provided to any Participant who elects to receive all or a part of his 409A Retirement Pension as an Annuity:

(1) 5 Percent Inflation Protection: A Participant's monthly benefit shall be initially reduced, but thereafter shall be increased if inflation in the prior year exceeds 5 percent. The amount of the increase shall be the difference between inflation in the prior year and 5 percent.

(2) 7 Percent Inflation Protection: A Participant's monthly benefit shall be initially reduced, but thereafter shall be increased if inflation in the prior year exceeds 7 percent. The amount of the increase shall be the difference between inflation in the prior year and 7 percent.

Benefits shall be subject to increase in accordance with this subsection each January 1, beginning with the second January 1 following the Participant's Annuity Starting Date. The amount of inflation in the prior year shall be determined based on inflation in the 12-month period ending on September 30 of such year, with inflation measured in the same manner as applies on the Effective Date for adjusting Social Security benefits for changes in the cost of living. Inflation protection that is in effect shall carry over to any survivor benefit payable on behalf of a Participant, and shall increase the otherwise applicable survivor benefit as provided above. Any election by a Participant to receive inflation protection shall be irrevocable by such Participant or his surviving beneficiary.

6.3 Procedures for Elections: This section sets forth the procedures for making Annuity Starting Date elections (*i.e.*, elections under Section 6.2). Subsection (a) sets forth the procedures for making a valid election of an optional form of payment under Section 6.2 and subsection (b) includes special rules for Participants with multiple Annuity Starting Dates. An election under this Article VI shall be treated as received on a particular day

if it is: (i) postmarked that day, or (ii) actually received by the Plan Administrator on that day. Receipt under (ii) must occur by the close of business on the date in question, which time is to be determined by the Plan Administrator. Spousal consent is not required for an election to be valid.

(a) Election of an Optional Form of Payment: To be valid, an election of an optional form of Annuity under Section 6.2, for (i) a Participant's 409A Retirement Pension (if a proper election was made under paragraph 6.1(a)(2)) or (ii) a Participant's 409A Vested Terminated Pension, must be in writing, signed by the Participant, and received by the Plan Administrator at least one day prior to the Annuity Starting Date that applies to the Participant's Pension in accordance with Section 6.1. In addition, an election under this subsection must specify one of the optional forms of payment available under Section 6.2 and a beneficiary, if applicable, in accordance with Section 6.5 below. To the extent permitted by the Plan Administrator, an election made through electronic media shall be considered to satisfy the requirement for a written election, and an electronic affirmation of such an election shall be considered to satisfy the requirement for a signed election.

(b) Multiple Annuity Starting Dates: When amounts become payable to a Participant in accordance with Article IV, they shall be payable as of the Participant's Annuity Starting Date and the election procedures (in this section and Sections 6.1 and 6.5) shall apply to all of the Participant's unpaid accruals as of such Annuity Starting Date, with the following exception. In the case of a Participant who is rehired after his initial Annuity Starting Date and who (i) is currently receiving an Annuity that remained in pay status upon rehire, or (ii) was previously paid a lump sum distribution (other than

a cashout distribution described in Section 4.9(a)), the Participant's subsequent Annuity Starting Date (as a result of his subsequent Separation from Service), and the election procedures at such subsequent Annuity Starting Date, shall apply only to the portion of his benefit that accrues after his rehire. Any prior accruals that remain to be paid as of the Participant's subsequent Annuity Starting Date shall continue to be payable in accordance with the elections made at his initial Annuity Starting Date.

(c) Determination of Marital Status. Effective January 1, 2014, in any case in which the form of payment of a Participant's 409A Pension is determined by his marital status on his Annuity Starting Date, the Plan Administrator shall assume the Participant is unmarried on his Annuity Starting Date unless the Participant provides notice to the Plan prior to his Annuity Starting Date, which is deemed sufficient and satisfactory by the Plan Administrator, that he is married. The Participant shall give such notification to the Plan Administrator when he makes the election described in subsection (a) above or in accordance with such other procedures that are established by the Plan Administrator for this purpose (if any). Notwithstanding the two prior sentences, the Plan Administrator may adopt rules that provide for a different outcome than specified above.

6.4 Special Rules for Survivor Options: The following special rules shall apply for the survivor options available under Section 6.2.

(a) Effect of Certain Deaths: If a Participant makes an election under Section 6.3(a) to receive his 409A Retirement Pension in the form of an optional Annuity that includes a benefit for a surviving beneficiary under Section 6.2 and the Participant

or his beneficiary (beneficiaries in the case of the optional form of payment in Section 6.2(a)(2)(iv)) dies prior to the Annuity Starting Date of such Annuity, the election shall be disregarded. If the Participant dies after this Annuity Starting Date but before his 409A Retirement Pension actually commences, the election shall be given effect and the amount payable to his surviving Eligible Spouse, Eligible Domestic Partner or other beneficiary (as applicable) shall commence on the first day of the month following his death (any back payments due the Participant shall be payable to his estate). In the case of a Participant who has elected the form of payment described in Section 6.2(a)(2)(iv), if such Participant: (i) dies after his Annuity Starting Date, (ii) without a surviving primary or contingent beneficiary, and (iii) before receiving 120 payments under the form of payment, then the remaining payments due under such form of payment shall be paid to the Participant's estate. If payments have commenced under such form of payment to a Participant's primary or contingent beneficiary and such beneficiary dies before payments are completed, then the remaining payments due under such form of payment shall be paid to such beneficiary's estate.

(b) Beneficiary Who Is Not an Eligible Spouse or Eligible Domestic

Partner: If a Participant's beneficiary is not his Eligible Spouse or Eligible Domestic Partner, he may not elect:

- (1) The 100 percent survivor option described in Section 6.2(a)
- (2)(i) if his beneficiary is more than 10 years younger than he is, or
- (2) The 75 percent survivor option described in Section 6.2(a)
- (2)(ii) if his beneficiary is more than 19 years younger than he is.

6.5 Designation of Beneficiary: A Participant who has elected under Section 6.2 to receive all or part of his Retirement Pension in a form of payment that includes a survivor option shall designate a beneficiary who will be entitled to any amounts payable on his death. Such designation shall be made on the election form used to choose such optional form of payment or an approved election form filed under the Salaried Plan, whichever is applicable. In the case of the survivor option described in Section 6.2(a)(2)(iv), the Participant shall be entitled to name both a primary beneficiary and a contingent beneficiary. A Participant (whether active or former) shall have the right to change or revoke his beneficiary designation at any time prior to his Annuity Starting Date. The designation of any beneficiary, and any change or revocation thereof, shall be made in accordance with rules adopted by the Plan Administrator. A beneficiary designation shall not be effective unless and until filed with the Plan Administrator. If no beneficiary is properly designated and a Participant's elects a survivor's option described in Section 6.2(a)(2), the Participant's beneficiary shall be his Eligible Spouse or Eligible Domestic Partner, as applicable. A Participant entitled to a Vested Pension does not have the right or ability to name a beneficiary; if the Participant is permitted under Section 6.2 to elect an optional form of payment, then his beneficiary shall be his Eligible Spouse or Eligible Domestic Partner, as applicable, on his Annuity Starting Date.

6.6 Required Delay for Key Employees: Notwithstanding Section 6.1 above, if a Participant is classified as a Key Employee upon his Separation from Service (or at such other time for determining Key Employee status as may apply under Section 409A), then distributions to the Participant shall commence as follows:

(a) Distribution of a Retirement Pension: In the case of a Key Employee Participant who is entitled to a 409A Retirement Pension, distributions shall commence on the earliest first of the month that is at least six months after the date the Participant Separates from Service (or, if earlier, the Participant's death). For periods before 2009, commencement of distributions, however, shall not be delayed under the preceding sentence if the Participant's 409A Retirement Pension commences at the same time as his pension under the Salaried Plan in accordance with Section 6.1(b)(3)(i).

(b) Distribution of a Vested Pension. In the case of a Participant who is entitled to a 409A Vested Pension, distributions shall commence as provided in Section 6.1(b), or if later, on the earliest first of the month that is at least six months after the Participant's Separation from Service (or, if earlier, the Participant's death). For periods before 2009, commencement of distributions, however, shall not be delayed under the preceding sentence if the Participant's 409A Vested Pension commences at the same time as his pension under the Salaried Plan in accordance with Section 6.1(b)(3)(i).

(c) Interest Paid for Delay. Any payments to the Participant that are delayed in accordance with the provisions of this Section 6.6 shall be increased for earnings at the interest rate used to compute the Actuarial Equivalent lump sum value through the date the check for payment is prepared, with such delayed payment and accumulated interest paid as a lump sum payment to the Participant on the date payment occurs in accordance with subsection (a) or (b) above, whichever is applicable. If a Participant's beneficiary or estate is paid under subsection (a) or (b) above as a result of his death, then any payments that would have been made to the Participant and that

were delayed in accordance with the provisions of this Section 6.6 shall be paid as otherwise provided in the Plan, with interest at the rate specified in the preceding sentence through the date the check for payment is prepared.

6.7 Payment of FICA and Related Income Taxes: As provided in subsections (a) through (c) below, a portion of a Participant's 409A Pension shall be paid as a single lump sum and remitted directly to the Internal Revenue Service ("IRS") in satisfaction of the Participant's FICA Amount and the related withholding of income tax at source on wages (imposed under Code Section 3401 or the corresponding withholding provisions of the applicable state, local or foreign tax laws as a result of the payment of the FICA Amount) and the additional withholding of income tax at source on wages that is attributable to the pyramiding of wages and taxes.

(a) Timing of Payment: As of the date that the Participant's FICA Amount and related income tax withholding are due to be deposited with the IRS, a lump sum payment equal to the Participant's FICA Amount and any related income tax withholding shall be paid from the Participant's 409A Pension and remitted to the IRS (or other applicable tax authority) in satisfaction of such FICA Amount and income tax withholding related to such FICA Amount. The classification of a Participant as a Key Employee (as defined in Section 2.1) shall have no effect on the timing of the lump sum payment under this subsection (a).

(b) Reduction of 409A Pension. To reflect the payment of a Participant's FICA Amount and any related income tax liability, the Participant's 409A Pension shall be reduced, effective as of the date for payment of the lump sum in

accordance with subsection (a) above, with such reduction being the Actuarial Equivalent of the lump sum payment used to satisfy the Participant's FICA Amount and related income tax withholding. It is expressly contemplated that this reduction may occur effective as of a date that is after the date payment of a Participant's 409A Pension commences.

(A) No Effect on Commencement of 409A Pension. The Participant's 409A Pension shall commence in accordance with the terms of this Plan. The lump sum payment to satisfy the Participant's FICA Amount and related income tax withholding shall not affect the time of payment of the Participant's actuarially reduced 409A Pension, including not affecting any required delay in payment to a Participant who is classified as a Key Employee.

## ARTICLE VII

### Administration

7.1 Authority to Administer Plan: The Plan shall be administered by the Plan Administrator, which shall have the authority to interpret the Plan and issue such regulations as it deems appropriate. The Plan Administrator shall maintain Plan records and make benefit calculations, and may rely upon information furnished it by the Participant in writing, including the Participant's current mailing address, age and marital status. The Plan Administrator's interpretations, determinations, regulations and calculations shall be final and binding on all persons and parties concerned. Neither the Company nor the Plan Administrator shall be a fiduciary of the Plan, and any restrictions that might apply to a party in interest under section 406 of ERISA shall not apply under the Plan, including with respect to the Company or the Plan Administrator.

7.2 Facility of Payment: Whenever, in the Plan Administrator's opinion, a person entitled to receive any payment of a benefit or installment thereof hereunder is under a legal disability or is incapacitated in any way so as to be unable to manage his financial affairs, the Plan Administrator may make payments to such person or to the legal representative of such person for his benefit, or the Plan Administrator may apply the payment for the benefit of such person in such manner as it considers advisable. Any payment of a benefit or installment thereof in accordance with the provisions of this section shall be a complete discharge of any liability for the making of such payment under the provisions of the Plan.

7.3 Claims Procedure: The Plan Administrator shall have the exclusive discretionary authority to construe and to interpret the Plan, to decide all questions of eligibility for benefits and to determine the amount of such benefits, and its decisions on such matters are final and conclusive. As a result, benefits under this Plan will be paid only if the Plan Administrator decides in its discretion that the person claiming such benefits is entitled to them. This discretionary authority is intended to be absolute, and in any case where the extent of this discretion is in question, the Plan Administrator is to be accorded the maximum discretion possible. Any exercise of this discretionary authority shall be reviewed by a court, arbitrator or other tribunal under the arbitrary and capricious standard (i.e., the abuse of discretion standard). If, pursuant to this discretionary authority, an assertion of any right to a benefit by or on behalf of a Participant or beneficiary (a “claimant”) is wholly or partially denied, the Plan Administrator, or a party designated by the Plan Administrator, will provide such claimant within the 90-day period following the receipt of the claim by the Plan Administrator, a comprehensible written notice setting forth:

- (a) The specific reason or reasons for such denial;
- (b) Specific reference to pertinent Plan provisions on which the denial is based;
- (c) A description of any additional material or information necessary for the claimant to submit to perfect the claim and an explanation of why such material or information is necessary; and
- (d) A description of the Plan’s claim review procedure (including the time limits applicable to such process and a statement of the claimant’s right to bring a civil action under ERISA following a further denial on review).

If the Plan Administrator determines that special circumstances require an extension of time for processing the claim it may extend the response period from 90 to 180 days. If this occurs, the Plan Administrator will notify the claimant before the end of the initial 90-day period, indicating the special circumstances requiring the extension and the date by which the Plan Committee expects to make the final decision. The claim review procedure is available upon written request by the claimant to the Plan Administrator, or the designated party, within 60 days after receipt by the claimant of written notice of the denial of the claim. Upon review, the Plan Administrator shall provide the claimant a full and fair review of the claim, including the opportunity to submit to the Plan Administrator comments, document, records and other information relevant to the claim and the Plan Administrator's review shall take into account such comments, documents, records and information regardless of whether it was submitted or considered at the initial determination. The decision on review will be made within 60 days after receipt of the request for review, unless circumstances warrant an extension of time not to exceed an additional 60 days. If this occurs, notice of the extension will be furnished to the claimant before the end of the initial 60-day period, indicating the special circumstances requiring the extension and the date by which the Plan Administrator expects to make the final decision. The final decision shall be in writing and drafted in a manner calculated to be understood by the claimant; include specific reasons for the decision with references to the specific Plan provisions on which the decision is based; and provide that the claimant is entitled to receive, upon request ad free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to his or her claim for benefits.

Any claim under the Plan that is reviewed by a court, arbitrator or any other tribunal shall be reviewed solely on the basis of the record before the Plan Administrator at the

time it made its determination. In addition, any such review shall be conditioned on the claimant's having fully exhausted all rights under this section as is more fully explained in Section 7.5. Any notice or other notification that is required to be sent to a claimant under this section may be sent pursuant to any method approved under Department of Labor Regulation Section 2520.104b-1 or other applicable guidance.

7.4 Effect of Specific References: Specific references in the Plan to the Plan Administrator's discretion shall create no inference that the Plan Administrator's discretion in any other respect, or in connection with any other provision, is less complete or broad.

7.5 Claimant Must Exhaust the Plan's Claims Procedures Before Filing in Court: Before filing any Claim (including a suit or other action) in court or in another tribunal, a Claimant must first fully exhaust all of the Claimant's rights under the claims procedures of Section 7.3.

(a) Upon review by any court or other tribunal, the exhaustion requirement of this Section 7.5 is intended to be interpreted to require exhaustion in as many circumstances as possible (and any steps necessary to clarify or effect this intent may be taken).

(b) In any action or consideration of a Claim in court or in another tribunal following exhaustion of the Plan's claims procedure as described in this Section 7.5, the subsequent action or consideration shall be limited, to the maximum extent permissible, to the record that was before Plan Administrator in the claims procedure.

(c) The exhaustion requirement of this Section 7.5 shall apply: (i) regardless of whether other Disputes that are not Claims (including those that a court

might consider at the same time) are of greater significance or relevance, (ii) to any rights the Plan Administrator may choose to provide in connection with novel Disputes or in particular situations, (iii) regardless of whether the rights are actual or potential and (iv) even if the Plan Administrator has not previously defined or established specific claims procedures that directly apply to the submission and consideration of such Claim (in which case the Plan Administrator (upon notice of the Claim) shall either promptly establish such claims procedures or shall apply (or act by analogy to) the claims procedures of Section 7.5 that apply to claims for benefits).

(d) The Plan Administrator may make special arrangements to consider a Claim on a class basis or to address unusual conflicts concerns, and such minimum arrangements in these respects shall be made as are necessary to maximize the extent to which exhaustion is required.

(e) For purposes of this Section 7.5, the following definitions apply.

(i) A “Dispute” is any claim, dispute, issue, action or other matter.

(ii) A “Claim” is any Dispute that implicates in whole or in part any one or more of the following –

(A) The interpretation of the Plan

(B) The interpretation of any term or condition of the Plan

(C) The interpretation of the Plan (or any of its terms or conditions) in light of applicable law;

(D) Whether the Plan or any term or condition under the Plan has been validly adopted or put into effect;

(E) The administration of the Plan;

(F) Whether the Plan, in whole or in part, has violated any terms, conditions or requirements of ERISA or other applicable law or regulation, regardless of whether such terms, conditions or requirements are, in whole or in part, incorporated into the terms, conditions or requirements of the Plan;

(G) A request for Plan benefits or an attempt to recover Plan benefits;

(H) An assertion that any entity or individual has breached any fiduciary duty; or

(I) Any Claim that: (i) is deemed similar to any of the foregoing by the Plan Administrator, or (ii) relates to the Plan in any way.

(iii) A "Claimant" is any Employee, former Employee, Participant, former Participant, Beneficiary (or the spouse, former spouse, domestic partner, estate, heir or representative of any of the foregoing individuals), or any other individual, person, entity with a relationship to any of the foregoing individuals or the Plan, as well as any group of one or more of the foregoing, who has a Claim.

7.6 Limitations on Actions: Effective for claims and actions filed on or after January 1, 2011, any claim filed under Article VII and any action filed in state or federal court by or on behalf of a former or current Employee, Participant, beneficiary or any other individual, person or entity (collectively, a “Petitioner”) for the alleged wrongful denial of Plan benefits or for the alleged interference with or violation of ERISA-protected rights must be brought within two years of the date the Petitioner’s cause of action first accrues. For purposes of this subsection, a cause of action with respect to a Petitioner’s benefits under the Plan shall be deemed to accrue not later than the earliest of (i) when the Petitioner has received the calculation of the benefits that are the subject of the claim or legal action (ii) the date identified to the Petitioner by the Plan Administrator on which payments shall commence, or (iii) when the Petitioner has actual or constructive knowledge of the facts that are the basis of his claim. For purposes of this subsection, a cause of action with respect to the alleged interference with ERISA-protected rights shall be deemed to accrue when the claimant has actual or constructive knowledge of the acts that are alleged to interfere with ERISA-protected rights. Failure to bring any such claim or cause of action within this two-year time frame shall preclude a Petitioner, or any representative of the Petitioner, from filing the claim or cause of action. Correspondence or other communications following the mandatory appeals process described in Section 7.3 shall have no effect on this two-year time frame.

7.7 Restriction on Venue: Any claim or action filed in court or any other tribunal in connection with the Plan by or on behalf of a Petitioner (as defined in Section 7.6 above) shall only be brought or filed in the United States District Court for the Southern District of New York, effective for claims or actions filed on or after January 1, 2011.

## ARTICLE VIII

### Miscellaneous

8.1 Nonguarantee of Employment: Nothing contained in this Plan shall be construed as a contract of employment between an Employer and any Employee, or as a right of any Employee to be continued in the employment of an Employer, or as a limitation of the right of an Employer to discharge any of its Employees, with or without cause.

8.2 Nonalienation of Benefits: Benefits payable under the Plan or the right to receive future benefits under the Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution, or levy of any kind, either voluntary or involuntary, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of any right to benefits payable hereunder, including any assignment or alienation in connection with a divorce, separation, child support or similar arrangement, shall be null and void and not binding on the Company. The Company shall not in any manner be liable for, or subject to, the debts, contracts, liabilities, engagements or torts of any person entitled to benefits hereunder.

8.3 Unfunded Plan: The Company's obligations under the Plan shall not be funded, but shall constitute liabilities by the Company payable when due out of the Company's general funds. To the extent the Participant or any other person acquires a right to receive benefits under this Plan, such right shall be no greater than the rights of any unsecured general creditor of the Company.

8.4 Action by the Company: Any action by the Company under this Plan may be made by the Board of Directors of the Company or by the Compensation Committee of the Board of Directors, with a report of any actions taken by it to the Board of Directors. In addition, such action may be made by any other person or persons duly authorized by resolution of said Board to take such action.

8.5 Indemnification: Unless the Board of Directors of the Company shall determine otherwise, the Company shall indemnify, to the full extent permitted by law, any employee acting in good faith within the scope of his employment in carrying out the administration of the Plan.

8.6 Compliance with Section 409A:

(a) General: It is the intention of the Company that the Plan shall be construed in accordance with the applicable requirements of Section 409A. Further, in the event that the Plan shall be deemed not to comply with Section 409A, then neither the Company, the Board of Directors, the Plan Administrator nor its or their designees or agents shall be liable to any Participant or other person for actions, decisions or determinations made in good faith.

(b) Non-duplication of benefits: In the interest of clarity, and to determine benefits in compliance with the requirements of Section 409A, provisions have been included in this 409A Document describing the calculation of benefits under certain specific circumstances, for example, provisions relating to the inclusion of salary continuation during certain window severance programs in the calculation of Highest Average Monthly Earnings, as specified in Appendix B. Notwithstanding this or any

similar provision, no duplication of benefits may at any time occur under the Plan. Therefore, to the extent that a specific provision of the Plan provides for recognizing a benefit determining element (such as pensionable earnings or service) and this same element is or could be recognized in some other way under the Plan, the specific provision of the Plan shall govern and there shall be absolutely no duplicate recognition of such element under any other provision of the Plan, or pursuant to the Plan's integration with the Salaried Plan. This provision shall govern over any contrary provision of the Plan that might be interpreted to support duplication of benefits.

8.7 Section 457A: To avoid the application of Code section 457A ("Section 457A") to a Participant's Pension, the following shall apply to a Participant who transfers to a work location outside of the United States to provide services to a member of the PepsiCo Organization that is neither a United States corporation nor a pass-through entity that is wholly owned by a United States corporation ("Covered Transfer"):

- (a) The Participant shall automatically vest in his or her Pension as of the last business day before the Covered Transfer;
- (b) From and after the Covered Transfer, any benefit accruals or other increases or enhancements to the Participant's Pension relating to –
  - (1) Service, or
  - (2) The attainment of a specified age while in the employment of the PepsiCo Organization ("age attainment"),(collectively, "Benefit Enhancement") will not be credited to the Participant until the last day of the Plan Year in which the Participant renders the Service or has the age

attainment that results in such Benefit Enhancement, and then only to the extent permissible under subsection (c) below at that time; and

(c) The Participant shall have no legal right to (and the Participant shall not receive) any Benefit Enhancement that relates to Service or age attainment from and after the Covered Transfer to the extent such Benefit Enhancement would constitute compensation that is includable in income under Section 457A.

Notwithstanding the foregoing, subsection (a) above shall not apply to a Participant who has a Covered Transfer if, prior to the Covered Transfer, the Company provides a written communication (either to the Participant individually, to a group of similar Participants, to Participants generally, or in any other way that causes the communication to apply to the Participant – *i.e.*, an “applicable communication”) that these subsections do not apply to the Covered Transfer in question. Subsection (b) shall cease to apply as of the earlier of – (i) the date the Participant returns to service for a member of the PepsiCo Organization that is a United States corporation or a pass-through entity that is wholly owned by a United States corporation, or (ii) the effective date for such cessation that is stated in an applicable communication.

8.8 Authorized Transfers: If a Participant transfers to an entity that is not part of the PepsiCo Organization, the liability for any benefits accrued while the Participant was employed by the PepsiCo Organization shall remain with the Company.

## ARTICLE IX

### Amendment and Termination

This Article governs the Company's right to amend and or terminate the Plan. The Company's amendment and termination powers under this Article shall be subject, in all cases, to the restrictions on amendment and termination in Section 409A and shall be exercised in accordance with such restrictions to ensure continued compliance with Section 409A.

9.1 Continuation of the Plan: While the Company and the Employers intend to continue the Plan indefinitely, they assume no contractual obligation as to its continuance. In accordance with Section 8.4, the Company hereby reserves the right, in its sole discretion, to amend, terminate, or partially terminate the Plan at any time provided, however, that no such amendment or termination shall adversely affect the amount of benefit to which a Participant or his beneficiary is entitled under Article IV on the date of such amendment or termination, unless the Participant becomes entitled to an amount equal to such benefit under another plan or practice adopted by the Company (except as necessary to comply with Section 409A). Specific forms of payment are not protected under the preceding sentence.

9.2 Amendments: The Company may, in its sole discretion, make any amendment or amendments to this Plan from time to time, with or without retroactive effect, including any amendment necessary to ensure continued compliance with Section 409A. An Employer (other than the Company) shall not have the right to amend the Plan.

9.3 Termination: The Company may terminate the Plan, either as to its participation or as to the participation of one or more Employers. If the Plan is terminated with

respect to fewer than all of the Employers, the Plan shall continue in effect for the benefit of the Employees of the remaining Employers. Upon termination, the distribution of Participants' 409A Pensions shall be subject to restrictions applicable under Section 409A.

9.4 Change in Control: The Company intends to have the maximum discretionary authority to terminate the Plan and make distributions in connection with a Change in Control (defined as provided in Section 409A), and the maximum flexibility with respect to how and to what extent to carry this out following a Change in Control as is permissible under Section 409A. The previous sentence contains the exclusive terms under which a distribution shall be made in connection with any Change in Control in the case of benefits that are derived from this 409A Program.

## ARTICLE X

### ERISA Plan Structure

This Plan document in conjunction with the plan document(s) for the Pre-409A Program encompasses three separate plans within the meaning of ERISA, as are set forth in subsections (a), (b) and (c). This division into separate plans became effective as of July 1, 1996; previously the plans set forth in subsections (b) and (c) were a single plan within the meaning of ERISA.

(a) Excess Benefit Plan: An excess benefit plan within the meaning of section 3(36) of ERISA, maintained solely for the purpose of providing benefits for Salaried Plan participants in excess of the limitations on benefits imposed by section 415 of the Code.

(b) Excess Compensation Top Hat Plan: A plan maintained by the Company primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees within the meaning of sections 201(2) and 401(a)(1) of ERISA. The plan provides benefits for Salaried Plan participants in excess of the limitations imposed by section 401(a)(17) of the Code on benefits under the Salaried Plan (after taking into account any benefits under the Excess Benefit Plan). For ERISA reporting purposes, this portion of PEP may be referred to as the PepsiCo Pension Equalization Plan I.

(c) Preservation Top Hat Plan: A plan maintained by the Company primarily for the purpose of providing deferred compensation for a select group of

management or highly compensated employees within the meaning of sections 201(2) and 401(a)(1) of ERISA. The plan provides preserves benefits for those Salaried Plan participants described in section 5.2(a) hereof, by preserving for them the pre-1989 level of benefit accrual that was in effect before the Salaried Plan's amendment effective January 1, 1989 (after taking into account any benefits under the Excess Benefit Plan and Excess Compensation Top Hat Plan). For ERISA reporting purposes, this portion of PEP shall be referred to as the PepsiCo Pension Equalization Plan II.

Benefits under this Plan shall be allocated first to the Excess Benefit Plan, to the extent of benefits paid for the purpose indicated in (a) above; then any remaining benefits shall be allocated to the Excess Compensation Top Hat Plan, to the extent of benefits paid for the purpose indicated in (b) above; then any remaining benefits shall be allocated to the Preservation Top Hat Plan. These three plans are severable for any and all purposes as directed by the Company.

In addition to the above, to the extent that lump sum termination benefits are paid under this Plan in connection with a severed employee's Special Early Retirement (as defined in Appendix Article D) under a temporary severance program sponsored by the Company, this portion of the Plan shall be a component of the Company's unfunded severance plan that includes the temporary program of severance benefits in question. As a component of a severance plan, the lump sum termination benefits are welfare benefits, and this portion is part of a "welfare benefit plan" under ERISA section 3(1). This severance plan component shall exist solely (i) for the duration of the temporary severance program in question, and (ii) for the purpose of paying severance benefits. As a portion of an ERISA welfare plan, any such

temporary severance benefits hereunder shall not be subject to the reporting requirements for top hat plans under ERISA or any of the ERISA requirements for pension plans.

ARTICLE XI

Applicable Law

All questions pertaining to the construction, validity and effect of the Plan shall be determined in accordance with the provisions of ERISA. In the event ERISA is not applicable or does not preempt state law, the laws of the state of New York shall govern.

If any provision of this Plan is, or is hereafter declared to be, void, voidable, invalid or otherwise unlawful, the remainder of the Plan shall not be affected thereby.

## **APPENDIX**

The following Appendix articles modify particular terms of the Plan. Except as specifically modified in the Appendix, the foregoing main provisions of the Plan shall fully apply in determining the rights and benefits of Participants and beneficiaries (and of any other individual claiming a benefit through or under the foregoing). In the event of a conflict between the Appendix and the foregoing main provision of the Plan, the Appendix shall govern.

## **APPENDIX ARTICLE A -**

### **Transition Provisions**

#### **A.1 Scope.**

This Article A provides the transition rules for the Plan that were effective at some time during the period beginning January 1, 2005 and ending December 31, 2008 (the “Transition Period”). The time period during which each provision in this Article A was effective is set forth below.

#### **A.2 Transition Rules for Article II (Definitions).**

(a) **Actuarial Equivalent.** In addition to the provisions provided in Article II for determining actuarial equivalence under the Plan, for the duration of the Transition Period, to determine the amount of a Pension payable in the form of a Qualified Joint and Survivor Annuity or optional form of survivor annuity, as an annuity with inflation protection, or as a Single Life Annuity, the Plan Administrator used the actuarial factors under the Salaried Plan.

(b) **Key Employee.** In addition to the provisions provided in Article II for identifying Key Employees, the following operating rules were in effect for the indicated time periods –

(1) **Operating Rules for 2005.** To ensure that the Company did not fail to identify any Key Employees, in the case of Separation from Service distributions during the 2005 Plan Year, the Company treated as Key Employees

all Participants (and former Participants) classified (or grandfathered) for any portion of the 2005 Plan Year as Band IV and above.

(2) Operating Rules for 2006 and 2007. To ensure that the Company did not fail to identify any Key Employees, in the case of Separation from Service distributions during the 2006 Plan Year and 2007 Plan Year, the Company treated as Key Employees for such applicable Plan Year of their Separation from Service those individuals who met the provisions of (3) or (4) below (or both).

(3) The Company shall treat as Key Employees all Participants (and former Participants) who are classified (or grandfathered) as Band IV and above for any portion of the Plan Year prior to the Plan Year of their Separation from Service; and

(4) The Company shall treat as a Key Employee any Participant who would be a Key Employee as of his or her Separation from Service date based on the standards in this paragraph (4). For purposes of this paragraph (4), the Company shall determine Key Employees based on compensation (as defined in Code Section 415(c)(3)) that is taken into account as follows:

(A) If the determination is in connection with a Separation from Service in the first calendar quarter of a Plan Year, the determination shall be made using compensation earned in the calendar year that is two years prior to the current calendar year (*e.g.*, for a determination made in the first quarter of 2006, compensation earned in the 2004 calendar year shall be used); and

(B) If the determination is in connection with a Separation from Service in the second, third or fourth calendar quarter of a Plan Year, the determination shall be made using the compensation earned in the prior calendar year (*e.g.*, for a determination made in the second quarter of 2006, compensation earned in the 2005 calendar year shall be used).

A.3 Transition Rules for Article VI (Distributions):

409A Pensions that would have been paid out during the Transition Period under the provisions set forth in the main body of the Plan (but for the application of permissible transition rules under Section 409A) shall be paid out on March 1, 2009.

A.4 Transition Rules for Article VII (Administration):

Effective during the Transition Period, the language of Section 8.6(a) shall be replaced in its entirety with the following language:

“8.6(a) Compliance with Section 409A:

At all times during each Plan Year, this Plan shall be operated (i) in accordance with the requirements of Section 409A, and (ii) to preserve the status of deferrals under the Pre-409A Program as being exempt from Section 409A, i.e., to preserve the grandfathered status of the Pre-409A Program. Any action that may be taken (and, to the extent possible, any action actually taken) by the Plan Administrator or the Company shall not be taken (or shall be void and without effect), if such action violates the requirements of Section 409A or if such action would adversely affect the grandfather of the Pre-409A Program. If the failure to take an action under the Plan would violate Section 409A, then to the extent it is possible thereby to avoid a violation of Section 409A, the rights and effects under the Plan shall be altered to avoid such violation. A

corresponding rule shall apply with respect to a failure to take an action that would adversely affect the grandfather of the Pre-409A Program. Any provision in this Plan document that is determined to violate the requirements of Section 409A or to adversely affect the grandfather of the Pre-409A Program shall be void and without effect. In addition, any provision that is required to appear in this Plan document to satisfy the requirements of Section 409A, but that is not expressly set forth, shall be deemed to be set forth herein, and the Plan shall be administered in all respects as if such provision were expressly set forth. A corresponding rule shall apply with respect to a provision that is required to preserve the grandfather of the Pre-409A Program. In all cases, the provisions of this Section shall apply notwithstanding any contrary provision of the Plan that is not contained in this Section.”

A.5 Transition Rules for Severance Benefits.

Effective during the Transition Period, the following provisions shall apply according to their specified terms.

(a) Definitions:

(1) Where the following words and phrases, in boldface and underlined, appear in this Section A.5 with initial capitals they shall have the meaning set forth below, unless a different meaning is plainly required by the context. Any terms used in this Article A of the Appendix with initial capitals and not defined herein shall have the same meaning as in the main Plan, unless a different meaning is plainly required by the context.

(2) “Special Early Retirement” shall mean the Participant’s attainment of at least age 50 but less than age 55 with 10 years of Elapsed Time Service as of

the date of his Retirement, provided, however, that with respect to the 2008 Severance at Section A.5(d), for purposes of determining whether a Participant has met the age and service requirements, a Participant's age and years of Elapsed Time Service are rounded up to the nearest whole year.

(b) 2005 Severance:

(1) Non-Retirement Eligible Employees: With respect to any Participant who terminated in 2005 as a result of a severance window program and who was not eligible for Retirement as of the date of his Separation from Service, the Participant's 409A Pension shall be paid as a Vested Pension under Section 6.1(b) of the Plan document, provided, however, that the Participant's 409A Pension will be paid at the same time as his Salaried Plan benefit. The available forms of payment shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2 of the Plan document.

(2) Non-Retirement Eligible Employees with Payments in 2007: With respect to any Participant who terminated in 2005 as a result of a severance window program, who was not eligible for Retirement as of the date of his Separation from Service, and whose 409A Pension Payment would otherwise be paid during 2007, the Participant's 409A Pension shall be paid as a Vested Pension under Section 6.1(b) of the Plan document, provided, however, that the Participant's 409A Pension will be paid at the later of (i) January 1, 2007 or (ii) when the Participant attained age 55. The available forms of payment shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2 of the Plan document.

(3) Retirement Eligible Employees: With respect to any Participant who terminated in 2005 as a result of a severance window program and who fulfilled the requirements for either a Normal or Early Retirement Pension under Article IV of the Plan document as of February 5, 2006, the Participant's 409A Pension shall be paid on the first day of the month following the Participant's Separation from Service in a lump sum.

(4) Retirement Eligible Employees (With Credit): With respect to any Participant who terminated in 2005 as a result of a severance window program and who fulfilled the requirements for either a Normal or Early Retirement Pension under Article IV of the Plan document as of his Separation from Service as a result of being provided additional Credited Service time by the Company, the Participant's 409A Pension shall be paid on the first day of the month following the Participant's Separation from Service in a lump sum.

(5) Special Early Retirement Eligible: With respect to any Participant who terminated in 2005 as a result of a severance window program and who fulfilled the requirements to be eligible for Special Early Retirement as of his Separation from Service, the Participant's 409A Pension shall be paid on the first day of the month following the Participant's Separation from Service in a lump sum.

(c) 2007 Severance:

(1) Non-Retirement Eligible Employees: With respect to any Participant who terminated in 2007 as a result of a severance window program and who was not eligible for Retirement as of the date of his Separation from

Service, the Participant's 409A Pension shall be paid as a Vested Pension under Section 6.1(b) of the Plan document. The available forms of payment shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2 of the Plan document.

(2) Retirement Eligible Employees: With respect to any Participant who terminated in 2007 as a result of a severance window program and who fulfilled the requirements for either a Normal or Early Retirement Pension under Article IV of the Plan document as of his Separation from Service, the Participant's 409A Pension shall be paid on the first day of the month following the Participant's Separation from Service in a lump sum; provided, however, that if a Participant made a valid Prior Payment Election under Section 6.1(a)(2) of the Plan document, his 409A Pension shall be paid according to such election.

(3) Employee Who Become Retirement Eligible:

(i) 409A Pension: With respect to any Participant who terminated in 2007 as a result of a severance window program and who fulfilled the requirements for either a Normal or Early Retirement Pension under Article IV of the Plan document between his Separation from Service and the last day of his paid leave of absence (if any), the Participant's 409A Pension shall be paid on the first day of the month following the later of (i) Participant's attainment of age 55 and (ii) his Separation from Service; the 409A Pension shall be paid as a Vested Pension under Section 6.1(b) of the Plan document. The available forms

of payment shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2 of the Plan document.

(ii) PEP Kicker: Any amount paid to a Participant otherwise described under this paragraph (3) as a replacement for benefits that the Participant could have earned under the Plan but for his Separation from Service shall be paid as a single lump sum, provided, however, that if a Participant made a valid Prior Payment Election under Section 6.1(a)(2) of the Plan document, the amounts described in this subparagraph (ii) shall be paid according to such election. All amounts to be paid shall be paid on the first day of the month following the later of (i) the Participant's attainment of age 55 or (ii) the Participant's Separation from Service.

(4) Special Retirement Eligible Employees:

(i) 409A Pension: With respect to any Participant who terminated in 2007 as a result of a severance window program and who fulfilled the requirements to be eligible for Special Early Retirement as of his Separation from Service, the Participant's 409A Pension shall be paid on the first day of the month following the Participant's attainment of age 55 as a Vested Pension under Section 6.1(b) of the Plan document. The available forms of payment shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2 of the Plan document.

(ii) PEP Kicker: Any amount paid to a Participant otherwise described under this paragraph (4) as a replacement for benefits that the

Participant could have earned under the Plan but for his Separation from Service shall be paid as a single lump sum, provided, however, that if a Participant made a valid Prior Payment Election under Section 6.1(a)(2) of the Plan document, the amounts described in this subparagraph (ii) shall be paid according to such election. All amounts to be paid shall be paid on the first day of the month following the Participant's attainment of age 55.

(5) Employees Who Become Special Retirement Eligible:

(i) 409A Pension: With respect to any Participant who terminated in 2007 as a result of a severance window program and who fulfilled the requirements to be eligible for Special Early Retirement during the period between his Separation from Service and the last day of his paid leave of absence (if any), the Participant's 409A Pension shall be paid on the first day of the month following the Participant's attainment of age 55 as a Vested Pension under Section 6.1(b) of the Plan document. The available forms of payment shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2 of the Plan document.

(ii) PEP Kicker: Any amount paid to a Participant otherwise described under this paragraph (5) as a replacement for benefits that the Participant could have earned under the Plan but for his Separation from Service shall be paid as a single lump sum, provided, however, that if a Participant made a valid Prior Payment Election under Section 6.1(a)(2) of

the Plan document, the amounts described in this subparagraph (ii) shall be paid according to such election. All amounts to be paid shall be paid on the first day of the month following the Participant's attainment of age 55.

(d) 2008 Severance:

(1) Non-Retirement Eligible Employees: With respect to any Participant who terminated in 2008 as a result of a severance window program and who was not eligible for Retirement as of the date of his Separation from Service, the Participant's 409A Pension shall be paid as a Vested Pension under Section 6.1(b) of the Plan document. The available forms of payment shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2 of the Plan document.

(2) Retirement Eligible Employees: With respect to any Participant who terminated in 2008 as a result of a severance window program and who fulfilled the requirements for either a Normal or Early Retirement Pension under Article IV of the Plan document as of his Separation from Service, the Participant's 409A Pension shall be paid on the first day of the month following the Participant's Separation from Service in a lump sum; provided, however, that if a Participant made a valid Prior Payment Election under Section 6.1(a)(2) of the Plan document, his 409A Pension shall be paid according to such election.

(3) Employee Who Become Retirement Eligible:

(i) 409A Pension: With respect to any Participant who terminated in 2008 as a result of a severance window program and who

fulfilled the requirements for either a Normal or Early Retirement Pension under Article IV of the Plan document between his Separation from Service and the last day of his paid leave of absence (if any), the Participant's 409A Pension shall be paid on the first day of the month following the later of (i) Participant's attainment of age 55 and (ii) his Separation from Service; the 409A Pension shall be paid as a Vested Pension under Section 6.1(b) of the Plan document. The available forms of payment shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2 of the Plan document.

(ii) PEP Kicker: Any amount paid to a Participant otherwise described under this paragraph (3) as a replacement for benefits that the Participant could have earned under the Plan but for his Separation from Service shall be paid as a single lump sum, provided, however, that if a Participant made a valid Prior Payment Election under Section 6.1(a)(2) of the Plan document, the amounts described in this subparagraph (ii) shall be paid according to such election. All amounts to be paid shall be paid on the first day of the month following the later of (i) Participant's attainment of age 55 or (ii) the Participant's Separation from Service.

(4) Employees Who Are or Become Special Retirement Eligible:

(i) 409A Pension: With respect to any Participant who terminated in 2008 as a result of a severance window program and who fulfilled the requirements to be eligible for Special Early Retirement as of his Separation from Service or during the period between his Separation

from Service and the last day of his paid leave of absence (if any), the Participant's 409A Pension shall be paid on the first day of the month following the Participant's attainment of age 55 as a Vested Pension under Section 6.1(b) of the Plan document. The available forms of payment shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2 of the Plan document.

(ii) PEP Kicker: Any amount paid to a Participant otherwise described under this paragraph (4) as a replacement for benefits that the Participant could have earned under the Plan but for his Separation from Service shall be paid as a single lump sum, provided, however, that if a Participant made a valid Prior Payment Election under Section 6.1(a)(2) of the Plan document, the amounts described in this subparagraph (ii) shall be paid according to such election. All amounts to be paid shall be paid on the first day of the month following the Participant's attainment of age 55.

(e) Delay for Key Employees: To the extent that a Participant is a Key Employee (as defined in Section A.2(b), above) with respect to any payment provided under this Section A.5, and to the extent that payment of his 409A Pension is on account of his Separation from Service, his 409A Pension shall be subject to the delay in payment provided under Section 6.6 of the main Plan document.

(f) Compliance with 19(c): All payments that are to be made under this Section A.5 were scheduled to be made during the calendar year in which the Participant terminated employment, with payments to be made as provided herein. All elections

made by the Company with respect to such payments were made in compliance with Notice 2005-1 and other provisions of Code Section 409A.

A.6 Certain Participants

The following transition rules shall apply only with respect to the following described Participants:

(a) A Participant's PEP Credited Service shall be deemed to be five years if the Participant terminates employment in 2005 while classified as Band VI (or equivalent), and his employment with an Employer was for a limited duration assignment of less than five years. A Participant shall be deemed to be vested for purposes of this Plan if the Participant terminates employment in 2005 while classified as Band VI (or equivalent), and his employment with an Employer was for a limited duration assignment of less than five years.

(b) In the case of a Participant who on October 9, 2007 selects an Annuity Starting Date of November 1, 2007 for the Participant's Pension under the Salaried Plan which is payable in a single lump sum (after taking into account the special rule in Section 6.3(a)(2), if necessary), the portion of the Participant's benefit under the Plan that is not subject to Section 409A of the Code shall be paid in a single lump sum six months after the Participant's Annuity Starting Date under the Salaried Plan.

(c) In the case of a Participant who on September 3, 2004 selects a fixed date of payment of February 1, 2005 for the Participant's Pension under the Plan, the following provisions shall apply:

(1) Such fixed date shall be the commencement date for the Participant's benefit under the Plan, and

(2) The calculation of the Participant's benefit under the Plan shall be made taking into account service to be performed during any period for which the Participant is to provide consulting services to the Company, even if such services are to be performed after the payment date specified in paragraph (1).

A.7 Transition Rules for Article VI (409A Disability Pension Pre-Separation Accruals):

(a) Distribution: The portion of a Participant's 409A Disability Pension representing Pre-Separation Accruals that would have been paid out during the Transition Period under the provisions set forth in the main body of the Plan (but for the application of permissible transition rules under Section 409A) shall commence on March 1, 2009. The available forms of payment of a Participant's 409A Disability Pension representing Pre-Separation Accruals shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2 of the Plan (including the different forms available to a married versus an unmarried Participant).

(b) Additional Benefit: If a Participant who is paid the Pre-Separation Accruals of his 409A Disability Pension under the provisions of subsection A.7(a) of this Appendix Article A dies prior to his expected mortality date (based on the mortality table specified by Schedule 1 of Section 2.1(b) (Actuarial Equivalent) of the Plan document as of January 1, 2009), his beneficiary shall be paid the lump sum actuarial equivalent of the annuity payments that would have been made from the date of the Participant's death until his expected mortality date (had the Participant not died). The payment to the beneficiary shall be made within 30 days following the Participant's death. Notwithstanding anything else in Section 6.5 of the Plan, a Participant subject to this subsection shall be permitted to name a beneficiary (in a form and manner

acceptable to the Plan Administrator) for purposes of receiving the additional benefit described in this subsection. If the Participant fails to name a beneficiary for this purpose, his beneficiary shall be the beneficiary selected under Section 6.5 of the Plan, or if none, then his Eligible Spouse or Eligible Domestic Partner (as applicable). If the Participant does not have an Eligible Spouse or Eligible Domestic Partner as of the date of his death, then his beneficiary shall be his estate.

**APPENDIX ARTICLE B -**

**Computation of Earnings and Service During Certain Severance Windows**

B.1 Definitions:

Where the following words and phrases, in boldface and underlined, appear in this Appendix B with initial capitals they shall have the meaning set forth below, unless a different meaning is plainly required by the context. Any terms used in this Article B of the Appendix with initial capitals and not defined herein shall have the same meaning as in the main Plan, unless a different meaning is plainly required by the context.

(a) **“Severance Program”** shall mean a program providing certain severance benefits that are paid while the program’s participants are on a severance leave of absence that is determined by the Plan Administrator to qualify for recognition as Service under Section B.3 and Credited Service under Section B.4 of Article B.

(b) **“Eligible Bonus”** shall mean an annual incentive payment that is payable to the Participant under the Severance Program and that is identified under the terms of the Severance Program as eligible for inclusion in determining the Participant’s Highest Average Monthly Earnings.

B.2 Inclusion of Salary and Eligible Bonus:

The Plan Administrator may specify that, pursuant to a Participant’s participation in a severance window program provided by the Company, if a Participant receives a severance benefit pursuant to a Severance Program, all salary continuation and any Eligible Bonus earned or to be earned during the first 12 months of a leave of absence period provided to the

Participant under such Severance Program will be counted toward the Participant's Highest Average Monthly Earnings, even if such salary or other earnings are to be received after a Participant's Separation from Service. In particular, if payment of a Participant's 409A Pension is to be made at Separation from Service and prior to the Participant's receipt of all of the salary continuation or Eligible Bonus that is payable to the Participant from the Severance Program, the Participant's Highest Average Monthly Earnings shall be determined by taking into account the full salary continuation and eligible bonus that is projected to be payable to the Participant during the first 12 months of a period of leave of absence that is granted to the Participant under the Severance Program.

**B.3 Inclusion of Credited Service:**

The Plan Administrator may specify that, pursuant to a Participant's participation in a severance window program provided by the Company, if a Participant receives a severance benefit under a Severance Program, all Credited Service earned or to be earned during the first 12 months of the period of severance will be counted toward the Participant's Credited Service for purposes of determining the Participant's Pension and a Pre-Retirement Spouse's Pension or Pre-Retirement Eligible Domestic Partner's Pension, even if the period of time counted as Credited Service under the Severance Program occurs after a Participant's Separation from Service.

**B.4 Inclusion of Service:**

The Plan Administrator may specify that, pursuant to a Participant's participation in a severance window program provided by the Company, if a Participant receives a severance benefit under a Severance Program, all Service earned or to be earned during the first 12 months of the period of severance will be counted toward the Participant's Service for purposes

of determining the Participant's Pension and a Pre-Retirement Spouse's Pension or Pre-Retirement Eligible Domestic Partner's Pension, even if the period of time counted as Service under the Severance Program occurs after a Participant's Separation from Service.

B.5 Reduction to Reflect Early Payment:

If the Participant receives either (1) additional Credited Service or (2) additional earnings that are included in Highest Average Monthly Earnings under Sections B.2 or B.3 of this Article B, as a result of a severance benefit provided under a Severance Program and such additional Credited Service or earnings are included in the calculation of the Participant's Pension prior to the time that the Credited Service is actually performed by the Participant, or the earnings are actually paid to the Participant, the Pension paid to the Participant shall be adjusted actuarially to reflect the receipt of the portion of the Pension attributable to such Credited Service or earnings received on account of the Severance Program prior to the time such Credited Service is performed or such earnings are actually paid to the Participant. For purposes of determining the adjustment to be made, the Plan shall use the rate provided under the Salaried Plan for early payment of benefits.

## APPENDIX ARTICLE C

### International and PIRP Transfer Participants

#### C.1 Scope:

This Article provides special rules for calculating the benefit of an individual who is either an “International Transfer Participant” under Section C.2 below or a “PIRP Transfer Participant” under Section C.4 below. The benefit of an International Transfer Participant shall be determined under Section C.3 below, subject to Section C.6 below. The benefit of a PIRP Transfer Participant shall be determined under Section C.5 below. Once a benefit is determined for an International Transfer Participant or a PIRP Transfer Participant under this Article, such benefit shall be subject to the Plan’s normal conditions and shall be paid in accordance with the Plan’s normal terms. All benefits paid under this Article are subject to Code section 409A, including any accrued prior to January 1, 2005. The provisions of this Article relating to International Transfer Participants are effective April 1, 2007. The provisions of this Article relating to PIRP Transfer Participants are effective January 1, 2016 (but they may take into account years that precede January 1, 2016).

#### C.2 International Transfer Participants:

An “International Transfer Participant” is a Participant who is:

- (a) General Rule: An individual who, following a transfer to an April 2007 Foreign Subsidiary (as defined in paragraph (5) of the Employer definition in Section 2.1 of Part B of the Salaried Plan, as in effect on January 1, 2014)), would qualify as an Employee within the meaning of paragraph (2)(vi) of the Employee definition in Section

2.1 of Part B of the Salaried Plan, as in effect on January 1, 2014 (U.S. citizen or resident alien on qualifying temporary international assignment) but for the fact that his assignment with the April 2007 Foreign Subsidiary is in a position of employment that is classified as Band 4 (or its equivalent) or higher; or

(b) Special Rule for Certain Permanent Assignments to Mexico:

Notwithstanding subsection (a) above, an International Transfer Participant also includes an individual who was transferred to an April 2007 Foreign Subsidiary based in Mexico, and who would qualify as an Employee within the meaning of paragraph (2)(vi) of the Employee definition in Section 2.1 of Part B of the Salaried Plan, as in effect on January 1, 2014 (U.S. citizen or resident alien on qualifying temporary international assignment) but for the fact that:

- (1) His assignment with the April 2007 Foreign Subsidiary is in a position that is classified as Band 4 (or its equivalent) or higher;
- (2) Mexico is his home country on the records of the Expat Centre for Excellence group or its successor (in accordance with such paragraph (2)(vi)); and
- (3) The duration of his assignment with the April 2007 Foreign Subsidiary in Mexico is not limited to 5 years or less.

An individual described in subsection (a) or (b) above may still qualify as an International Transfer Participant if his transfer to an April 2007 Foreign Subsidiary occurred prior to April 1, 2007 (the effective date of this Article), provided he satisfied the terms of subsection (a) or (b) above on the date of his transfer.

C.3 Benefit Formula for International Transfer Participants:

Except as provided in this Section C.3, an International Transfer Participant's benefit under the Plan shall be determined using a calculation methodology that is substantially similar to that which applies under Section 5.1 of the Plan.

(a) Total Pension for International Transfer Participant: Notwithstanding the preceding sentence, an International Transfer Participant's "Total Pension" (as defined in Section 5.1(c)(1) of the Plan) shall be calculated as if he continued to receive Credited Service and Earnings under the Salaried Plan while working for the April 2007 Foreign Subsidiary to which he transferred following his employment with an Employer based in the United States, without regard to the actual date on which he ceased receiving Credited Service and Earnings under the Salaried Plan. However, the Total Pension of an International Transfer Participant whose transfer to an April 2007 Foreign Subsidiary occurred prior to 1992 shall not take into account Credited Service and Earnings for employment with the April 2007 Foreign Subsidiary prior to 1992.

(b) Calculation of International Transfer Participant's Benefit: The International Transfer Participant's benefit under the Plan shall be calculated by reducing his Total Pension as determined under subsection (a) above (expressed as a lump sum as of his benefit commencement date under the Plan) by the following amounts:

- (1) The amount of his actual benefit under the Salaried Plan (expressed as a lump sum amount on his benefit commencement date), and
- (2) Any amounts paid to him from a "qualifying plan" as that term is defined under Section 3.5(c)(4) of Part B of the Salaried Plan (Transfers and Non-Duplication) with respect to his assignment with the April 2007 Foreign

Subsidiary (with such amounts expressed as a lump sum on his benefit commencement date under this Plan).

C.4 Definitions Related to PIRP Transfer Participants:

The following definitions apply for purposes of Sections C.1, C.4 and C.5 of this Article.

(a) “Accrued Benefit” is the benefit payable to a PIRP Transfer Participant, under PIRP-DB or this Plan, in the form of a single-life annuity and payable on the first of the month that is coincident with or next following the PIRP Transfer Participant’s 65<sup>th</sup> birthday.

(b) “PIRP-DB” is the portion of the PepsiCo International Retirement Program that provides a program of defined benefits.

(c) “PIRP-DB Employer” is the Company or an affiliate of the Company that is an “Employer” under the terms of PIRP-DB.

(d) “PIRP-DB Pensionable Service” is service that qualifies as “Pensionable Service” under the terms of PIRP-DB.

(e) “PIRP-DB Salary” is compensation that qualifies as “Salary” under the terms of PIRP-DB.

(f) A “PIRP Transfer Participant” is an individual who is described in paragraph (1) or (2) below.

(1) Incoming PIRP Transfer Participant: An individual – (i) who is employed during a year (including a year preceding 2016) by a PIRP-DB Employer in a position that is eligible to accrue benefits under PIRP-DB (or would be eligible if Section 9.14 of PIRP-DB did not apply), (ii) who is then transferred by the Company during the year from such position to a position that is eligible to

accrue benefits under the Salaried Plan, (iii) whose PIRP-DB accrual for the Year of Transfer is blocked by Section 9.14 of PIRP-DB, (iv) who would otherwise be entitled to a PIRP-DB benefit enhancement for the Year of Transfer that relates to PIRP-DB Salary or PIRP-DB-Pensionable Service for the year of the transfer, and (v) whose PIRP-DB benefit was not already paid out by December 1, 2016 (but disregarding any such paid-out PIRP-DB benefit for this purpose that the PIRP-DB Vice President determines should be treated under this clause as if it had not been paid out).

(2) Outgoing PIRP Transfer Participant: An individual – (i) who is employed during a year (including a year preceding 2016) by an Employer in a position that is eligible to accrue benefits under the Salaried Plan, (ii) who is then transferred by the Company during the year from such position to a position that is eligible to accrue benefits under PIRP-DB (or would be eligible if Section 9.14 of PIRP-DB did not apply), (iii) whose PIRP-DB accrual for the Year of Transfer is blocked by Section 9.14 of PIRP-DB, (iv) who would otherwise be entitled to a PIRP-DB benefit enhancement for the Year of Transfer that relates to PIRP-DB Salary or PIRP-DB Pensionable Service for the year of the transfer, and (v) whose PIRP-DB benefit was not already paid out by December 1, 2016 (but disregarding any such paid-out PIRP-DB benefit for this purpose that the PIRP-DB Vice President determines should be treated under this clause as if it had not been paid out).

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

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

(i) “Year of Transfer” is the year in which a transfer described in subsection (f) above occurs.

C.5 Benefit Formula for PIRP Transfer Participants:

Except as provided in this Section C.5, a PIRP Transfer Participant’s benefit under the Plan shall be determined using a calculation methodology that is substantially similar to that which applies under Section 5.1 of the Plan.

(a) Total Pension for PIRP Transfer Participant: Notwithstanding the preceding sentence, a PIRP Transfer Participant’s “Total Pension” (as defined in Section 5.1(c)(1) of the Plan) shall be calculated as provided in paragraphs (1) and (2) below.

(1) First, a PIRP Transfer Participant’s Total Pension shall be calculated as if he were an eligible employee under the Salaried Plan for the entire Year of Transfer, and as if he received Credited Service and Earnings under the Salaried Plan for the Year of Transfer equal to – (i) his actual Credited Service and Earnings under the Salaried Plan for the Year of Transfer, increased by (ii) any other compensation and service for the Year of Transfer that would have been recognized as PIRP-DB Salary and PIRP DB Pensionable Service, if Section 9.14 of PIRP-DB did not apply for the Year of Transfer.

(2) If (during a year a PIRP Transfer Participant is otherwise accruing benefits under this Plan) the PIRP Transfer Participant would be credited with PIRP-DB Salary that cannot be recognized under PIRP as a result of Section 9.14 of PIRP-DB, and if this PIRP-DB Salary would be considered for accrual purposes

under PIRP-DB in connection with PIRP-DB Pensionable Service that is not recognized under this Plan, the increase in the PIRP Transfer Participant's Accrued Benefit under PIRP that is related to this PIRP-DB Pensionable Service and that is blocked by Section 9.14 of PIRP-DB shall be added to the PIRP Transfer Participant's Accrued Benefit under this Plan. In the case of a PIRP Transfer Participant who has a Separation from Service on or after January 1, 2017, this increase in the PIRP Transfers Participant's Accrued Benefit under this Plan shall result in an appropriate increase, determined in the Company's discretion, in the Total Pension determined under paragraph (1) above. Notwithstanding the foregoing, in determining Credited Service and Earnings under this subsection (a), no compensation or service shall be taken into account more than once, and a PIRP Transfer Participant's Total Pension shall be determined in a way that avoids any duplication of benefits that will be provided to or on behalf of the PIRP Transfer Participant under PIRP-DB (after applying Section 9.14 of PIRP-DB) or another plan maintained or contributed to by the Company or an affiliate, but without applying any offset that would violate Code Section 409A.

(b) Calculation of PIRP Transfer Participant's Benefit: The PIRP Transfer Participant's benefit under the Plan shall be calculated by reducing his Total Pension as determined under subsection (a) above by the reductions that are normally applicable under Article V. In addition, in the case of a PIRP Transfer Participant who has a Separation from Service on or after January 1, 2017, if (during a year a PIRP Transfer Participant is otherwise accruing benefits under this Plan) the value of the PIRP Transfer Participant's benefit under PIRP-DB would increase (if Section 9.14 of PIRP-DB did not

apply) as a result of the PIRP Transfer Participant becoming eligible for early retirement under PIRP-DB, then the projected increase in value of the PIRP-DB benefit at the PIRP Transfer Participant's retirement under PIRP-DB, which will be blocked by Section 9.14 of PIRP, shall result in an appropriate increase, determined in the Company's discretion, in the Participant's benefit under this Plan that is payable at the time and in the form applicable under this Plan. The appropriate increase shall be determined net of any expected increase in the value of the benefit under this Plan related to becoming eligible for Early Retirement under this Plan. In addition, a PIRP Transfer Participant's appropriate increase shall be determined in a way that avoids any duplication of benefits that will be provided to or on behalf of the PIRP Transfer Participant under PIRP-DB (after applying Section 9.14 of PIRP-DB) or another plan maintained or contributed to by the Company or an affiliate, but without applying any offset that would violate Code Section 409A.

C.6 Alternative Arrangements Permitted:

Notwithstanding any provision of this Article or the Plan to the contrary, the Company and a Participant who would qualify as an International Transfer Participant under Section C.2 above may agree in writing to disregard the provisions of this Article in favor of another mutually agreed upon benefit arrangement under the Plan that complies with Code Section 409A, in which case this Article shall not apply.

**APPENDIX ARTICLE D**

**Band 4 or Higher Rehired Yum Participants**

D.1 Scope:

Effective May 1, 2009, this Article provides special rules for calculating the benefit of a transferred Participant whose transfer would be an Eligible Transfer under Section TRI.2(e) of the Part B of the Salaried Plan but for the fact that such individual is reemployed by the Company on or after May 1, 2009, into a position that is classified as Band 4 (or its equivalent) or higher. For purposes of determining such Participant's Total Pension within the meaning of Section 5.1(c)(1), but not for purposes of determining such Participant's Salaried Plan Pension within the meaning of Section 5.1(c)(2), such Participant's position on reemployment will be deemed to be classified as below Band 4 (or its equivalent), so that the Participant's transfer is eligible to be treated as an Eligible Transfer (subject to the other conditions thereof) and the Participant is eligible for the imputed service provisions of Section TRI.4(b) and (c). Such Participant's benefit otherwise shall be subject to the Plan's usual conditions and shall be paid in accordance with the Plan's usual terms. All benefits paid under this Article are subject to Code section 409A.

## APPENDIX ARTICLE E -

### Time and Form of Payment for Benefits Paid During Severance Windows

#### E.1 Scope.

This Article E sets forth the time and form of payment provisions that apply to benefits under the Plan that are paid to a Covered Participant (as defined in Section E.2 below). This Article is effective for Participants who are terminated in a Severance Program or under circumstances that qualify them for an Individual Severance Agreement (each as defined in Section E.2 below) on or after January 1, 2009 (or in the case of Participants covered by Appendix Article PBG, on or after January 1, 2012). Nothing in this Article E shall make any of the additional benefits that are made available under the Plan in any Severance Program or pursuant to any Individual Severance Agreement a permanent feature of the Plan.

#### E.2 Definitions:

Where the following words and phrases appear in this Appendix E with initial capitals, they shall have the meaning set forth below unless a different meaning is plainly required by the context. Any terms used in this Article E of the Appendix with initial capitals and not defined herein shall have the same meaning as in the main Plan, unless a different meaning is plainly required by the context.

(a) “Applicable Summary Plan Description” means the summary plan description that sets forth the terms and conditions of a particular Severance Program.

(b) “Covered Participant” means a Participant whose employment with the Company is terminated and who is eligible for Special Early Retirement either (i) under a

Severance Program and pursuant to the terms of the Applicable Summary Plan Description, or (ii) pursuant to the terms of an Individual Severance Agreement.

(c) “Individual Severance Agreement” means an agreement between the Company and a Covered Participant that – (i) sets forth the terms and conditions of the Covered Participant’s termination of employment and (ii) expressly provides that the termination qualifies the Covered Participant for Special Early Retirement under PEP.

(d) “Kicker” means the Special Early Retirement benefit that is provided to a Covered Participant pursuant to the terms of an Applicable Summary Plan Description or an Individual Severance Agreement and that is equal to the following: (i) the Participant’s benefit under the Salaried Plan and this Plan as of his Termination Date, determined based on the benefit formulas and early retirement reduction factors for Early Retirement Pensions under each plan, minus (ii) the Participant’s Vested Pension under the Salaried Plan and this Plan as of the Termination Date, determined based on the benefit formulas and reduction factors for Vested Pensions under each plan. The Kicker shall be divided into the following components:

(1) The “PEP Kicker,” which is the portion of the Kicker paid under the Plan as a replacement for benefits that the Participant could have earned under the Plan but for his Separation from Service (either in a Severance Program or pursuant to the terms of an Individual Severance Agreement) prior to attaining Normal or Early Retirement under the Plan; and

(2) The “Qualified Kicker,” which is the portion of the Kicker paid under the Plan as a replacement for benefits that the Participant could have earned under the Salaried Plan but for his termination of employment (either in

a Severance Program or pursuant to the terms of an Individual Severance Agreement) prior to attaining Normal or Early Retirement under the Salaried Plan.

In determining the early retirement reduction factors for ages before 55, the monthly rate of reduction applicable between age 56 and age 55 shall apply unless (i) in the case of a Participant who is eligible for Special Early Retirement under a Severance Program, a different factor is used in the Salaried Plan for employees covered by the same Severance Program in which case such other factor shall be used, and (ii) in the case of a Participant who is eligible for Special Early Retirement pursuant to the terms of an Individual Severance Agreement, a different factor is called for therein, in which case such other factor shall be used.

(e) “Severance Program” has the same meaning that applies to that term under Appendix Section ERW.2(f) of Part B of the Salaried Plan (legacy PepsiCo Appendix).

(f) “Special Early Retirement” means a retirement from the Company that either – (i) satisfies all of the conditions for receiving special early retirement benefits that are set forth in an Applicable Summary Plan Description, or (ii) is expressly recognized as qualifying for special early retirement benefits pursuant to the terms of an Individual Severance Agreement.

(g) “Termination Date” means the later of – (i) the Covered Participant’s Separation from Service, or (ii) date as of which the Covered Participant’s severance leave of absence (if any) is projected to terminate under the terms of the Applicable Summary Plan Description or the Individual Severance Agreement, as applicable. If

clause (ii) of the preceding sentence applies, then a Participant's Termination Date shall be determined as of the date of the Participant's Separation from Service using the formulas for calculating the severance leave of absence, as such formulas are in effect under the Applicable Summary Plan Description or the Individual Severance Agreement when the legally binding right to special early retirement benefits arises in connection with the Severance Program or pursuant to the Individual Severance Agreement. A Participant's Termination Date, once set in accordance with the prior two sentences, shall not change based on any circumstances or events that follow the date of the Participant's Separation from Service.

E.3 Time and Form of Payment for 409A Pension:

A Covered Participant's 409A Pension (calculated without regard to the Kicker for purposes of this Section E.3) shall be paid as follows:

(a) Non-Retirement Eligible Participants: If a Covered Participant is not eligible for Retirement as of his Separation from Service, the Participant's 409A Pension shall be paid as a Vested Pension under Section 6.1(b) according to the form of payment provisions applicable to Vested Pensions under Section 6.2.

(b) Retirement Eligible Participants:

(1) If the Covered Participant is eligible for a Normal, Early or Late Retirement Pension under Article IV as of his Separation from Service, the Participant's 409A Pension shall be paid as a Retirement Pension under Section 6.1(a)(1); provided, however, that if the Participant made a valid prior payment election under Section 6.1(a)(2), his 409A Pension shall be paid as a Retirement Pension in accordance with such election.

(2) If the Covered Participant becomes eligible for a Normal or Early Retirement Pension after his Separation from Service, including during the period between his Separation from Service and the last day of his paid leave of absence (if any), the Participant's 409A Pension shall be paid as a Vested Pension under Section 6.1(b) according to the form of payment provisions applicable to Vested Pensions under Section 6.2.

(c) Special Early Retirement Eligible Participants: If a Covered Participant is eligible for Special Early Retirement as of his Separation from Service or becomes so eligible during the period between his Separation from Service and the last day of his paid leave of absence (if any), the Participant's 409A Pension shall be paid as a Vested Pension under Section 6.1(b) according to the form of payment provisions applicable to Vested Pensions under Section 6.2.

#### E.4 Time and Form of Payment of Kicker Benefits:

A Covered Participant's PEP Kicker and Qualified Kicker shall be paid as follows:

(a) PEP Kicker: A Participant's PEP Kicker shall be paid as a single lump sum on the first day of the month following the later of (i) the Participant's 55<sup>th</sup> birthday, or (ii) the Participant's Separation from Service; provided, however, that if the Participant made a valid Prior Payment Election under Section 6.1(a)(2), the Participant's PEP Kicker shall be paid according to such election (even in cases where the Participant's 409A Pension is paid according to Section E.3(b)(2) above). In the event the Participant dies after meeting the requirements for a PEP Kicker but before it is paid, the PEP Kicker shall be paid to his Surviving Spouse or surviving Eligible Domestic Partner in a single lump

sum 60 days following his death, and if there is no Surviving Spouse or surviving Eligible Domestic Partner, then to the Participant's estate.

(b) Qualified Kicker: A Participant's Qualified Kicker shall be paid based on his Separation from Service as a single lump sum on the first day of the month coincident or next following his Termination Date; provided, however, that if the Applicable Summary Plan Description or Individual Severance Agreement that creates the Participant's legally binding right to the Qualified Kicker expressly provides for a different time and/or form of payment, the provisions of this subsection (b) shall not apply, and the Participant's Qualified Kicker shall be paid as provided in the Applicable Summary Plan Description or Individual Severance Agreement, as applicable. In the event the Participant dies after meeting the requirements for a Qualified Kicker but before it is paid, the Qualified Kicker shall be paid to his Surviving Spouse or surviving Eligible Domestic Partner in a single lump sum 60 days following his death, and if there is no Surviving Spouse or surviving Eligible Domestic Partner, then to the Participant's estate.

E.5 Delay for Key Employees:

Notwithstanding any provision of this Appendix E to the contrary, if a Participant is determined to be a Key Employee, any payment under this Article E that is made on account of his Separation from Service shall be subject to the required delay in payment for Key Employees under Section 6.6, except to the extent that the payment qualifies for an exemption from the application of Section 409A.

## APPENDIX ARTICLE F -

### U.K. Supplementary Appendix Participants with U.S. Service

#### F.1 Scope:

This Article applies to “Covered U.K. Employees” as defined in Section F.2 below. The benefit of a Covered U.K. Employee shall be determined as provided in Section F.3 below. Once a benefit is determined for a Covered U.K. Employee under this Article, it shall be paid in accordance with the Plan’s normal terms regarding the time and form of payment. All benefits payable under this Article are subject to Code section 409A. This Article has been restated effective January 1, 2016 (the original version of this Article was effective January 1, 2011, and it applied, in accordance with its prior terms, to periods of service before January 1, 2016).

#### F.2 “Covered U.K. Employee” Defined:

A “Covered U.K. Employee” is a participant in the PepsiCo U.K. Pension Plan (“U.K. Participant”) who – (i) becomes subject to United States income taxes, *e.g.*, by transferring to a position with the Company in the United States or otherwise (hereinafter referenced as “Engages in U.S. Service”), (ii) continues to accrue benefits under the PepsiCo U.K. Pension Plan after he Engages in U.S. Service, (iii) would have also accrued a benefit under the U.K. Supplementary Pension Appendix for such period following when he Engages in U.S. Service (except for the unavailability of accruals under such Appendix for the period a U.K. Participant Engages in U.S. Service), (iv) subsequently either – (A) is localized in the United States as an employee of the PepsiCo Organization, or (B) terminates employment with the PepsiCo Organization (provided this occurs before the date the U.K. Participant commences an assignment with the PepsiCo Organization that is located outside the United States, as defined

in the Code), and (v) only after fully satisfying all of the preceding clauses, is then designated by the Company (in its completely unfettered discretion) as a Covered U.K. Employee and thereby granted a legally binding right to a benefit under this Article F at the time of the designation. The period that a U.K. Participant Engages in U.S. Service shall begin on the first day that he becomes subject to United States income taxes (his “U.S. Commencement Date”), and it shall end on the date he is no longer subject to U.S. income taxes or, if earlier, the date his Plan benefits under this Article F commence (his “U.S. Cessation Date”).

F.3 Benefit for Covered U.K. Employees:

A Covered U.K. Employee’s benefit under the Plan shall be determined by calculating, as of his Modified U.S. Cessation Date, his “Total U.K. Supplementary Benefit” and then subtracting from this amount his “Frozen U.K. Supplementary Benefit.” For this purpose, a Covered U.K. Employee’s—

(a) “Modified U.S. Cessation Date” is the earliest of the following – (i) the date he is no longer subject to U.S. income taxes, (ii) the date he first satisfies clause (iv) of Section F.2, (iii) the date he commences an assignment with the PepsiCo Organization that is located outside the United States (as defined in the Code), or (iv) the date his Plan benefits under this Article F commence.

(b) “Total U.K. Supplementary Benefit” is equal to the total benefit that he would have under the terms of the U.K. Supplementary Pension Appendix, calculated based on all service and compensation with the Company through his Modified U.S. Cessation Date that is counted in the calculation of his benefit under the PepsiCo U.K. Pension Plan (or that would be counted but for a limitation applicable to the plan under

U.K. law), and with such total benefit expressed in the form of a single lump sum that is payable as of the date his benefits under this Article F commence, and

(c) “Frozen U.K. Supplementary Benefit” is equal to the total benefit that he had under the terms of the U.K. Supplementary Pension Appendix as of immediately before his U.S. Commencement Date, and with such total benefit expressed in the form of a single lump sum that is payable as of the date his benefits under this Article F commence.

The calculation provided for in the preceding sentence shall be made in accordance with the operating rules set forth in Section F.4 below.

F.4 Operating Rules:

The following operating rules apply to the calculation in Section F.3. above.

(a) In general, accruals under the PepsiCo U.K. Pension Plan for the period after a Covered U.K. Employee’s U.S. Cessation Date shall not reduce the benefit under this Article F determined under Section F.3. Notwithstanding the prior sentence and anything in Section F.3 to the contrary, to the extent a Covered U.K. Employee’s accruals under the PepsiCo U.K. Pension Plan for the period after a Covered U.K. Employee’s U.S. Cessation Date have more than fully offset the Covered U.K. Employee’s accruals under the U.K. Supplementary Pension Appendix (and the excess would have been offset against the benefit under this Article F had such benefit accrued under the U.K. Supplementary Appendix), then any such excess as of the date benefits under this Article F commence (expressed as a lump sum as of such date) shall be offset against the benefits under this Article F to the extent such offset would not violate Code Section 409A.

(b) In determining the value of a lump sum under this Article F, the actuarial assumptions that are used shall be actuarial assumptions that comply with Section 417(e) of the Code and, specifically, are the Code Section 417(e) assumptions that would be used under the PepsiCo Salaried Employees Retirement Plan to pay a retirement lump sum as of the date applicable that the lump sum in question is to be determined under this Article F.

(c) A Covered U.K. Employee's Frozen U.K. Supplementary Benefit shall be determined on the basis of assuming that the Covered U.K. employee voluntarily terminated employment and any other service relationship with the PepsiCo Organization as of immediately before his U.S. Commencement Date.

(d) This subsection applies if the terms of the PepsiCo U.K. Pension Plan or the U.K. Supplementary Pension Appendix are amended during a year in a way that would change the results under the Section F.3 calculation, and such amendment otherwise applies earlier than the immediately following year. In this case, to the extent that doing is necessary to comply with Code Section 409A, the calculation in Section F.3 shall be made by delaying the application of the amendment so that it is prospectively effective starting with the immediately following year.

(e) In the event a Covered U.K. Employee (i) has earned a benefit under this Article F, (ii) has reached his U.S. Cessation Date, and (iii) then again Engages in U.S. Service and meets all of the requirements to be a Covered U.K. Employee when he again Engages in U.S. Service, the foregoing terms shall be applied again to determine if he earns a benefit for the new period that he Engages in U.S. Service, except that any resulting benefit from this new period shall be reduced by the lump sum value of any

prior benefit under this Article F (as necessary to completely avoid any duplication of benefits).

(f) In the event a Covered U.K. Employee (i) has earned a benefit under this Article F, (ii) has reached his U.S. Cessation Date, and (iii) then is employed by the PepsiCo Organization in a classification that would be eligible for an accrual under the provisions of the Plan other than this Article F (the "Other Provisions"), then the Other Provisions shall be applied to determine if he earns a benefit under the Other Provisions for the new period of service, except that any resulting benefit from this new period of service shall be reduced by the lump sum value of any prior benefit under this Article F (as necessary to completely avoid any duplication of benefits).

F.5 No Other Benefits:

A Covered U.K. Employee shall not be entitled to any other benefits under this Plan or the Salaried Plan while he is a Covered U.K. Employee (or while he would be a Covered U.K. Employee if clauses (iv) and (v) of Section F.2. were not included in the definition of Covered U.K. Employee). In addition, prior to the time that an individual has satisfied all of the requirements to be considered a Covered U.K. Employee, the individual has no legally binding right to a benefit under this Article F. Accordingly, for the avoidance of doubt, at any point before such time, the Company may take action that prevents the individual from becoming entitled to a benefit under this Article F (e.g., by deciding that it will not designate the individual as a Covered U.K. Employee, in an unfettered exercise of the Company's discretion), regardless of the services performed or other actions taken by the individual through this point in time, and regardless of any other factor.

## **APPENDIX ARTICLE G -**

### **Delay Election For Certain Pre-2018 Terminees**

#### **G.1 Scope:**

This Article provides an opportunity for certain Participants, who Separated from Service before January 1, 2018 and who are eligible to receive a 409A Vested Pension, to make a one-time election to delay the distribution of their 409A Vested Pension as permitted by Code section 409A(a)(4)(C). This opportunity is referred to in this Appendix G as a Delay Election. This Article is effective as of January 1, 2018.

#### **G.2 Eligibility for Making a Delay Election.**

To be eligible to make a Delay Election, a Participant must:

- (a) Have Separated from Service before January 1, 2018,
- (b) Be eligible for a 409A Vested Pension for which the scheduled payment date under the regular terms of the Plan, as determined by the Plan Administrator, (the "Scheduled Payment Date") is at least 12 months after the date the Participant will make the election, and
- (c) Be selected and notified by the Company, in its sole discretion, for the opportunity to make a Delay Election.

#### **G.3 Requirements for Making a Delay Election**

To be effective, a request for a Delay Election must:

- (a) Become fully effective and irrevocable at least 12 months in advance of the Scheduled Payment Date that was previously in effect, and

(b) Specify a new scheduled date for payment commencement that is at least 5 years later than the Participant's Scheduled Payment Date (but that is not later than the first of the month coincident with or immediately following the Participant's 65th birthday) (the "New Scheduled Payment Date").

G.4 No Change in Form

A Participant is not permitted to use a Delay Election to change the form of payment of his or her distribution, except that:

(a) The Participant's marital status as of the New Scheduled Payment Date shall determine the form of annuity payable under the Delay Election (with such marital status determined as of the New Scheduled Payment Date in accordance with Section 6.3(c) ("Determination of Marital Status")), and

(b) Any reduction for early commencement (as applicable under Section 5.1(b) ("Basis for Determining")) of the benefit, which is subject to the Delay Election, shall be determined with reference to the New Scheduled Payment Date.

G.5 Cashout Provisions Not Superseded.

A benefit to which an effective Delay Election applies remains subject to the cashout distribution provisions in Section 4.9.

## APPENDIX ARTICLE H –

### Definitions of Eligible Domestic Partner Applicable Prior to January 1, 2019

#### H.1 Scope.

This Article H provides the definition of Eligible Domestic Partner for periods prior to January 1, 2019.

#### H.2 Definition of Eligible Domestic Partner.

Paragraphs a, b, c and d are effective for the dates indicated in the paragraph. Paragraph e sets forth general rules. Paragraph f sets forth defined terms.

a) January 1, 2016 through December 31, 2018 Provisions For applicable dates from January 1, 2016 through December 31, 2018, “Eligible Domestic Partner” status is not recognized under the Plan, in light of the Supreme Court’s 2015 decision that the Constitution guarantees the right to same-sex marriage.

1. Limited Exception for 2016 Plan Year. Notwithstanding the foregoing, and solely for applicable dates in 2016, in the case of a Participant who (i) has a relationship with an individual on December 31, 2015 that is recognized as an eligible domestic partner or civil union relationship under paragraph (2) below and (ii) on any date during the 2015 Plan Year, is either an Employee who is actively employed or on an Authorized Leave of Absence from the PepsiCo Organization or a Participant, Eligible Domestic Partner means the individual with whom the Participant has entered into such an arrangement that was valid on the applicable date.

b) June 26, 2013 through December 31, 2015 Provisions.

1. Civil Unions. If on the applicable date the Participant resides in a state that does not permit same-sex marriage and the Participant has entered into a same-sex civil union that is valid on the applicable date in the state in which it was entered into, the Participant's Eligible Domestic Partner (if any) is the individual with whom the Participant has entered into such a same-sex civil union. If a Participant resides in a state that does not permit same-sex marriage but does permit same-sex civil unions, the Participant is not eligible to have an Eligible Domestic Partner unless the Participant is in a valid same-sex civil union.
2. State of Residence Allows Neither Civil Unions Nor Marriage. If the Participant does not have an Eligible Domestic Partner (and is not eligible to have one) pursuant to subsection (a) above, the Participant's Eligible Domestic Partner (if any) is the individual with whom the Participant has executed a legally binding same-sex domestic partner agreement that meets the requirements set forth in writing by the Company with respect to eligibility for domestic partner benefits that is in effect on the applicable date. If such Participant has not entered into such an agreement, the Participant is not eligible to have an Eligible Domestic Partner.

- c) January 1, 2013 through June 25, 2013 Provisions. For applicable dates from January 1, 2013 through June 25, 2013, Eligible Domestic Partner means an individual described in paragraph (3) above, and also includes the following: If on the applicable date the Participant has entered into a same-sex marriage that is valid on

the applicable date in the state in which it was entered into, the Participant's Eligible Domestic Partner (if any) is the Participant's spouse pursuant to such same-sex marriage. If the Participant resides in a state that permits same-sex marriage, the Participant is not eligible to have an Eligible Domestic Partner unless either (a) the Participant is in a valid same-sex marriage or (b) such state did not start to permit same-sex marriages until less than 12 months before the applicable date.

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

e) Additional Rules. This paragraph (e) applies to the definition of Eligible Domestic Partner for the applicable dates covered by this H notwithstanding any provisions in paragraphs (a), (b), (c) or (d) to the contrary. The term "Eligible Domestic Partner" does not apply to an individual who is of the opposite sex of the Participant. A Participant who lives in a state that permits same-sex marriage is not permitted to have an Eligible Domestic Partner. In the case of applicable dates prior to January 1, 2016, if the Participant's state started to permit same-sex marriage or same-sex civil unions less than 12 months before the applicable date, the Participant is treated as residing in a state that does not permit same-sex marriage or same-sex civil unions, as the case may be, for purposes of this definition of Eligible Domestic Partner.

f) Defined Terms. For purposes of the definition of "Eligible Domestic Partner" in this Article H, the following definitions apply: "applicable date" means the earlier of the Participant's Annuity Starting Date and date of death, and "state" means any domestic or foreign jurisdiction having the legal authority to sanction marriages or civil unions.

## **APPENDIX ARTICLE I**

### **409A PEP Makeup for Certain Pre-409A Benefits**

#### **I.1 Scope:**

To ensure there will be no “material modification” of the Pre-409A Program, this Article provides a makeup benefit under the 409A Program that applies to certain participants in the Pre-409A Program (“Pre-409A Participants”) in lieu of updating the Pre-409A Program’s actuarial factors for early commencement of Vested Pensions to be consistent with the “2019 Salaried Program Factors” (as that term is defined in the definition of Actuarial Equivalent). In the case of participants in the Pre-409A Program who are also Participants in the 409A Program (without regard to this Article), this makeup relating to the early commencement reduction of Vested Pensions payable as annuities is provided under the main text of the Plan. However, this makeup is provided under this Article in the case of affected Pre-409A Participants who are otherwise not entitled to a benefit under the 409A Program.

#### **I.2 Eligibility Under This Article:**

To be eligible under this Article, an individual must be a Pre-409A Participant:

- a) Who is paid a Pre-409A Pension that is (i) a “Vested Pension” under the Pre-409A Program, and (ii) paid in the form of an annuity commencing as of a date prior to the Pre-409A Participant’s Normal Retirement Date but as of on or after January 1, 2019;

- b) Whose Pre-409A Pension annuity under subsection (a) above is reduced for early commencement under the terms of the Pre-409A Program by more than it would be if the early commencement reduction were calculated using the 2019 Salaried Plan Factors; and
- c) Who otherwise would not have a 409A Pension that is payable effective as of January 1, 2019 or later because, except as provided in this Article, the only PEP Pension to which the individual is entitled is a Pre-409A Pension, or because his otherwise applicable 409A Pension commenced payment as of prior to January 1, 2019.

An individual who satisfies all of the foregoing eligibility requirements shall be referred to as an “Eligible Person” for purposes of this Article.

I.3 Benefit Amount Under This Article:

The benefit amount for an Eligible Person under this Article shall be the single lump sum that is the Actuarial Equivalent of the difference between:

- a) The Single Life Annuity that would be payable to the Eligible Person under the Pre-409A Program as of the Eligible Person’s Annuity Starting Date under the Pre-409A Program if the 2019 Salaried Program Factors for early commencement applied in calculating such Single Life Annuity (including with respect to any portion of the Participant’s Pre-409A Pension that is derived from the PEP Guarantee), and

- b) The Single Life Annuity that is actually applicable to the Eligible Person under the Pre-409A Program as of the Eligible Person's Annuity Starting Date under the Pre-409A Program, because of the early commencement factors that are actually applicable in calculating such Single Life Annuity (including with respect to any portion of the Participant's Pre-409A Pension that is derived from the PEP Guarantee).

Such Actuarial Equivalent lump sum shall be calculated as of the applicable commencement date specified in Section I.4 below; however, if the applicable commencement date is the Section I.4(b) date (*i.e.* December 1, 2019) and the Eligible Person's actual Annuity Starting Date under the Pre-409A Program precedes December 1, 2019, then the Actuarial Equivalent lump sum shall be determined as of such actual Annuity Starting Date and then brought forward with Actuarial Equivalent interest to December 1, 2019. For purposes of subsection (a) above, the 2019 Salaried Program Factors shall be solely the new factors applicable under the Salaried Program as of January 1, 2019 (and no alternative calculation using the factors in effect before January 1, 2019 shall apply).

I.4 Time of Payment Under This Article:

The lump sum benefit calculated under this Appendix shall be payable as of the Eligible Person's applicable commencement date, which is the latest of the following:

- a) The first of the month following the Eligible Person's Separation from Service,
- b) December 1, 2019, or

- c) The first of the month following the Eligible Person's attainment of age 55 (except that this subsection (c) shall not apply to the extent that the Eligible Person's benefit is derived from Article PBG of this Appendix).

In the event that the Eligible Person's applicable commencement date is the date in subsection (a) above, then the date of actual payment of the benefit shall be delayed to the extent provided by Section 6.6(a) of the main text of the Plan, and in the case of such a delay, the benefit determined as of such applicable commencement date shall be increased by interest for the period of delay as provided in Section 6.6(c) of the main text of the Plan.

I.5 Non-Duplication of Benefits:

The foregoing Sections of this Article are intended to provide a make-up benefit under the 409A Program for applying an early commencement reduction under the Pre-409A Program using factors that predate the 2019 Salaried Plan Factors, with respect to a Pre-409A Pension that is paid in the form of an annuity and that has an Annuity Starting Date of January 1, 2019 or later. However, no duplication of benefits may occur at any time under the Plan. Therefore, to the extent an Eligible Person has received or will receive a 409A Pension that, without regard to this Article, effectively provides some or all of such makeup (*e.g.*, because the Eligible Person's 409A Pension was reduced for early commencement using Early Retirement reduction factors), or to the extent that the Plan Administrator concludes that providing the makeup under this Article would otherwise result in a duplication of benefits, the makeup benefit under this Article shall be reduced (but not below zero) as the Plan Administrator deems appropriate

to eliminate all duplication of benefits. This provision shall govern over any contrary provision of this Article or the Plan that might be interpreted to support a duplication of benefits.

## **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: (i) 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, and (ii) effective for Annuity Starting Dates on or after January 1, 2019, if a Participant elects a survivor, period certain annuity or other death benefit annuity (or an annuity with other optional features), the adjustment of the Single Life Annuity to Actuarial Equivalent optional annuity shall be determined under the provisions of the main section of this document. There shall be no change to the time or form of payment of benefits that are subject to Code section 409A under either the PepsiCo PEP or PBG PEP Document as a result of the plan merger or the revisions made to the 409A PBG PEP Document when it was incorporated into this Appendix.

### **ARTICLE I TO APPENDIX ARTICLE PBG - HISTORY AND PURPOSE**

1.1 ***History of Plan.*** The Pepsi Bottling Group, Inc. ("PBG") established the PBG Pension Equalization Plan ("PEP" or "Plan") effective April 6, 1999 for the benefit of salaried employees of the PBG Organization who participate in the PBG Salaried Employees Retirement Plan ("Salaried Plan"). The Plan was initially established as a successor plan to the PepsiCo Pension Equalization Plan, due to PBG's April 6, 1999 initial public offering, and the Plan included

historical PepsiCo provisions which are relevant for eligibility and benefit determinations under the Plan. The Plan provides benefits for eligible employees whose pension benefits under the Salaried Plan are limited by the provisions of the Internal Revenue Code of 1986, as amended.

In addition, the Plan provides benefits for certain eligible employees based on the pre-1989

Salaried Plan formula. Effective April 1, 2009, the Plan also provides benefits for employees whose eligible pay under the Salaried Plan is reduced due to the employees' elective deferrals under the PBG Executive Income Deferral Program and for certain executives who would be "Grandfathered Participants" under the Salaried Plan but for their classification as salary band E3-E8 or MP (or its equivalent, for periods on and after the Effective Time). The Plan is intended as a nonqualified unfunded deferred compensation plan for federal income tax purposes. For purposes of the Employee Retirement Income Security Act of 1974 ("ERISA"), the Plan is structured as two plans. The portion of the Plan that provides benefits based on limitations imposed by Section 415 of the Internal Revenue Code (the "Code") is intended to be an "excess benefit plan" as described in Section 4(b)(5) of ERISA. The remainder of the Plan is intended to be a plan described in Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA providing benefits to a select group of management or highly-compensated employees.

The Plan has been amended from time to time, most recently in the form of an amendment and complete restatement effective as of April 1, 2009 ("2009 Restatement"). PBG further amended the Plan as a result of the merger of PBG with and into Pepsi-Cola Metropolitan Bottling Company, Inc., a wholly-owned subsidiary of PepsiCo, Inc. (the "Company"), pursuant to the Agreement and Plan of Merger dated as of August 3, 2009 among PBG, the Company and Pepsi-

Cola Metropolitan Company, Inc., and to facilitate the Company's assumption of PBG's role as the Plan's sponsor.

1.2 ***Effect of Amendment and Restatement.*** The Plan as in effect on October 3, 2004 is referred to herein as the Prior Plan.

Except as otherwise explicitly provided in Section 6.1(b)(3) of this Plan, a Participant's benefit (including death benefits), determined under the terms of the Plan as in effect on October 3, 2004 as if the Participant had terminated employment on December 31, 2004, without regard to any compensation paid or services rendered after 2004, or any other events affecting the amount of or the entitlement to benefits (other than the Participant's survival or the Participant's election under the terms of the Plan with respect to the time or form of benefit) (the "Grandfathered Benefit") shall be paid at the time and in the form provided by the terms of the Plan as in effect on October 3, 2004.

The benefit of a Participant accrued under this Plan based on all compensation and services taken into account by the Prior Plan and this Plan, less the Participant's Grandfathered Benefit, shall be paid in the times and in the form as provided in this Plan. Except as otherwise explicitly provided in this Plan, this Plan superseded the Prior Plan effective January 1, 2009, with respect to amounts accrued and vested after 2004 by Participants who had not commenced receiving benefits as of January 1, 2009. The Plan was administered in accordance with a good faith interpretation of Section 409A of the Internal Revenue Code and IRS regulations and guidance thereunder from January 1, 2005 through December 31, 2008. Amounts accrued under this Plan after 2004 shall be treated as payable under a separate Plan for purposes of Section 409A of the Internal Revenue Code.

## ARTICLE II TO APPENDIX ARTICLE PBG - DEFINITIONS AND CONSTRUCTION

2.1 **Definitions.** The following words and phrases, when used in this Plan, shall have the meaning set forth below unless the context clearly indicates otherwise. Unless otherwise expressly qualified by the terms or the context of this Plan, the terms used in this Plan shall have the same meaning as those terms in the Salaried Plan.

(a) **Actuarial Equivalent.** Except as otherwise specifically set forth in the Plan or any Appendix to the Plan with respect to a specific benefit determination, a benefit of equivalent value computed on the basis of the factors applicable for such purposes under the Salaried Plan.

(b) **Annuity.** A Pension payable as a series of monthly payments for at least the life of the Participant.

(c) **Code.** The Internal Revenue Code of 1986, as amended from time to time.

(d) **Company.** PepsiCo, Inc., a corporation organized and existing under the laws of the State of North Carolina or its successor or successors. For periods prior to the Effective Time, "Company" means The Pepsi Bottling Group, Inc."

(e) **Compensation Limitation.** Benefits not payable under the Salaried Plan because of the limitations on the maximum amount of compensation which may be considered in determining the annual benefit of the Salaried Plan Participant under Section 401(a)(17) of the Code.

(f) **Effective Date.** The date upon which this Plan was effective, which is April 6, 1999 (except as otherwise provided herein).

- (g) **Effective Time**. February 26, 2010. .
- (h) **EID**. The PBG Executive Income Deferral Program, as amended from time to time.
- (i) [Reserved]
- (j) **Employee**. An individual who qualifies as an “Employee” as that term is defined in the Salaried Plan.
- (k) **Employer**. An entity that qualifies as an “Employer” as that term is defined in the Salaried Plan.
- (l) **ERISA**. Public Law No. 93-406, the Employee Retirement Income Security Act of 1974, as amended from time to time.
- (m) **Participant**. An Employee participating in the Plan in accordance with the provisions of Section 3.1.
- (n) **PepsiCo/PBG Organization**. The controlled group of organizations of which the Company is a part, as defined by Section 414 of the Code and the regulations issued thereunder. An entity shall be considered a member of the PepsiCo/PBG Organization only during the period it is one of the group of organizations described in the preceding sentence. The application of this definition for periods prior to the Effective Time shall take into account the different definition of “Company” that applies before the Effective Time.
- (o) **PEP Pension**. One or more payments that are payable to a person who is entitled to receive benefits under the Plan. The term “Grandfather Benefit” shall be used to refer to the portion of a PEP Pension that is payable in accordance with the Plan as in effect October 3, 2004 and is not subject to Section 409A.

(p) **PepsiCo Prior Plan.** The PepsiCo Pension Equalization Plan.

(q) **Plan.** Effective January 1, 2012, Appendix Article PBG to the PepsiCo Pension Equalization Plan, as set forth herein, and as amended from time to time. Prior to January 1, 2012, the PBG Pension Equalization Plan, as amended from time to time. In these documents, the Plan is also sometimes referred to as PEP. For periods before April 6, 1999, references to the Plan refer to the PepsiCo Prior Plan.

(r) **Plan Administrator.** The PepsiCo Administration Committee (PAC), which shall have authority to administer the Plan as provided in Article VII of the main portion of the document.

(s) **Plan Year.** The 12-month period ending on each December 31<sup>st</sup>.

(t) **Primary Social Security Amount.** In determining Pension amounts, Primary Social Security Amount shall mean:

(1) For purposes of determining the amount of a Retirement, Vested, Pre-Retirement Spouse's Pension, or Pre-Retirement Domestic Partner's Pension, the Primary Social Security Amount shall be the estimated monthly amount that may be payable to a Participant commencing at age 65 as an old-age insurance benefit under the provisions of Title II of the Social Security Act, as amended. Such estimates of the old-age insurance benefit to which a Participant would be entitled at age 65 shall be based upon the following assumptions:

(i) That the Participant's social security wages in any year prior to Retirement or severance are equal to the Taxable Wage Base in such year, and

(ii) That he will not receive any social security wages after Retirement or severance.

However, in computing a Vested Pension under Section 4.2, the estimate of the old-age insurance benefit to which a Participant would be entitled at age 65 shall be based upon the assumption that he continued to receive social security wages until age 65 at the same rate as the Taxable Wage Base in effect at the earlier of his severance from employment or the date such participant ceased to accrue benefits under both the Salaried Plan and this Plan. For purposes of this subsection, "social security wages" shall mean wages within the meaning of the Social Security Act.

(2) For purposes of paragraph (1), the Primary Social Security Amount shall exclude amounts that may be available because of the spouse or any dependent of the Participant or any amounts payable on account of the Participant's death. Estimates of Primary Social Security Amounts shall be made on the basis of the Social Security Act as in effect at the Participant's Severance from Service Date, without regard to any increases in the social security wage base or benefit levels provided by such Act which take effect thereafter.

(u) **Salaried Plan.** The PepsiCo Salaried Employees Retirement Plan; as it may be amended from time to time; provided that a Participant's benefit under this Plan shall be determined solely by reference to Part C of the Salaried Plan.

(v) **Salaried Plan Participant.** An Employee who is a participant in the Salaried Plan.

(w) **Section 409A.** Section 409A of the Code and the applicable regulations and other guidance issued thereunder.

(x) **Section 415 Limitation.** Benefits not payable under the Salaried Plan because of the limitations imposed on the annual benefit of a Salaried Plan Participant by Section 415 of the Code.

(y) **Separation from Service.** A Participant's separation from service as defined in Section 409A.

(z) **Single Lump Sum.** The distribution of a Participant's total PEP Pension in excess of the Participant's Grandfathered Benefit in the form of a single payment.

(aa) **Specified Employee.** The individuals identified in accordance with principles set forth below.

(1) **General.** Any Participant who at any time during the applicable year is:

(i) An officer of any member of the PBG Organization having annual compensation greater than \$130,000 (as adjusted under Section 416(i)(1) of the Code);

(ii) A 5-percent owner of any member of the PBG Organization; or

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

For purposes of (i) above, no more than 50 employees identified in the order of their annual compensation shall be treated as officers. For purposes of this section, annual compensation means compensation as defined in Treas. Reg.

§ 1.415(c)-2(a), without regard to Treasury Reg. §§ 1.415(c)-2(d), 1.415(c)-2(e), and 1.415(c)-2(g). The Plan Administrator shall determine who is a Specified Employee in accordance with Section 416(i) of the Code and the applicable regulations and other guidance of general applicability issued thereunder or in connection therewith, and provided further that the applicable year shall be determined in accordance with Section 409A and that any modification of the foregoing definition that applies under Section 409A shall be taken into account.

(2) Applicable Year. Except as otherwise required by Section 409A, the Plan Administrator shall determine Specified Employees as of the last day of each calendar year, based on compensation for such year, and such designation shall be effective for purposes of this Plan for the twelve month period commencing on April 1<sup>st</sup> of the next following calendar year.

(3) Rule of Administrative Convenience. In addition to the foregoing, the Plan Administrator shall treat all other Employees classified as E5 and above on the applicable determination date prescribed in subsection (2) (i.e., the last day of each calendar year) as a Specified Employee for purposes of the Plan for the twelve-month period commencing of the applicable April 1<sup>st</sup> date. However, if there are at least 200 Specified Employees without regard to this provision, then it shall not apply. If there are less than 200 Specified Employees without regard to this provision, but full application of this provision would cause there to be more than 200 Specified Employees, then (to the extent necessary to avoid exceeding 200 Specified Employees) those Employees classified as E5 and above

who have the lowest base salaries on such applicable determination date shall not be Specified Employees.

(4) Identification of Specified Employees Between February 26, 2010 and March 31, 2010. Notwithstanding the foregoing, for the period between February 26, 2010 and March 31, 2010, Specified Employees shall be identified by combining the lists of Specified Employees of all Employers as in effect immediately prior to the Effective Time. The foregoing method of identifying Specified Employees is intended to comply with Treas. Reg. § 1.409A-1(i)(6)(i), which authorizes the use of an alternative method of identifying Specified Employees that complies with Treas. Reg. §§ 1.409A-1(i)(5) and -1(i)(8) and Section VII.C.4.d of the Preamble to the Final Regulations under Section 409A of the Code, which permits “service recipients to simply combine the pre-transaction separate lists of specified employees where it is determined that such treatment would be administratively less burdensome.”

(5) Identification of Specified Employees on and After April 1, 2010. Notwithstanding the foregoing, for the periods on after April 1, 2010, Key Employees shall be identified as follows:

(i) For the period that begins on April 1, 2010, and ends on March 31, 2011, an employee shall be a Specified Employee (subject to subparagraph (iii) below) if he was classified as at least a Band IV or its equivalent on December 31, 2009. For this purpose, an employee shall be considered to be at least a Band IV or its equivalent as of a date if the employee is classified as one of the following types of employees in the

PepsiCo Organization on that date: (i) a Band IV employee or above in a PepsiCo Business, (ii) a Level E7 employee or above in a PBG Business, or (iii) a Salary Grade 19 employee or above at a PAS Business.

(ii) For the twelve-month period that begins on April 1, 2011, and for each twelve-month period that begins on April 1 in subsequent years, an employee shall be a Specified Employee (subject to subparagraph (iii) below) if the employee was an employee of the PepsiCo Organization who was classified as Band IV or above on the December 31 that immediately precedes such April 1.

(iii) Notwithstanding the rule of administrative convenience in paragraph (3) above, an employee shall be a Specified Employee for the 12-month period that begins on any April 1, if as of the preceding December 31 the employee would be a specified employee, within the meaning of Treasury Regulation 1.409A-1(i), or any successor, by applying as of such December 31 the default rules that apply under such regulation for determining the minimum number of a service recipient's specified employees. If the preceding sentence and the methods for identifying Specified Employees set forth in subparagraph (i) or (ii) above, taken together, would result in more than 200 individuals being counted as Specified Employees as of any December 31 determination date, then the number of individuals treated as Specified Employees pursuant to subparagraph (i) or (ii), who are not described in the first sentence of this subparagraph (iii), shall be reduced to 200 by eliminating from consideration those employees otherwise added by such subparagraph in order of their base compensation, from the lowest base compensation to the highest.

(iv) For purposes of this paragraph (5), "PAS Business" means each employer, division of an employer or other organizational subdivision of an employer that

the Company classifies as part of the PAS business; “PBG Business” means each employer, division of an employer or other organizational subdivision of an employer that the Company classifies as part of the PBG business; and “PepsiCo Business” means each employer, division of an employer or other organizational subdivision of an employer that the Company classifies as part of the PepsiCo business.

The method for identifying Specified Employees set forth in this definition is intended as an alternative method of identifying Specified Employees under Treas. Reg. § 1.409A-1(i)(5), and is adopted herein and shall be interpreted and applied consistently with the rules applicable to such alternative arrangements.

(bb) **Vested Pension**. The PEP Pension available to a Participant who has a vested PEP Pension and is not eligible for a Retirement Pension.

2.2 ***Construction***. The terms of the Plan shall be construed in accordance with this section.

(a) **Gender and Number**. The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender, and the singular may include the plural, unless the context clearly indicates to the contrary.

(b) **Compounds of the Word “Here”**. The words “hereof”, “hereunder” and other similar compounds of the word “here” shall mean and refer to the entire Plan, not to any particular provision or section.

### **ARTICLE III TO APPENDIX ARTICLE PBG - PARTICIPATION**

3.1 Each Salaried Plan Participant whose benefit under the Salaried Plan is curtailed by the Compensation Limitation or the Section 415 Limitation, or both, and each other Salaried Plan Participant (i) who is a Grandfathered Employee as defined in Section 3.7 of the Salaried Plan and who made elective deferrals to the EID on or after April 1, 2009 and before January 1, 2011 (inclusively); (ii) who would have been considered a Grandfathered Participant as defined in Section 3.7 of the Salaried Plan during the period April 1, 2009 through December 31, 2010 if the Participant had not been classified by the Employer as salary band E3-E8 or MP on March 31, 2009; or (iii) whose 1988 pensionable “earnings” under the Salaried Plan, as described in Section 4.2(a), were \$75,000 or more, shall participate in this Plan.

#### ARTICLE IV TO APPENDIX ARTICLE PBG - AMOUNT OF RETIREMENT PENSION

4.1 **PEP Pension.** Subject to Sections 4.5 and 8.7, a Participant's PEP Pension shall equal the amount determined under (a) or (b) of this Section 4.1, whichever is applicable. Such amount shall be determined as of the date of the Participant's Separation from Service.

(a) **Same Form as Salaried Plan.** If a Participant's PEP Pension will be paid in the same form and will commence as of the same time as his pension under the Salaried Plan, then his monthly PEP Pension shall be equal to the excess of:

(1) The greater of:

(i) the monthly pension benefit which would have been payable to such Participant under the Salaried Plan without regard to (I) the Compensation Limitation; (II) the Section 415 Limitation; (III) the exclusion from Earnings of amounts deferred at the election of the Participant under the EID on or after April 1, 2009 and before January 1, 2011; and (IV) the April 1, 2009 through December 31, 2010 exclusion from the Salaried Plan definition of a Grandfathered Participant of a Participant who, as of March 31, 2009, was classified as salary band E3-E8 or MP and had attained age 50 and completed five years of Service or whose sum of his age and years of Service was at least 65; and

(ii) if applicable, the amount determined in accordance with Section 4.2, expressed in such form and payable as of such time; over

(2) The amount of the monthly pension benefit that is in fact payable to such Salaried Plan Participant under the Salaried Plan, expressed in such form and payable as of such time.

The amount of the monthly pension benefit so determined, less the portion of such benefit that is the Participant's Grandfathered Benefit, shall be payable as provided in Section 6.2.

(b) **Different Form than Salaried Plan.** If a Participant's PEP Pension will be paid in a different form (whether in whole or in part) or will commence as of a different time than his pension benefit under the Salaried Plan, his PEP Pension shall be the product of:

(1) The greater of:

(i) the monthly pension benefit which would have been payable to such Participant under the Salaried Plan without regard to (I) the Compensation Limitation; (II) the Section 415 Limitation; (III) the exclusion from Earnings of amounts deferred at the election of the Participant under the EID on or after April 1, 2009 and before January 1, 2011; and (IV) the March 31, 2009 through December 31, 2010 exclusion from the Salaried Plan definition of a Grandfathered Participant of a Participant who, as of such date, was classified as salary band E3-E8 or MP and had attained age 50 and completed five years of Service or whose sum of his age and years of Service was at least 65; and

(ii) if applicable, the amount determined in accordance with Section 4.2, expressed in the form and payable as of such time as applies to his PEP Pension under this Plan, multiplied by

(2) A fraction, the numerator of which is the value of the amount determined in Section 4.1(b)(1), reduced by the value of his pension under the Salaried Plan, and the denominator of which is the value of the amount determined in Section 4.1(b)(1) (with value determined on a reasonable and consistent basis, in the discretion of the Plan Administrator, with respect to similarly situated employees).

The amount of the monthly pension benefit so determined, less the portion of such benefit that is the Participant's Grandfathered Benefit, shall be payable as provided in Section 6.2.

Notwithstanding the above, in the event any portion of the accrued benefit of a Participant under this Plan or the Salaried Plan is awarded to an alternate payee pursuant to a qualified domestic relations order, as such terms are defined in Section 414(p) of the Code, the Participant's total PEP Pension shall be adjusted, as the Plan Administrator shall determine, so that the combined benefit payable to the Participant and the alternate payee from this Plan and the Salaried Plan is the amount determined pursuant to subsections 4.1(a) and (b) above, as applicable.

4.2 **PEP Guarantee.** Subject to Section 8.7, a Participant who is eligible under subsection (a) below shall be entitled to a PEP Guarantee benefit determined under subsection (b) below, if any.

(a) **Eligibility.** A Participant shall be covered by this section if the Participant has 1988 pensionable earnings from an Employer of at least \$75,000. For purposes of this section, "1988 pensionable earnings" means the Participant's remuneration for the 1988 calendar year that was recognized for benefit accrual received under the Salaried

Plan as in effect in 1988. "1988 pensionable earnings" does not include remuneration from an entity attributable to any period when that entity was not an Employer.

(b) **PEP Guarantee Formula.** The amount of a Participant's PEP Guarantee shall be determined under paragraph (1), subject to the special rules in paragraph (2).

(1) Formula. The amount of a Participant's PEP Guarantee under this paragraph shall be determined as follows:

(i) Three percent of the Participant's Highest Average Monthly Earnings for the first 10 years of Credited Service, plus

(ii) One percent of the Participant's Highest Average Monthly Earnings for each year of Credited Service in excess of 10 years, less

(iii) One and two-thirds percent of the Participant's Primary Social Security Amount multiplied by years of Credited Service not in excess of 30 years.

In determining the amount of a Vested Pension, the PEP Guarantee shall first be calculated on the basis of (I) the Credited Service the Participant would have earned had he continued to accrue Credited Service until his Normal Retirement Age, and (II) his Highest Average Monthly Earnings and Primary Social Security Amount at the earlier of his Severance from Service Date or the date such Participant ceased to accrue additional benefits under both the Salaried Plan and this Plan, and then shall be reduced by multiplying the resulting amount by a fraction, the numerator of which is the Participant's actual years of Credited Service on the earlier of his Severance from Service Date or the date such Participant ceased to accrue additional benefits under both the Salaried Plan and

this Plan and the denominator of which is the years of Credited Service he would have earned had he continued to accrue Credited Service until his Normal Retirement Age.

(2) Calculation. The amount of the PEP Guarantee shall be determined pursuant to paragraph (1) above, subject to the following special rules:

(i) Surviving Eligible Spouse's or Eligible Domestic Partner's Annuity: Subject to subparagraph (iii) below and the last sentence of this subparagraph, if the Participant has an Eligible Spouse or Eligible Domestic Partner and has commenced receipt of an Annuity under this section, the Participant's Eligible Spouse or Eligible Domestic Partner shall be entitled to receive a survivor annuity equal to 50 percent of the Participant's Annuity under this section, with no corresponding reduction in such Annuity for the Participant. Annuity payments to a surviving Eligible Spouse or Eligible Domestic Partner shall begin on the first day of the month coincident with or following the Participant's death and shall end with the last monthly payment due prior to the Eligible Spouse's or Eligible Domestic Partner's death. If the Eligible Spouse or Eligible Domestic Partner is more than 10 years younger than the Participant, the survivor benefit payable under this subparagraph shall be adjusted as provided below.

(A) For each full year more than 10 but less than 21

that the surviving Eligible Spouse or Eligible Domestic Partner is

younger than the Participant, the survivor benefit payable to such Eligible Spouse or Eligible Domestic Partner shall be reduced by 0.8 percent.

(B) For each full year more than 20 that the surviving Eligible Spouse or Eligible Domestic Partner is younger than the Participant, the survivor benefit payable to such Eligible Spouse or Eligible Domestic Partner shall be reduced by an additional 0.4 percent.

This subparagraph applies only to a Participant who retires on or after his Early Retirement Date.

(ii) Reductions. The following reductions shall apply in determining a Participant's PEP Guarantee.

(A) If the Participant will receive an Early Retirement Pension, the payment amount shall be reduced by  $\frac{3}{12}^{\text{ths}}$  of 1 percent for each month by which the benefit commencement date precedes the date the Participant would attain his Normal Retirement Date.

(B) If the Participant is entitled to a Vested Pension, the payment amount shall be reduced to the Actuarial Equivalent of the amount payable at his Normal Retirement Date (if payment commences before such date), and the reductions set forth in the Salaried Plan for any

Pre-Retirement Spouse's coverage or Pre-Retirement Domestic Partner's coverage shall apply.

(C) This clause applies if the Participant will receive his PEP Guarantee in a form that provides an Eligible Spouse or Eligible Domestic Partner benefit, continuing for the life of the surviving spouse or surviving domestic partner, that is greater than that provided under subparagraph (i). In this instance, the Participant's PEP Guarantee under this section shall be reduced so that the total value of the benefit payable on the Participant's behalf is the Actuarial Equivalent of the PEP Guarantee otherwise payable under the foregoing provisions of this section.

(D) This clause applies if the Participant will receive his PEP Guarantee in a form that provides a survivor annuity for a beneficiary who is not his Eligible Spouse or Eligible Domestic Partner. In this instance, the Participant's PEP Guarantee under this section shall be reduced so that the total value of the benefit payable on the Participant's behalf is the Actuarial Equivalent of a Single Life Annuity for the Participant's life.

(E) This clause applies if the Participant will receive his PEP Guarantee in an Annuity form that includes inflation protection described in the Salaried Plan. In this instance, the Participant's PEP Guarantee under this section shall be reduced so that the total value of the benefit payable on the Participant's behalf is the Actuarial Equivalent of the elected Annuity without such protection.

(iii) Lump Sum Conversion. The amount of the PEP Guarantee determined under this section for a Participant whose Retirement Pension will be distributed in the form of a lump sum shall be the Actuarial Equivalent of the Participant's PEP Guarantee determined under this section, taking into account the value of any survivor benefit under subparagraph (i) above and any early retirement reductions under subparagraph (ii)(A) above.

(iv) April 1, 2009 Salaried Plan Changes.

(A) The amount of the PEP Guarantee determined under this section for a Participant who, as of March 31, 2009, was classified as salary band E3-E8 or MP and who had attained age 50 and completed five years of Service or (inclusively) whose sum of his age and years of Service was at least 65 shall be determined as if such Participant were a Grandfathered Participant in the Salaried Plan on April 1, 2009 (so that Earnings and Credited Service were not frozen as of March 31, 2009 for the period April 1, 2009 through December 31, 2010).

(B) Highest Average Monthly Earnings shall be determined without regard to the exclusion from Earnings under the Salaried Plan of amounts deferred at the election of the Participant under the EID on or after April 1, 2009 and before January 1, 2011.

4.3 ***Certain Adjustments.*** Pensions determined under the foregoing sections of this Article are subject to adjustment as provided in this section. For purposes of this section, "specified plan" shall mean the Salaried Plan or a nonqualified pension plan similar to this Plan. A nonqualified pension plan is similar to this Plan if it is sponsored by a member of the PBG

Organization and if its benefits are not based on participant pay deferrals (this category of similar plans includes the PepsiCo Prior Plan).

(a) **Adjustments for Rehired Participants.** This subsection shall apply to a current or former Participant who is reemployed after his Annuity Starting Date and (i) whose benefit under the Salaried Plan is recalculated based on an additional period of Credited Service, or (ii) whose benefit under the Salaried Plan would have been recalculated, based on an additional period of Credited Service if the Participant would have been considered a Grandfathered Participant as defined in Section 3.7 of the Salaried Plan if the Participant was not classified by the Employer as salary band E3-E8 or MP. In such event, the Participant's PEP Pension shall be recalculated hereunder. For this purpose, the PEP Guarantee under Section 4.2 is adjusted for in-service distributions and prior distributions in the same manner as benefits are adjusted under the Salaried Plan, but by taking into account benefits under this Plan and any specified plans.

(b) **Adjustment for Increased Pension Under Other Plans.** If the benefit paid under a specified plan on behalf of a Participant is increased after PEP benefits on his behalf have been determined (whether the increase is by order of a court, by agreement of the plan administrator of the specified plan, or otherwise), the PEP benefit for the Participant shall be recalculated. If the recalculation identifies an overpayment hereunder, the Plan Administrator shall take such steps as it deems advisable to recover the overpayment. It is specifically intended that there shall be no duplication of payments under this Plan and any specified plans.

(c) **No Benefit Offsets That Would Violate Section 409A.** If a Participant has earned a benefit under a plan maintained by a member of the PepsiCo/PBG Organization

that is a “qualifying plan” for purposes of the “Non-Duplication” rule in Section 3.8 of Part A of the Salaried Plan and the “Transfers and Non-Duplication” rule in Section 3.6 of Part C of the Salaried Plan, such Transfers and Non-Duplication rules shall apply when calculating the amount determined under Section 4.1(a)(1) or 4.1(b)(1) above (as applicable) only to the extent the application of such rule will not result in a change in the time or form of payment of such pension that is prohibited by Section 409A. For purposes of the limit on offsets in the preceding sentence, it is the Company’s intent to undertake to make special arrangements with respect to the payment of the benefit under the qualifying plan that are legally permissible under the qualifying plan, and compliant with Section 409A, in order to avoid such a change in time or form of payment to the maximum extent possible; to the extent that Section 409A compliant special arrangements are timely put into effect in a particular situation, the limit on offsets in the prior sentence will not apply.

4.4 ***Reemployment of Certain Participants.*** In the case of a current or former Participant who is reemployed and is eligible to reparticipate in the Salaried Plan after his Annuity Starting Date, payment of his non-Grandfathered PEP Pension will not be suspended. If such Participant accrues an additional PEP Pension for service after such reemployment, his PEP Pension on his subsequent Separation from Service shall be reduced by the present value of PEP benefits previously distributed to such Participant, as determined by the Plan Administrator.

4.5 ***Vesting; Misconduct.*** Subject to Section 8.7, a Participant shall be fully vested in his Accrued Benefit at the time he becomes fully vested in his accrued benefit under the Salaried Plan. Notwithstanding the preceding, or any other provision of the Plan to the contrary, a Participant shall forfeit his or her entire PEP Pension if the Plan Administrator

determines that such Participant has engaged in "Misconduct" as defined below, determined without regard to whether the Misconduct occurred before or after the Participant's Severance from Service. The Plan Administrator may, in its sole discretion, require the Participant to pay to the Employer any PEP Pension paid to the Participant within the twelve month period immediately preceding a date on which the Participant has engaged in such Misconduct, as determined by the Plan Administrator.

"Misconduct" means any of the following, as determined by the Plan Administrator in good faith: (i) violation of any agreement between the Company or Employer and the Participant, including but not limited to a violation relating to the disclosure of confidential information or trade secrets, the solicitation of employees, customers, suppliers, licensors or contractors, or the performance of competitive services, (ii) violation of any duty to the Company or Employer, including but not limited to violation of the Company's Code of Conduct; (iii) making, or causing or attempting to cause any other person to make, any statement (whether written, oral or electronic), or conveying any information about the Company or Employer which is disparaging or which in any way reflects negatively upon the Company or Employer unless required by law or pursuant to a Company or Employer policy; (iv) improperly disclosing or otherwise misusing any confidential information regarding the Company or Employer; (v) unlawful trading in the securities of the Company or of another company based on information garnered as a result of that Participant's employment or other relationship with the Company; (vi) engaging in any act which is considered to be contrary to the best interests of the Company or Employer, including but not limited to recruiting or soliciting employees of the Employer; or (vii) commission of a felony or other serious crime or engaging in any activity which constitutes gross misconduct. Notwithstanding the foregoing and for the avoidance of

doubt, nothing in this Plan shall prohibit the Participant from communicating with government authorities concerning any possible legal violations. The Company nonetheless asserts and does not waive its attorney-client privilege over any information appropriately protected by the privilege.

## ARTICLE V TO APPENDIX ARTICLE PBG - DEATH BENEFITS

5.1 **Death Benefits.** Each Participant entitled to a PEP Pension under this Plan who dies before his Annuity Starting Date shall be entitled to a death benefit equal in amount to the additional death benefit to which the Participant would have been entitled under the Salaried Plan if the PEP Pension as determined under Article IV was payable under the Salaried Plan instead of this Plan. The death benefit with respect to a Participant's PEP Pension in excess of the Grandfathered Benefit shall become payable on the Participant's date of death in a Single Lump Sum payment.

Payment of any death benefit of a Participant who dies before his Annuity Starting Date under the Plan shall be made to the persons and in the proportions to which any death benefit under the Salaried Plan is or would be paid (including to a Participant's Eligible Domestic Partner to whom pre-retirement death benefits are payable under the Salaried Plan, if any, with respect to deaths occurring on or after January 1, 2013).

## ARTICLE VI TO APPENDIX ARTICLE PBG - DISTRIBUTIONS

The terms of this Article govern the distribution of benefits to a Participant who becomes entitled to payment of a PEP Pension under the Plan.

6.1 ***Form and Timing of Distributions.*** Subject to Section 6.5, this Section shall govern the form and timing of PEP Pensions.

(a) **Time and Form of Payment of Grandfathered Benefit.** The Grandfathered Benefit of a Participant shall be paid in the form and at the time or times provided by the terms of the Plan as in effect on October 3, 2004.

(b) **Time and Form of Payment of Non-Grandfathered Benefit.** Except as provided below, the PEP Pension payable to a Participant in excess of the Grandfathered Benefit shall be become payable in a Single Lump Sum on the Separation from Service of the Participant.

(1) **Certain Vested Pensions.** A Participant (i) who incurred a Separation from Service during the period January 1, 2005 through December 31, 2008 (other than a Participant described in (3) below); and (ii) whose Annuity Starting Date has not occurred as of January 1, 2009, shall receive his PEP Pension in excess of his Grandfathered Benefit in a Single Lump Sum which shall become payable on January 1, 2009.

(2) **Annuity Election.** A Participant who (i) attained age 50 on or before January 1, 2009, (ii) on or before December 31, 2008 irrevocably elected to receive a Single Life Annuity, a 50%, 75% or 100% Joint and Survivor Annuity, or a 10 Year Certain and Life Annuity; and (iii) incurs a Termination of Employment on or after July 1, 2009 after either attainment of age 55 and the

tenth anniversary of the Participant's initial employment date or attainment of age 65 and the fifth anniversary of the Participant's initial employment date, shall receive his PEP Pension in excess of his Grandfathered Benefit in the form elected commencing on the first day of the month coincident with or next following his Separation from Service. If such Participant Separates from Service prior to July 1, 2009 or prior to attainment of age 55 and the tenth anniversary of the Participant's employment date, or prior to attainment of age 65 and the fifth anniversary of the Participant's employment, the Participant's PEP Pension in excess of his Grandfathered Pension shall be payable in a Single Lump Sum on the Participant's Separation from Service.

(3) 2008 Reorganization. The entire PEP Pension of a Participant who (i) was involuntarily Separated from Service on or after November 1, 2008 and on or before December 19, 2008; (ii) at the time of Separation from Service had attained age 50 and had not attained age 55, and had 10 or more years of Service; and (iii) is eligible for special retirement benefits as described in the letter agreement executed and not revoked by the Participant, shall become payable in a Single Lump Sum on the last day of the Participant's "Transition Period" as defined in the letter agreement.

(4) Specified Employees. If a Participant is classified as a Specified Employee at the time of the Participant's Separation from Service (or at such other time for determining Specified Employee status as may apply under Section 409A), then no amount shall be payable pursuant to this Section 6.1(b)

until at least six (6) months after such a Separation from Service. Any payment otherwise due in such six month period shall be suspended and become payable at the end of such six month period, with interest at the applicable interest rates used for computing a Single Lump Sum payment on the date of Separation from Service.

(5) Actual Date of Payment. An amount payable on a date specified in this Article VI or in Article V shall be paid as soon as administratively feasible after such date; but no later than the later of (a) the end of the calendar year in which the specified date occurs; or (b) the 15<sup>th</sup> day of the third calendar month following such specified date and the Participant (or Beneficiary) is not permitted to designate the taxable year of the payment. The payment date may be postponed further if calculation of the amount of the payment is not administratively practicable due to events beyond the control of the Participant (or Beneficiary), and the payment is made in the first calendar year in which the calculation of the amount of the payment is administratively practicable.

6.2 ***Special Rules for Survivor Options.***

(a) Effect of Certain Deaths. If a Participant makes an Annuity election described in Section 6.1(b)(2) and the Participant dies before his Separation from Service, the election shall be disregarded. Such a Participant may change his coannuitant of a Joint and Survivor Annuity at any time prior to his Separation from Service, and may change his beneficiary of a Ten Years Certain and Life Annuity at any time. If the Participant dies after such election becomes effective but before his non-Grandfathered PEP Pension actually

commences, the election shall be given effect and the amount payable to his surviving Eligible Spouse, surviving Eligible Domestic Partner or other beneficiary shall commence on the first day of the month following his death (any back payments due the Participant shall be payable to his estate). In the case of a Participant who elected a 10 Year Certain and Life Annuity, if such Participant dies: (i) after benefits have commenced; (ii) without a surviving primary or contingent beneficiary, and (iii) before receiving 120 payments under the form of payment, then the remaining payments due under such form of payment shall be paid to the Participant's estate. If payments have commenced under such form of payment to a Participant's primary or contingent beneficiary and such beneficiary dies before payments are completed, then the remaining payments due under such form of payment shall be paid to such beneficiary's estate.

(b) **Beneficiary Other Than Eligible Spouse or Eligible Domestic Partner.** If a Participant's beneficiary is not his Eligible Spouse or Eligible Domestic Partner, he may not elect:

(1) The 100 percent survivor option described in Section 6.1(b)(2) with a beneficiary more than 10 years younger than he is, or

(2) The 75 percent survivor option described in Section 6.1(b)(2) with a beneficiary more than 19 years younger than he is.

6.3 ***Designation of Beneficiary.*** A Participant who has elected to receive all or part of his pension in a form of payment that includes a survivor option shall designate a beneficiary who will be entitled to any amounts payable on his death. Such designation shall be made on a PEP Election Form. A Participant shall have the right to change or revoke his beneficiary

designation at any time prior to when his election is finally effective. The designation of any beneficiary, and any change or revocation thereof, shall be made in accordance with rules adopted by the Plan Administrator. A beneficiary designation shall not be effective unless and until filed with the Plan Administrator

6.4 ***Determination of Single Lump Sum Amounts.*** Except as otherwise provided below, a Single Lump Sum payable under Article V or Section 6.1 shall be determined in the same manner as the single lump sum payment option prescribed in Section 6.1(b)(3) of the Salaried Plan.

(a) **Vested Pensions.** If on the date of Separation from Service of a Participant such Participant is not entitled to retire with an immediate pension under the Salaried Plan, the Single Lump Sum payable to the Participant under Section 6.1 shall be determined in the same manner as the single lump sum payment option prescribed in Section 6.1(b)(3) of the Salaried Plan but substituting (for Plan Years beginning before 2012) the applicable segment rates for the blended 30 year Treasury and segment rates that would otherwise be applicable.

(b) **2008 Reorganization.** Notwithstanding subsection (a) above, the Single Lump Sum payment for a Participant whose employment was involuntarily terminated as a result of the 2008 Reorganization on or after November 1, 2008 and on or before December 19, 2008 shall be determined based on the applicable interest rates and mortality used by the Salaried Plan for optional lump sum distributions in December 2008, provided that in no event shall such Single Lump Sum payment be less than the Single Lump Sum determined based on the applicable interest rates and mortality used

by the Salaried Plan for lump sum distributions for the month in which the Single Lump Sum is distributed to the Participant.

6.5 ***Section 162(m) Postponement.*** Notwithstanding any other provision of this Plan to the contrary, no PEP Pension shall be paid to any Participant prior to the earliest date on which the Company's federal income tax deduction for such payment is not precluded by Section 162(m) of the Code. In the event any payment is delayed solely as a result of the preceding restriction, such payment shall be made as soon as administratively feasible following the first date as of which Section 162(m) of the Code no longer precludes the deduction by the Company of such payment. Amounts deferred because of the Section 162(m) deduction limitation shall be increased by simple interest for the period of delay at the annual rate of six percent (6%).

## APPENDIX TO ARTICLE PBG

### Foreword

This Appendix sets forth additional provisions applicable to individuals specified in the Articles of this Appendix. In any case where there is a conflict between the Appendix and the main text of the Plan, the Appendix shall govern.

#### **Article A (Article IPO) – Transferred and Transition Individuals**

IPO.1 **Scope.** This Article supplements the main portion of the Plan document with respect to the rights and benefits of Transferred and Transition Individuals following the spinoff of this Plan from the PepsiCo Prior Plan.

IPO.2 **Definitions.** This section provides definitions for the following words or phrases in boldface and underlined. Where they appear in this Article with initial capitals they shall have the meaning set forth below. Except as otherwise provided in this Article, all defined terms shall have the meaning given to them in Section 2.1 of the Plan.

(a) **Agreement.** The 1999 Employee Programs Agreement between PepsiCo, Inc. and The Pepsi Bottling Group, Inc.

(b) **Close of the Distribution Date.** This term shall take the definition given it in the Agreement.

(c) **Transferred Individual.** This term shall take the definition given it in the Agreement.

(d) **Transition Individual.** This term shall take the definition given it in the Agreement.

**IPO.3 *Rights of Transferred and Transition Individuals.*** All Transferred Individuals who participated in the PepsiCo Prior Plan immediately prior to the Effective Date shall be Participants in this Plan as of the Effective Date. The spinoff of this Plan from the PepsiCo Prior Plan shall not result in a break in the Service or Credited Service of Transferred Individuals or Transition Individuals. Notwithstanding anything in the Plan to the contrary, and as provided in Section 2.04 of the Agreement, all service, all compensation, and all other benefit-affecting determinations for Transferred Individuals that, as of the Close of the Distribution Date, were recognized under the PepsiCo Prior Plan for periods immediately before such date, shall as of the Effective Date continue to receive full recognition, credit and validity and shall be taken into account under this Plan as if such items occurred under this Plan, except to the extent that duplication of benefits would result. Similarly, notwithstanding anything to the contrary in the Plan, the benefits of Transition Individuals shall be determined in accordance with section 8.02 of the Agreement.

#### **Article B – Special Cases**

B.1 This Article B of the Appendix supplements the main portion of the Plan document and is effective as of January 28, 2002.

B.2 This Article shall apply to certain highly compensated management individuals who were (i) hired as a Band IV on or about January 28, 2002 and (ii) designated by the Senior Vice President of Human Resources as eligible to receive a supplemental retirement benefit (the “Participant”).

B.3 Notwithstanding Article IV of the Plan, the amount of the total PEP Pension under this Plan shall be equal to the excess of (1) the monthly pension benefit which would

have been payable to such individual under the Salaried Plan without regard to the Compensation Limitation and the Section 415 Limitation, determined as if such individual's employment commencement date with the Company were September 10, 1990; (2) the sum of (i) the amount of the monthly pension benefit that is in fact payable under the Salaried Plan; and (ii) the monthly amount of such individual's deferred, vested benefit under any qualified or nonqualified defined benefit pension plan maintained by PepsiCo., Inc. or any affiliate of PepsiCo., Inc., Tricon or YUM!, as determined by the administrator using reasonable assumptions to adjust for different commencement dates so that the total benefit of such individual does not exceed the amount described in (1) above.

B.4 In the event of the death of such individual while employed by the Company, the individual's beneficiary shall be entitled to a death benefit as provided in Article V, determined based on the formula for the total benefit described above, and reduced by the survivor benefits payable by the Salaried Plan and the other plans described above. The net amount so determined shall be payable in a Single Lump Sum as prescribed in Article V.

B.5 The Plan Administrator shall, in its sole discretion, adjust any benefit determined pursuant to this Article B to the extent necessary or appropriate to ensure that such individual's benefit in the aggregate does not exceed the Company's intent to ensure overall pension benefits equal to the benefits that would be applicable if such individual had been continuously employed by the Company for the period commencing September 10, 1990 to the date of Separation from Service.

#### **Article C – Transfers From/To PepsiCo, Inc.**

The provisions of this Article C shall only apply to transfers that occur before February 26, 2010 and shall not apply to any transfer to PepsiCo, Inc. or from PepsiCo, Inc. that occurs on or after such date.

C.1 This Article supplements and overrides the main portion of the Plan with respect to Participants who (i) transfer from the Company to PepsiCo, Inc.; and (ii) transfer from PepsiCo, Inc. to the Company.

C.2 Notwithstanding Article IV of the Plan, the PEP Pension of a Participant who (i) transfers from the Company to PepsiCo., Inc. or (ii) transfers to PepsiCo, Inc. from the Company shall be determined as set forth below.

C.3 Transfers to PepsiCo, Inc. The PEP Pension of a Participant who transfers to PepsiCo, Inc. shall be determined as of the date of such transfer in the manner described in Article IV, including the Salaried Plan offset regardless of whether such benefit under the Salaried Plan is transferred to a qualified plan of PepsiCo, Inc. On such Participant's Separation from Service, the PEP Pension so determined shall become payable in accordance with Article VI.

C.4 Transfers from PepsiCo., Inc. The PEP Pension of a Participant who transfers from PepsiCo, Inc. shall be determined as of the date of the Participant's Separation from Service in the manner described in Article IV and shall be reduced by any benefit accrued by the Participant under any qualified or nonqualified plan maintained by PepsiCo, Inc. that is based on credited service included in the determination of the Participant's benefit under this Plan so that the total benefit from all plans does not exceed the benefit the Participant would have received had the Participant been solely employed by the Company. Notwithstanding the preceding, effective for transfers on or after January 1, 2005, in no event shall such benefit be

less than the benefit the Participant would have received based solely on the Participant's employment by the Company. The Plan Administrator shall make such adjustments as the Plan Administrator deems appropriate to effectuate the intent of this Section C.4.

## ARTICLE PAC

### **Guiding Principles Regarding Benefit Plan Committee Appointments**

PAC.1 Scope. This Article PAC supplements the PepsiCo Pension Equalization Plan document with respect to the appointment of the members of the PAC.

PAC.2 General Guidelines. To be a member of the PAC, an individual must:

- (a) Be an employee of the PepsiCo Organization at a Leadership Group 1 or above level,
- (b) Be able to give adequate time to committee duties, and
- (c) Have the character and temperament to act prudently and diligently in the exclusive interest of the Plan's participants and beneficiaries.

PAC.3 PAC Guidelines. In addition to satisfying the requirements set forth in Section PAC.2, the following guidelines will also apply to the PAC membership:

- (a) Each member of the PAC should have experience with benefit plan administration or other experience that can readily translate to a role concerning ERISA plan administration,
- (b) The membership of the PAC as a whole should have experience and expertise with respect to the administration of ERISA health and welfare and retirement plans, and
- (c) Each member of the PAC should be capable of prudently evaluating the reasonableness of expenses that are charged to the Plan.

PAC.4 Additional Information. The Chair of the PAC may seek information from Company personnel, including the Controller, CFO and CHRO, in connection with his identification of well qualified candidates for committee membership.

PAC.5 Role of the Guidelines. The foregoing guidelines in this Article PAC are intended to guide the Chair of the PAC in the selection of committee members; however, they neither diminish nor enlarge the legal standard applicable under ERISA.

**PEPSICO**

**EXECUTIVE INCOME**

**DEFERRAL PROGRAM**

**Plan Document for the 409A Program**  
**Amended and Restated Effective as of January 1, 2019**



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## Article I – INTRODUCTION

PepsiCo, Inc. (the “Company”) established the PepsiCo Executive Income Deferral Program (the “Plan”) in 1972 to permit eligible executives to defer certain cash awards made under its executive compensation programs. Deferrals under the Plan that were earned and vested on or before December 31, 2004 are governed by a separate set of documents that set forth the pre-Section 409A terms of the Plan (the “Pre-409A Program”). The terms of the Plan that are applicable to deferrals that are subject to Section 409A, *i.e.*, generally, deferred amounts that are earned or vested after December 31, 2004 (the “409A Program”) are governed by this document. This document sets forth the 409A Program and is effective as of January 1, 2005 (the “Effective Date”). 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 the Effective Date 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.

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 the 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.

In addition, this document incorporates all of the amendments to the 409A Program through December 31, 2018. As a result of these amendments, certain provisions include specific effective dates that are after the general Effective Date of this restatement. Earlier versions of this restatement should be consulted for the provisions that were in effect between the general Effective Date and these specific effective dates.

This document for the 409A Program was most recently restated effective as of January 1, 2019. This restatement changed, among other things, the 409A Program’s eligibility criteria, timing of Bonus Compensation deferral elections and rules for Second Look Elections (to permit an unlimited number of Second Look Elections effective for Second Look Elections made on or after January 1, 2020).

For federal income tax purposes, the Plan is intended to be a nonqualified deferred compensation plan that is unfunded and unsecured. For purposes of ERISA, the Plan is intended to be a plan described in Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA providing unfunded 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 his or her Employer to determine, from time to time, the Participant's interest under this Plan. The balance in such Account shall be determined by the Recordkeeper pursuant to any guidelines established by the Plan Administrator. Each Participant's Account shall consist of at least one Deferral Subaccount for each separate deferral under Section 5.01. 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 Base Compensation:

Effective on or after January 1, 2011, an Eligible Executive's adjusted base salary, to the extent payable in U.S. dollars from an Employer's U.S. payroll (or as otherwise payable, with respect to currency and payroll, and provided in Section 3.01(a) in connection with certain events). The Plan Administrator shall be entitled to specify on the Election Form applicable to a particular deferral election (or in other documentation applicable to such deferral election) whether and to what extent (if at all) amounts will be subtracted from gross base salary to arrive at adjusted base salary. Any such specifications shall be made in writing no later than the date on which such deferral election becomes irrevocable pursuant to Section 4.02 of this Plan, and any amount to be subtracted that is variable shall be permitted to be variable under Section 409A. Any changes in such specifications from those in effect on January 1, 2019 shall be subject to Section 7.06.

### 2.04 Beneficiary:

The person or persons (including a trust or trusts) properly designated by a Participant, as determined by the Recordkeeper (or for designations filed prior to June 3, 2002, 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(d) (or such other person who becomes entitled to receive such amounts in accordance with Section 6.04).

2.05 Bonus Compensation:

Effective on or after May 21, 2010, an Eligible Executive's adjusted annual incentive award under his or her Employer's annual incentive plan or the Executive Incentive Compensation Plan, to the extent payable in U.S. dollars from an Employer's U.S. payroll (or as otherwise payable, with respect to currency and payroll, and provided in Section 3.01(a) in connection with certain events). The Plan Administrator shall be entitled to specify on the Election Form applicable to a particular deferral election (or in other documentation applicable to such deferral election) whether and to what extent (if at all) amounts will be subtracted from a gross annual incentive award to arrive at an adjusted annual incentive award. Any such specifications shall be made in writing no later than the date on which such deferral election becomes irrevocable pursuant to Section 4.02, and any amount to be subtracted that is variable shall be permitted to be variable under Section 409A. Any changes in such specifications from those in effect on January 1, 2019 shall be subject to Section 7.06.

2.06 Code:

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

2.07 Company:

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

2.08 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 Base Compensation and Bonus Compensation, and earnings or losses credited to such subaccount in accordance with Section 5.01(b).

2.09 Disability:

A Participant shall be considered to suffer from a Disability or be Disabled hereunder if the Participant is considered "disabled" under the PepsiCo Disability Plan (as amended and restated from time to time). The Participant's disability must also meet the duration requirements to qualify for a distribution on account of Disability in accordance with Section 6.06(a).

2.10 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.

2.11 Election Form:

The form prescribed by the Plan Administrator on which a Participant specifies the amount of his or her Base Compensation and Bonus Compensation to be deferred and the timing and form of his or her deferral payout, pursuant to the provisions of Article IV. 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 for use as an Election Form, as it deems appropriate from time to time.

2.12 Eligible Executive:

The term, Eligible Executive, shall have the meaning given to it in Section 3.01(a).

2.13 Employer:

The Company and each division, subsidiary or affiliate of the Company (if any) that is currently designated as an Employer for purposes of this Plan by the Plan Administrator. An entity shall be an Employer hereunder only for the period that it is (i) so designated by the Plan Administrator, and (ii) a member of the PepsiCo Organization. Appendix Article B sets forth the list of Employers as of January 1, 2019.

2.14 ERISA:

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

2.15 Executive:

Any person classified by an Employer as in a salaried executive position who is (i) receiving remuneration for personal services rendered in the employment of the Employer, (ii) paid in U.S. dollars from the Employer's U.S. payroll (or as otherwise payable, with respect to currency and payroll, and provided in Section 3.01(a) in connection with certain events), and (iii) a U.S. citizen or a U.S. lawful permanent resident assigned to work primarily in the U.S. Notwithstanding the foregoing sentence, any person meeting the requirements of the foregoing sentence who is working outside the U.S. shall not be included as an Executive hereunder if applicable local law of the country in which the person is working (*e.g.*, local law relating to the payment of compensation) does not permit the person to defer the receipt of compensation that is eligible for deferral hereunder.

2.16 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.

2.17 Key Employee:

Effective from and after January 1, 2011, 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 effective as of the last day of each calendar year, based on compensation for such year, and such designation shall be effective for purposes of this Plan for the twelve month period commencing on April 1<sup>st</sup> of the next following calendar year (*e.g.*, the Key Employees determined by the Plan Administrator as of December 31, 2008 applied to the period from April 1, 2009 to March 31, 2010).

(c) Rule of Administrative Convenience. Effective from and after January 1, 2008, in addition to the foregoing, the Plan Administrator shall treat all other employees classified as LG6 and above (for periods before January 1, 2017, Band IV and above) on the applicable determination date prescribed in Subsection (b) (*i.e.*, the last day of each calendar year) as a Key Employee for purposes of the Plan for the twelve month period commencing on April 1<sup>st</sup> 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 NAV:

The net asset value of a phantom unit in one of the phantom funds offered for investment under the Plan, determined as of any date in the same manner as applies on that date under the actual fund that is the basis of the phantom fund offered by the Plan.

2.19 Participant:

Any Executive who is qualified to participate in this Plan in accordance with Section 3.01 and who has an Account. 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 Performance Period:

The 52/53 week fiscal year of the Employer for which Bonus Compensation is calculated and determined. A Performance Period shall be deemed to relate to the Plan Year in which the Performance Period ends.

2.22 Plan:

The PepsiCo Executive Income Deferral Program, the plan set forth herein and in the Pre-409A Program documents, as it 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).

2.23 Plan Administrator:

The Compensation Committee of the Board of Directors of the Company (Compensation Committee) or its delegate or delegates, which shall have the authority to administer the Plan as provided in Article VII. In addition, the Company's Senior Vice President, Total Rewards (previously titled, the Senior Vice President, Compensation and Benefits), or if such position is vacant or eliminated, 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, is delegated the responsibility for the operational administration of the Plan, including the powers set forth in Section 7.03 and Article VIII. In turn, such Senior Vice President, has the authority to re-delegate operational responsibilities to

other persons or parties. Accordingly, such Senior Vice President, 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 Compensation Committee, such Senior Vice President, and those delegated by such Senior Vice President, other than the Recordkeeper. All delegations made under the authority granted by this Section are subject to Section 7.06.

2.24 Plan Year:

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

2.25 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 set of documents.

2.26 Prohibited Misconduct:

Any of the following activities engaged in, directly or indirectly, by a Participant shall constitute Prohibited Misconduct:

(a) 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.

(b) 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.

(c) 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 which might be of any value to a competitor of the PepsiCo Organization, or which might cause any economic loss or substantial embarrassment to the PepsiCo Organization or its customers, bottlers, distributors or suppliers if used or disclosed. 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. Notwithstanding anything contained in 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, nothing 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, notwithstanding any confidentiality provision to which the Participant may be subject, the Participant is hereby advised as follows 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.”

(d) 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.

(e) The Participant engaging in any activity that constitutes fraud.

For purposes of this Section, “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 – in-home and commercial beverage systems, carbon dioxide gas cylinders, carbon dioxide gas refills, consumables, ready to drink beverages, including without limitation carbonated soft drinks, tea, water, juices, juice drinks, juice products, sports drinks, coffee drinks and energy drinks; dairy products; snacks, including salty snacks, fruit and vegetable snacks, dips and spreads, sweet snacks, meat snacks, granola, nutrition and cereal bars, and cookies; hot cereals and ready-to-eat cereals; pancake mixes and pancake syrup; grain-based food products; pasta products; sports performance nutrition products, including without limitation, energy, protein, carbohydrate, nutrition and meal replacement chews, bars, powders, gels, drinks or drink mixes; 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.

For purposes of this Section, “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.

2.27 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.

2.28 Retirement:

A Participant's Separation from Service after attaining (whichever of the following occurs earlier): (a) at least age 55 with 10 or more years of service, or (b) at least age 65 with 5 or more years of service. Effective from and after January 1, 2008, a Participant's "years of service" (for purposes of this Section) shall be equal to the sum of the following – (a) all periods of time a Participant was employed by a member of the PepsiCo Organization, plus (b) if a Participant is employed by a member of the PepsiCo Organization, the Participant's employment terminates with all members of the PepsiCo Organization and then the Participant is rehired by a member of the PepsiCo Organization thereafter, the period of time during which the Participant was not employed by a member of the PepsiCo Organization. Notwithstanding the foregoing, the period of time prior to a Participant being first employed by a member of the PepsiCo Organization shall not be counted as part of a Participant's "years of service," and the period of time after a Participant terminates employment with all members of the PepsiCo Organization shall not be counted, unless the Participant is rehired by a member of the PepsiCo Organization thereafter (and then only upon his/her rehire date).

2.29 Second Look Election:

The term, Second Look Election, shall have the meaning given to it in Section 4.05.

2.30 Section 409A:

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

2.31 Separation from Service:

A Participant's separation from service as defined in Section 409A; provided that for purposes of determining whether a Separation from Service has occurred, the Plan has determined, based upon legitimate business criteria, to use the twenty percent (20%) test described in Treas. Reg. § 1.409A-1(h)(3) to identify entities that are considered controlled affiliates of the Company. In the event a Participant also provides services other than as an Executive 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) (relating to board of director members). The term may also be used as a verb (*i.e.*, "Separates from Service") with no change in meaning.

2.32 Specific Payment Date:

A specific date selected by an Eligible Executive that triggers a lump sum payment of a deferral or the start of installment payments for a deferral, as provided in Sections 4.03 and 4.04. The Specific Payment Dates that are available to be selected by Eligible Executives shall be determined by the Plan Administrator, and the currently available Specific Payment Dates shall be reflected on the Election Forms that are made available from time to time by the Plan Administrator. In the event that an Election Form only provides for selecting a month or a calendar quarter and a year as the Specific Payment Date, the first day of the month or the first day of the calendar quarter that is selected shall be the Specific Payment Date.

2.33 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; 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)(3) and any guidelines established by the Plan Administrator.

2.34 U.S.:

The United States, comprised of its 50 states, the District of Columbia, and its possessions (other than Puerto Rico).

2.35 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

### 3.01 Eligibility to Participate:

#### (a) In General.

(1) For Plan Years beginning on and after January 1, 2020 and for Performance Periods ending after December 31, 2019, subject to Paragraph (3) below, Section 3.05 and the election timing rules of Article IV, an Executive shall be eligible to defer compensation under the Plan if, as of the beginning of, and throughout the entirety of, the Deferral Window (as described in Section 4.02) related to an upcoming Plan Year and Performance Period, the Executive (i) is classified by the Employer as an Executive in a Leadership Group (“LG”) 2 or above position, (ii) had been employed by an Employer during at least a portion of each of the two Plan Years preceding the deferral election, (iii) earned total compensation from the Employers (including Base Compensation and Bonus Compensation) of more than \$200,000 in each such Plan Year (as reflected in the books and records of the Employers), and (iv) has a reasonable expectation of earning more than \$200,000 in total compensation (including Base Compensation and Bonus Compensation) in the Plan Year of the deferral election.

(2) For Plan Years and Performance Periods preceding those covered by Paragraph (1) and ending after January 1, 2006, subject to Paragraph (3) below and the election timing rules of Article IV, an Executive shall be eligible to defer compensation under the Plan 30 days after (i) being hired by an Employer as an Executive classified as LG2 or above (and while he or she remains so classified) or (ii) being promoted by an Employer from below LG2 into a LG2 or above position (for periods before January 1, 2017, references in this subsection to “LG2” shall be applied as references to “Band II”). Any individual who becomes an Eligible Executive during a Plan Year (including an individual who previously was an Eligible Executive under the Plan, or who had similar status under another elective account balance plan of a member of the PepsiCo Organization) may only be treated as an Eligible Executive for such Plan Year by satisfying the initial eligibility requirements of Treas. Reg. §1.409A-2(a)(7)(ii).

(3) The provisions of this Paragraph (3) shall apply notwithstanding Paragraph (1) or (2) above. From time to time the Plan Administrator may modify, limit or expand the class of Executives eligible to defer hereunder, pursuant to criteria for eligibility that need not be uniform among all or any group of Executives; provided that the Plan Administrator may remove an Executive from eligibility to participate effective only as of the end of a Plan Year. An Eligible Executive, who makes a valid election that becomes irrevocable (*e.g.*, at the end of a Deferral Window), to participate with respect to Base or Bonus Compensation for a Plan Year or Performance Period (as applicable) shall remain an Eligible Executive for the remainder of the Plan Year or Performance Period and, with respect to Bonus Compensation, until the Eligible Executive’s Bonus Compensation for the Plan Year is deferred (i) regardless of whether such Executive ceases to meet the eligibility requirements of Paragraph (1) or (2) above, (ii) regardless of whether such Executive subsequently is not paid in U.S. dollars or is paid from a non-

U.S. payroll, and (iii) regardless of whether such individual is transferred to an affiliate of the Company, if such transfer to an affiliate is not a Separation from Service; provided that the occurrence of such events shall cut off any election that has been made that has not yet become irrevocable under rules of the Plan Administrator that are intended to permit compliance with Section 409A.

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

(c) Each Eligible Executive becomes an active Participant on the date an amount is first withheld from his or her compensation pursuant to an Election Form submitted by the Executive to the Recordkeeper (or, if authorized, the Plan Administrator) under Section 4.01.

### 3.02 Termination of Eligibility to Defer:

An individual's eligibility to participate actively by making deferrals (or a deferral election) under Article IV shall cease upon the "Election Termination Date" (as defined below) occurring after the earliest of:

(a) The date he or she Separates from Service; or

(b) The date that the Executive ceases to be eligible under criteria described in Section 3.01(a).

An individual's "Election Termination Date" shall be a date as soon as administratively practicable following the date in Subsection (a) or (b) (or such other date as may be determined in accordance with rules of the Plan Administrator); provided that an Election Termination Date shall not affect any election already made that otherwise has become irrevocable in accordance with the rules of this Plan. However, the occurrence of an Election Termination Date shall terminate any election that has been made that is not yet required to become irrevocable under rules of the Plan Administrator that are intended to permit compliance with Section 409A.

### 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; provided, however, even if a Participant's Account is fully paid out, participation shall continue under the Plan if a deferral will be credited to the Participant's Account in the future (e.g., a deferral of Bonus Compensation that is paid in a future year).

### 3.04 Acquisitions and Divestitures:

A written agreement between an Employer and a party that is not part of the PepsiCo Organization regarding the purchase or sale of a business unit, division, or subsidiary ("Business") may provide for the termination or commencement of the participation of Executives in this Plan. Absent a specific provision in such agreement to the contrary:

(a) Each Executive of a Business that is sold shall cease being eligible for this Plan upon such sale (subject to the transitional extension of participation under Section 3.01(a) in the case of a sale that does not result in a Separation from Service as a result of the 20% affiliate rule in the definition of Separation from Service); and

(b) No Executive of a Business that is acquired shall be eligible for this Plan except as otherwise designated in the Plan or in such documents related to the Plan as the Plan Administrator may designate from time to time.

For purposes of Article IX (amendment and termination of the Plan), an Employer's approval and execution of a written agreement of acquisition or divestiture, which is described in the first sentence of this Section, constitutes approval by the Company of the provisions of the agreement that relate to participation in this Plan.

### 3.05 Special Rules for Certain Executives:

For Plan Years beginning on and after January 1, 2020 and for Performance Periods ending after December 31, 2019, in the case of an Executive who is an officer within the meaning of Section 16 of the Securities Exchange Act of 1934 ("Section 16 Officer"), the Section 16 Officer's eligibility shall be determined under the Plan's provisions in effect as of January 1, 2019 (the "2019 Provisions") and as provided in this Section 3.05. To provide for the eligibility of Section 16 Officers under the 2019 Provisions consistently with the Plan's exemption under Section 4(a)(2) of the Securities Act of 1933 pursuant to Rule 506 of Regulation D, the Plan will comply with Rule 506(b), including by determining the Section 16 Officers' accredited investor status using any basis permissible under Rule 506(b) (notwithstanding anything to the contrary in Section 3.01(a)(1)). In addition, in the case of a Section 16 Officer who becomes newly eligible for the Plan under circumstances that qualify for the special 30-day election period permitted by Treasury Regulation § 1.409A-2(a)(7), the Section 16 Officer shall be entitled to make a deferral election for Base Compensation during a 30-day election period pursuant to the 2019 Provisions.

## Article IV – DEFERRAL OF COMPENSATION

### 4.01 Deferral Election:

(a) Deferrals of Base Compensation. Effective on or after January 1, 2010, each Eligible Executive may make an election to defer under the Plan any whole percentage up to 75% of his or her Base Compensation in the manner described in Section 4.02. The Plan Administrator shall be entitled to specify on the Election Form applicable to a particular deferral election (or in other documentation applicable to such deferral election) a lower percentage limitation on the amount of Base Compensation that may be deferred pursuant to such deferral election. Any such specification shall be made in writing no later than the date on which such deferral election becomes irrevocable pursuant to Section 4.02. Any changes in such specification from that in effect on January 1, 2019 shall be subject to Section 7.06.

### (b) Deferrals of Bonus Compensation.

(1) General Rules. Effective on or after May 21, 2010, each Eligible Executive may make an election to defer under the Plan any whole percentage up to 100% of his or her Bonus Compensation in the manner described in Section 4.02. The Plan Administrator shall be entitled to specify on the Election Form applicable to a particular deferral election (or in other documentation applicable to such deferral election) a lower percentage limitation on the amount of Bonus Compensation that may be deferred pursuant to such deferral election. Any such specification shall be made in writing no later than the date on which such deferral election becomes irrevocable pursuant to Section 4.02. Any changes in such specification from that in effect on January 1, 2019 shall be subject to Section 7.06.

(2) Special Rules for Promoted Eligible Executives for Performance Periods Ending Before 2020. For Performance Periods ending before January 1, 2020, an Eligible Executive that becomes an Eligible Executive during a Plan Year as a result of a promotion from below LG2 into a position that is LG2 or above shall only be eligible to defer Bonus Compensation earned for such Performance Period in which he or she is promoted, if the Eligible Executive (i) is a bonus-eligible Executive for all of such Plan Year and (ii) is promoted by May 15<sup>th</sup> of the Plan Year in which the promotion occurs (for periods before January 1, 2017, references in this paragraph to “LG2” shall be applied as references to “Band II”). If a promoted Eligible Executive does not satisfy the requirements of the previous sentence, he or she shall not be eligible to defer Bonus Compensation earned for the Performance Period relating to the Plan Year in which he or she is promoted.

(3) Performance Criteria for Performance Periods Ending Before 2020. For Performance Periods ending before January 1, 2020, notwithstanding Subsections (b)(1) and (b)(2) above, an Eligible Executive shall not be eligible to defer Bonus Compensation for a Plan Year unless (i) the Bonus Compensation is contingent on the satisfaction of organizational or individual performance criteria for the Performance Period that relates to the Plan Year, (ii) such criteria have been established in writing by

not later than 90 days after the beginning of the applicable Performance Period, and (iii) the Bonus Compensation otherwise satisfies the requirements for performance-based compensation under Section 409A.

(c) Election Form Rules. To be effective in deferring Base Compensation or Bonus Compensation, an Eligible Executive's Election Form must set forth the percentage of Base Compensation or Bonus Compensation (whichever applies) to be deferred, the deferral period under Section 4.03, the form of payment under Section 4.04, and any other information that may be required by the Plan Administrator from time to time. In addition, the Election Form must meet the requirements of Section 4.02. It is contemplated that an Eligible Executive will specify the investment choice under Section 5.02 (in multiples of 1%) for the Eligible Executive's deferral. However, this is not a condition for making an effective election.

#### 4.02 Time and Manner of Deferral Election:

##### (a) Deferrals of Base Compensation.

(1) In General. An Eligible Executive must make a deferral election for a Plan Year with respect to Base Compensation no later than December 31 of the year prior to the Plan Year in which the Base Compensation would otherwise be paid. If December 31 (or an applicable earlier day) is not a business day, the deadline shall be the nearest preceding day that is a business day. Notwithstanding the prior two sentences, the Plan Administrator may adopt policies and procedures that encourage or require earlier submission of Election Forms, but in which case any requirement for the earlier submission of an Election Form may be waived (but not beyond the date specified by the first sentence of this subsection) by the Plan Administrator to prevent undue hardship for one or more Eligible Executives. Any changes in such policies or procedures or in established waiver practices from those applicable on January 1, 2019 shall be subject to Section 7.06.

(2) Mid-Year Elections for Plan Years Before 2020. For Plan Years ending before January 1, 2020, subject to the last sentence of Section 3.01(a)(2) and (for later Plan Years) Section 3.05, an individual who newly becomes an Eligible Executive will have 30 days from the date the individual becomes an Eligible Executive to make a deferral election with respect to Base Compensation that is earned for services performed after the election is received (the "30-Day Election Period"). The 30-Day Election Period may be used to make an election for Base Compensation that otherwise would be paid in the Plan Year in which the individual becomes an Eligible Executive. In addition, the 30-Day Election Period may be used to make an election for Base Compensation that would otherwise be paid in the next Plan Year (*i.e.*, the Plan Year following when the individual becomes an Eligible Executive), if the individual becomes an Eligible Executive not later than December 31 of a Plan Year. Thus, if a Base Compensation deferral election for a Plan Year is made in reliance on the 30-day rule, then the Plan Administrator shall apply the restriction that the election may only apply to Base Compensation earned for services performed after the date the election is received by the Recordkeeper.

(b) Deferrals of Bonus Compensation.

(1) Performance Periods Ending After 2019. In the case of an Eligible Executive's Bonus Compensation that relates to a Performance Period ending after December 31, 2019, an Eligible Executive must make a deferral election with respect to such Bonus Compensation no later than the last day of the Company's fiscal year that ends just before such Performance Period. If the last day of such fiscal year is not a business day, the deadline shall be the nearest preceding day that is a business day.

(2) Performance Periods Ending Before 2019. In the case of an Eligible Executive's Bonus Compensation that relates to a Performance Period ending before December 31, 2019, the Eligible Executive must make a deferral election with respect to his or her Bonus Compensation at least six months prior to the end of the Performance Period for which the applicable Bonus Compensation is paid, and this election will be the Eligible Executive's bonus deferral election for the Plan Year to which the Performance Period relates. This applies to both continuing Eligible Executives and individuals who newly become Eligible Executives. Accordingly, if an individual becomes an Eligible Executive during a Plan Year as a result of a promotion and is eligible to defer Bonus Compensation under Section 4.01(b) for such Plan Year, such Eligible Executive must make a deferral election for Bonus Compensation that is earned for the Performance Period that relates to the Plan Year in which he or she is promoted at least six months prior to the end of the applicable Performance Period.

Notwithstanding the provisions in Paragraphs (1) and (2) above, the Plan Administrator may adopt policies and procedures that encourage or require earlier submission of Election Forms, but in which case any requirement for the earlier submission of an Election Form may be waived (but not beyond the date otherwise applicable under Paragraph (1) and (2) above) by the Plan Administrator to prevent undue hardship for one or more Eligible Executives. Any changes in such policies or procedures or in established waiver practices from those applicable on January 1, 2019 shall be subject to Section 7.06.

(c) General Provisions. For purposes of Section 3.01 and this Section 4.02, the period of time to make the deferral election described under (a) and (b) above shall be referred to as the Deferral Window. A separate deferral election under (a) or (b) above must be made by an Eligible Executive for each category of a Plan Year's compensation that is eligible for deferral. If a properly completed and executed Election Form is not actually received by the Recordkeeper (or, if authorized, the Plan Administrator) by the deadline applicable under Subsections (a) and (b) above, the Eligible Executive will be deemed to have elected not to defer any Base Compensation or Bonus Compensation, as the case may be, for the applicable Plan Year or the Performance Period that relates to the Plan Year, as applicable. Except as provided below in this subsection, 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 a Participant elects to defer shall not be permitted during a Plan Year. Notwithstanding the foregoing, effective as of January 1, 2008, if a Participant receives a hardship distribution under a cash or deferred profit sharing plan that is sponsored by a member of the PepsiCo Organization

and such plan requires that deferrals under such plan be suspended for a period of time following the hardship distribution, the Plan Administrator may cancel the Participant's deferral election under this Plan so that no deferrals shall be made during such suspension period. If an election is cancelled because of a hardship distribution in accordance with the prior sentence, such cancellation shall permanently apply to the deferral election or elections for any Plan Year covered by such suspension period and the Participant will only be eligible to make a new deferral election for the Plan Year that begins after the end of the suspension period, and such new election shall be made in accordance with the rules of Sections 4.01 and 4.02.

(d) Beneficiaries.

(1) 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 or Recordkeeper shall require from time to time. The Beneficiary designation must also be filed with the Recordkeeper (or the Plan Administrator for periods prior to June 3, 2002) prior to the Participant's death. An incomplete Beneficiary designation, as determined by the Recordkeeper or Plan Administrator, 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. Solely for periods prior to June 3, 2002, a Beneficiary designation solely by relationship (for example, a designation of "spouse," that does not give the name of the spouse) shall designate whoever is the person in that relationship to the Participant at his or her death. However, any Beneficiary designation submitted to the Recordkeeper from and after June 3, 2002 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 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 Account ceases to be a Beneficiary when all payments have been made from the Account.

(2) If the Participant designates a Beneficiary and such Beneficiary survives the Participant, but dies prior to the complete distribution of such Beneficiary's interest in the Participant's Account, the Plan Administrator shall direct the Recordkeeper to pay such Beneficiary's remaining interest in the Participant's Account to the Beneficiary's estate.

#### 4.03 Period of Deferral:

An Eligible Executive 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. In no event shall an Eligible Executive's deferral period end later than his or her 80<sup>th</sup> birthday, regardless of whether the Participant chose a single lump sum or installments as the form of payment. Notwithstanding an Eligible Executive's actual election of a Specific Payment Date, an Eligible Executive shall be deemed to have elected a period of deferral of not less than:

(a) For Base Compensation that is paid from and after January 1, 2008, at least twelve (12) months after the end of the Plan Year during which the Base Compensation would have been paid absent the deferral; and

(b) For Bonus Compensation that is paid from and after January 1, 2008, at least eighteen (18) months after the date the Bonus Compensation would have been paid absent the deferral.

In the case of a deferral to a Specific Payment Date, if an Eligible Executive's Election Form either fails to specify a period of deferral or specifies a period less than the applicable minimum, the Eligible Executive shall be deemed to have selected a Specific Payment Date equal to the minimum period of deferral as provided in Subsections (a) and (b) above.

#### 4.04 Form of Deferral Payout:

An Eligible Executive making a deferral election shall specify a form of payment on his or her Election Form by designating either a lump sum payment or installment payments to be paid over a period of no more than 20 years, and not later than the Executive's 80<sup>th</sup> birthday. Any election for installment payments shall also specify (a) the frequency for which installment payments shall be paid, which shall be quarterly, semi-annually and annually and (b) whether the installment payments shall be paid in a fixed dollar amount or for a fixed number of years. Installment elections for a fixed dollar amount shall be paid based on the selected frequency and the selected amount until the applicable Deferral Subaccount is exhausted, but shall not be paid for a period of more than 20 years and not later than the Executive's 80<sup>th</sup> birthday. If an Eligible Executive elects installments for a period extending beyond the Eligible Executive's 80<sup>th</sup> birthday (or for purposes of a fixed dollar amount installment election, the installments would continue beyond the Executive's 80<sup>th</sup> birthday or beyond 20 years), such election shall be treated as an election for installments over a period of whole and partial years that ends on the Eligible Executive's 80<sup>th</sup> birthday or, if earlier, at the end of 20 years; provided that the amounts to be distributed in connection with the installments prior to the Eligible Executive's 80<sup>th</sup> birthday or prior to the end of 20 years shall be determined in accordance with Section 6.08 and his or her election by assuming that the installments shall continue for the full number of installments or the elected fixed dollar amount, with the entire remaining amount of the relevant Deferral Subaccount distributed on the Eligible Executive's 80<sup>th</sup> birthday or at the end of 20 years.

#### 4.05 Second Look Elections:

(a) In General. Subject to Subsection (b) below and the next sentence, a Participant who has made a valid initial deferral in accordance with the foregoing provisions of this Article may subsequently make additional elections 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." For periods before January 1, 2020, a Participant was eligible to make only one Second Look Election with respect to each individual deferral of Base or Bonus Compensation.

(b) Requirements for Second Look Elections. A Second Look Election is subject to all of the conditions of Subsection (a) above and must comply with all of the following requirements:

(1) If a Participant's initial election for a deferral (or the latest subsequent Second Look Election) specified payment based on a Specific Payment Date, the Participant may only change the payment terms for such deferral through a current Second Look Election if the election is made at least 12 months before the Participant's original (or if applicable, last subsequently elected) Specific Payment Date. In addition, in this case the Participant's current Second Look Election must delay the payment of the Participant's deferral to a new Specific Payment Date that is at least five years after the original (or if applicable, last subsequently elected) Specific Payment Date.

(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 and the Participant separates from Service for Retirement. In addition, in this case the Participant's Second Look Election must delay the payment of the Participant's deferral for at least five years. For example, the Second Look Election must delay the payment of the Participant's deferral to a Specific Payment Date that turns out to be at least five years after the later of (i) the Participant's Separation from Service or (ii) the last designated period following the Participant's Separation from Service that was designated in a prior Second Look Election. Alternatively, the Second Look Election may delay the payment of the Participant's deferral for a designated period of five years (or more) following the later of (A) the Participant's Separation from Service or (B) the end of the last period following the Participant's Separation from Service that was designated in a prior Second Look Election. If the five-year delay election is made by selecting a Specific Payment Date that turns out to be less than five years after the Participant's Separation from Service (or if later, the last designated period following the Participant's Separation from Service), the Second Look Election is void and payment shall be made based on the Participant's Separation from Service (or if later, the last validly designated period following the Participant's Separation from Service).

(3) For periods before January 1, 2013, neither a Separation from Service nor a period of delay after a Separation from Service could be specified as the payout date resulting from a Second Look Election.

(4) To the extent permitted by Subsection (a) above, a Participant may make an unlimited number of Second Look Elections for each individual deferral, however, each Second Look Election must comply with all of the requirements of this Section 4.05.

(5) A Participant who changes the form of his or her payment election from lump sum to installments will be subject to the provisions of the Plan regarding installment payment elections in Section 4.04, and such installment payments must begin no earlier than five years after when the lump sum payment would have been paid based upon the Participant's initial election (or, if applicable, any subsequent Second Look Election). A Participant may not make a Second Look Election if the election would provide for installment payments to be made after the Participant's 80<sup>th</sup> birthday.

(6) If a Participant's initial election (or any subsequent Second Look Election) specified payment in the form of installments and the Participant wants to elect installment payments over a greater or lesser number of years or wants to elect a different frequency of installment payments (*e.g.*, change from annual installments to quarterly installments), the election will be subject to the provisions of the Plan regarding installment payment elections in Section 4.04, and the first payment date of the new installment payment schedule must be no earlier than five years after the first payment date that applied under the Participant's initial (or, if applicable, subsequent) installment election. A Participant may not make a Second Look Election if the election would provide for installment payments to be made after the Participant's 80<sup>th</sup> birthday.

(7) If a Participant's initial election (or subsequent Second Look 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 five years after the first payment date that applied under the Participant's initial (or, if applicable, subsequent) installment election.

(8) For purposes of this Section and Code 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 Sections 4.03 and 4.04 if all of the provisions of the foregoing paragraphs of this subsection are not satisfied in full. However, if a Participant's Second Look Election becomes effective in accordance with the provisions of this subsection, the Participant's original (or, if applicable, subsequent) election shall be superseded (including any Specific Payment Date specified therein), and this original (or, if applicable, subsequent) election shall not be taken into account with respect to the deferral that is subject to the effective Second Look Election.

(c) Plan Administrator's Role. Each Participant has the sole responsibility to elect a Second Look Election by contacting the Recordkeeper (or, if authorized, the Plan

Administrator) 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 are 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.

## 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 Base Compensation or Bonus Compensation made by 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. A Participant's Account is a bookkeeping device to track the value of the Participant's deferrals (and his or her Employer'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 his or her Account had actually been invested as directed by the Participant in accordance with this Article (as modified by Section 5.05, if applicable). 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 his or her Employer's liability to make deferred payments to or on behalf of the Participant.

### 5.02 Investment Options:

(a) General. Each of a Participant's Deferral Subaccounts shall 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 those offered by the Plan Administrator for this purpose from time to time. 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).

(b) Phantom Investment Options. The basic phantom investment options offered under the Plan are as follows:

(1) Phantom PepsiCo Common Stock Fund. Participant Accounts invested in this phantom option are adjusted to reflect an investment in the PepsiCo Common Stock Fund, which is offered under the PepsiCo Savings Plan (or such similar plan as may be offered by the Company from time to time). An amount deferred or transferred into this option is converted to phantom units in the PepsiCo Common Stock Fund by dividing such amount by the NAV of the fund on the Valuation Date as of which the amount is treated as invested in this option by the Plan Administrator. A Participant's interest in the Phantom PepsiCo Common Stock Fund is valued as of a Valuation Date (or a Distribution Valuation Date) by multiplying the number of phantom units credited to the Participant's Account on such date by the NAV of a unit in the PepsiCo Common

Stock Fund on such date. 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 other 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 units credited to an Account or subaccount as the Plan Administrator may determine to be necessary or appropriate. 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.

(2) Phantom AFR Fund: This fund is established effective from and after December 29, 2006. Participant Accounts invested in this phantom option accrue a return based upon an interest rate that is 120% of the applicable Federal long-term rate (pursuant to Code Section 1274(d) or any successor provision) applicable for annual compounding, as published by the U.S. Internal Revenue Service from time to time. Returns accrue for each month based upon 120% of the applicable Federal long-term rate (applicable for annual compounding) in effect on the first business day of each month and are compounded annually. An amount deferred or transferred into this option is credited with the applicable rate of return beginning with the date as of which the amount is treated as invested in this option by the Plan Administrator.

(3) 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 this 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.

### 5.03 Method of Allocation:

(a) Deferral Elections. With respect to any deferral election by a Participant, the Participant may use his or her Election Form to allocate the deferral in one percent increments among the phantom investment options then offered by the Plan Administrator. If an Election Form related to an original deferral election specifies phantom investment options for less than 100% of the Participant's deferral, the Recordkeeper shall allocate the Participant's deferrals to the Phantom AFR Fund to the extent necessary to provide for investment of 100% of the Participant's deferral. If an Election Form related to an original deferral election specifies phantom investment options for more than 100% of the Participant's deferral, the Recordkeeper

shall prorate all of the Participant's investment allocations to the extent necessary to reduce (after rounding to whole percents) the Participant's aggregate investment percentages to 100%.

(b) Fund Transfers. A Participant may reallocate previously deferred amounts in a Deferral Subaccount by properly completing and submitting a fund transfer form provided by the Plan Administrator or Recordkeeper and specifying, in increments permitted by the Plan Administrator, 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.) Effective as of January 1, 2020, the increments permitted by the Plan Administrator are whole percentages, whole shares or whole dollars, as specified in the fund transfer forms provided to Participants and authorized by the Plan Administrator. 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.

(c) 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).

#### 5.04 Vesting of a Participant's Account:

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

#### 5.05 Forfeiture of Earnings for Prohibited Misconduct:

Effective beginning with deferrals for Bonus Compensation for the 2006 Plan Year and deferrals for Base Compensation for the 2007 Plan Year, 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 current and future net earnings and gains that have been or will be credited to his or her Account under the provisions of Sections 5.01(b) and/or 6.08, and his or her Account balance shall be adjusted to reflect such forfeiture. Accordingly, a Participant who has engaged in Prohibited Misconduct during such period shall only be eligible to receive a distribution of the lesser of: (a) the aggregate amount of his or her Base Compensation and Bonus Compensation deferrals under this Plan that relate to elections made for and after the 2006 Plan Year for Bonus Compensation and the 2007 Plan Year for Base Compensation (the "Affected Deferrals"), or (b) the net value of the Participant's Affected Deferrals as of the date the Plan Administrator determines that the Participant has engaged in Prohibited Misconduct.

## Article VI – DISTRIBUTIONS

### 6.01 General:

A Participant's Deferral Subaccount(s) that are governed by the terms of this 409A Program 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 (including those hypothetically invested in the Phantom PepsiCo Common Stock Fund) shall be distributed in cash. 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 (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 or Second Look Election 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 a Participant dies. 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 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 6.06 take precedence over Section 6.05.

(e) Section 6.06 (Distributions on Account of Disability) applies when a 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 a 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 a 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, (ii) the Participant's Separation from Service (other than for 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 a Participant's Deferral Subaccount is to be paid in the form of a lump sum pursuant to Section 4.04 or 4.05, whichever is applicable, the Deferral Subaccount shall be valued as of the last Distribution Valuation Date that occurs on or immediately precedes the Participant's Specific Payment Date, and the resulting amount shall be paid in a single lump sum on the Specific Payment Date.

(b) This subsection shall be effective for Specific Payment Dates and Separations from Service occurring from and after January 1, 2009. If a Participant's Deferral Subaccount is to be paid in the form of installments pursuant to Section 4.04 or 4.05, whichever is applicable, the Participant's 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 (subject to the provisions of this Plan that constrain such elections), except as provided in Sections 6.03, 6.04, 6.06 and 6.07 (relating to distributions upon Separation from Service (other than Retirement), death, Disability or 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 Separates from Service (other than Retirement) or the Participant would be entitled to a distribution in accordance with Section 6.04 or 6.06 (relating to distributions 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 6.03, 6.04 or 6.06 (relating to distributions on account of Separation from Service (other than Retirement), 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 Section 6.06.

6.03 Distributions on Account of a Separation from Service:

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. The rules of this Section shall be effective for Specific Payment Dates and Separations from Service occurring from and after January 1, 2009.

(a) Subject to Subsection (c), for those Deferral Subaccounts that have a Specific Payment Date that is after the Participant's Separation from Service, such Deferral Subaccounts shall be distributed in a single lump sum payment on the first day of the calendar quarter that follows the Participant's Separation from Service.

(b) Subject to Subsection (c), if the Participant's Separation from Service is on or after the Specific Payment Date (including a Specific Payment Date resulting from a Second Look Election) applicable to a Participant's Deferral Subaccount and the Participant has selected installment payments as the form of distribution for the Deferral Subaccount, then such Deferral Subaccount shall be distributed as follows:

(1) If the first installment payment has been processed prior to the Participant's Separation from Service, then the Participant's remaining installment payment election shall be void and the Participant shall be paid a single lump sum distribution for the remaining balance of the Deferral Subaccount based upon the provisions of Subsection (a) above; and

(2) If the first installment payment has not yet been processed prior to the Participant's Separation from Service, then the Participant's entire installment payment election shall be void and the Participant shall be paid a single lump sum distribution for the Deferral Subaccount based upon the provisions of Subsection (a) above.

(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 first day of the calendar quarter that is at least 6 months after the Participant's Separation from Service.

(d) If a Participant has Separated from Service, the Participant's entire Account balance has been distributed under this Article VI as a result of such Separation from Service, and later the Participant's Account is credited with a deferral of compensation that was not available for credit before the time the Participant's Account was previously paid out (e.g., Bonus Compensation), then the new balance of such Participant's Account shall be distributed as a result of such prior Separation from Service and the distribution shall be made in a single lump sum payment on the first day of the calendar quarter that follows the date that the deferral was credited to the Participant's Account, subject however to the rules of Subsection (c).

#### 6.04 Distributions on Account of Death:

(a) Upon a Participant's death, the value of the Participant's Account under the Plan shall be distributed in a single lump sum payment on the first day of the calendar quarter beginning after the first anniversary of the Participant's death. Effective January 1, 2019 and notwithstanding the preceding sentence, upon a Participant's death, the value of the Participant's Account under the Plan shall be distributed in a single lump sum payment during the period that (i) begins on the first day of the calendar quarter beginning after the Participant's death, and (ii) ends on December 31 of the year following the year of death. 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 applicable deferral election that governs such payments until the time that the lump sum payment is due to be paid under the applicable preceding sentence of this subsection. 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 such 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 by a Participant as Beneficiaries 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 Participant 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 by the Participant 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 (or for deaths on and after January 1, 2019, in a domestic partnership) at the time of his/her death, all payments made pursuant to this Section shall be paid to the Participant's surviving spouse or surviving eligible domestic partner; and

(2) If the Participant is not married (or for deaths on and after January 1, 2019, in a domestic partnership) at the time of his/her death, all payments made pursuant to this Section shall be paid to the Participant's surviving children in equal shares.

(3) If the Participant is not married (or for deaths on and after January 1, 2019, in a domestic partnership) and does not have any living children 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. For these purposes, an "eligible domestic partner" means the

individual, (i) with whom the Participant was in a valid civil union under state law at the time of the Participant's death, (ii) who would satisfy the criteria to be enrolled in the Company's health benefits as the Participant's domestic partner at the time of the Participant's death or (iii) who satisfies such other criteria of domestic partnership as the Plan Administrator has specified in writing. 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 Subsection (a), the Participant's Beneficiary may apply for a distribution under Section 6.07 (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 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, 4.04 or 4.05 (*i.e.*, time and form of payment) shall continue to be given effect, and the Deferral Subaccount shall be distributed based upon the provisions of Subsections (a) and (b) under Section 6.02, whichever applies (relating to distributions based on a Specific Payment Date).

(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 calendar quarter following Retirement. Such distribution shall be made in either a single lump sum payment or in installment payments depending upon the Participant's deferral election under Sections 4.04 or 4.05. If the Participant is entitled to installment payments, such payments shall be made in accordance with the Participant's installment 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) and with the installment payment amounts determined under Section 6.08. 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 first day of the calendar quarter that is at least 6 months after the Participant's Retirement.

(c) If the Participant is receiving installment payments in accordance with Section 6.02 (relating to distributions on account of a Specific Payment Date) for one or more Deferral Subaccounts at the time of his or her Retirement, such installment payments shall continue to be paid based upon the Participant's deferral 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).

#### 6.06 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) The value of the Participant's Account under the Plan as of the most recent Distribution Valuation Date shall be distributed in a single lump sum payment on the first date (i) on which the Participant is Disabled (determined without regard to the duration requirement of the next clause), (ii) that is at least 12 months following the first date the Participant was Disabled from the cause of the current Disability, and (iii) that is after the Participant has received payments from a PepsiCo disability plan (including the PepsiCo Disability Plan) for the current cause of Disability (determined without regard to the duration requirement of this clause).

(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.

#### 6.07 Distributions on Account of Unforeseeable Emergency:

Prior to the time that an amount would become distributable under Sections 6.02 through 6.06, 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 as of the day the Recordkeeper finalizes the determination. 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).

#### 6.08 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 that precedes 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 6.07 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 preceding the payment date for such installment (or partial distribution). The amount to be distributed in connection with any installment payment (other than a fixed amount elected under Section 4.04) shall be determined by dividing the value of a Participant's Deferral Subaccount as of such preceding 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. The amount distributed in connection with a fixed dollar amount installment election shall be equal to the dollar amount elected and subject to the rules in Section 4.04.

#### 6.09 Section 162(m) Compliance:

Notwithstanding Sections 6.01 through 6.07 of this Article, Plan distributions may be delayed in accordance with the special rule in Treas. Reg. §1.409A-2(b)(7)(i) (the "162(m) Provision"). The 162(m) Provision's special rule permits distributions to be delayed to the extent the Employer reasonably anticipates that, if the distribution were made as otherwise scheduled, the Employer's deduction for the distribution would not be permitted as a result of Code Section 162(m). Use of the 162(m) Provision's special rule is subject to conditions, including:

(a) The Employer must treat all similarly situated employees on a reasonably consistent basis,

(b) If the Employer delays a Plan distribution under the 162(m) Provision, the Employer must delay all payments of deferred compensation to a Participant (including payments under other arrangements) that (i) could be delayed under the 162(m) Provision, and (ii) are scheduled to be paid to the Participant in the same tax year in which the delayed distribution was scheduled to be paid, and

(c) Distribution must be made in accordance with the schedule specified in the 162(m) Provision (including any applicable six-month delay) once a distribution would be deductible taking into account Code Section 162(m).

6.10 Impact of Section 16 of the Act on Distributions:

The provisions of Sections 5.03(c) and 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.

6.11 Actual Payment Date:

An amount payable on a date specified in this Article VI shall be paid no later than the later of (a) the end of the calendar year in which the specified date occurs, or (b) the 15<sup>th</sup> day of the third calendar month following such specified date. In 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. 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 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 7.07 (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 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 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 Committee (which serves as the Plan Administrator), and no individual acting as the delegate of the Committee, 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 Committee 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 Committee 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 Committee (or his or her serving as the delegate of the Committee).

#### 7.05 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 shall be performed based on the rules and procedures of 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 or 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.

(b) 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) either was the subject of a Second Look Election or was not covered by an agreement, made 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, (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 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

Deferral Subaccount 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.

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. 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.

### 8.03 Special Claims Procedures for Disability Determinations:

Notwithstanding Sections 8.01 and 8.02, 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).

### 8.04 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.

8.05 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 this Article.

(a) Upon review by any court or other tribunal, the exhaustion requirement of this Section 8.05 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 8.05, 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 8.05 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 8.05 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 8.05, the following definitions apply.

(1) A "Dispute" is any claim, dispute, issue, action or other matter.

(2) 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.

(3) 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.

#### 8.06 Limitations on Actions:

Effective for claims and actions filed on or after April 1, 2016, any claim filed under 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 this Article shall have no effect on this two-year time frame.

#### 8.07 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 8.06 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, 2019.

## Article IX – AMENDMENT AND TERMINATION

### 9.01 Amendment of Plan:

The Compensation Committee of the Board of Directors of the Company, or its delegate or delegates, 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. As of September 25, 2019, the Company's Executive Vice President and Chief Human Resources Officer (or if such position is vacant or eliminated, 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) is delegated the responsibility to amend the Plan at any time and in any manner, except with respect to those provisions of the Plan which relate to matters subject to Section 7.06. Any amendment shall be in writing and adopted by the Committee or its delegate or delegates. 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 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

### 10.01 Limitation on Participant's Rights:

Participation in this Plan does not give any Participant the right to be retained in the Employer's employ (or any right or interest in this Plan or any assets of the Employer other than as herein provided). The Employer reserves the right to terminate the employment of any Participant without any liability for any claim against the Employer under this Plan, except for a claim for payment of deferrals as provided herein.

### 10.02 Unfunded Obligation of Individual Employer:

(a) 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 an 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 this Employer 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 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 deferrals made while the Participant was employed by that Employer to the new Employer (and the books of both Employers shall be adjusted appropriately).

(b) Notwithstanding the provisions of Subsection (a), for purposes of this Section an "Employer" shall only refer to those entities which are part of the PepsiCo Organization. If a Participant transfers to an entity that is not part of the PepsiCo Organization, the liability for deferrals made while the Participant was employed by the PepsiCo Organization shall remain with his or her last Employer that was part of the PepsiCo Organization.

### 10.03 Other Plans:

This Plan shall not affect the right of any Eligible Executive 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.

### 10.04 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, the Company, and all Employers, 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 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.

#### 10.06 Adoption of Plan by Related Employers:

The Plan Administrator may select as an Employer (other than the Company, which is automatically an Employer hereunder) any division of the Company, as well as any subsidiary or affiliate related to the Company by ownership (and that is a member of the PepsiCo Organization), and permit or cause such division, subsidiary or affiliate 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.

#### 10.07 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).

#### 10.08 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 Sections 5.06 and 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 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 Deferral Subaccount of a Participant. Any such payment shall be charged against and reduce the Participant's Account.

10.09 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 – SIGNATURE/AUTHENTICATION

The 409A Program was first adopted and approved by the Compensation Committee of the Company's Board of Directors at the Compensation Committee's duly authorized meeting on November 18, 2005. Pursuant to the direction and authorization of the Compensation Committee of the Company's Board of Directors at the Compensation Committee's duly authorized meeting on September 25, 2019, this 409A Program document has been amended and restated effective as of January 1, 2019 (except as otherwise provided).

PEPSICO, INC.

By: /s/ Ronald Schellekens  
Ronald Schellekens  
Executive Vice President and Chief Human Resources Officer  
Date: December 10, 2019

APPROVED:

By: /s/ Stacy Grindal  
Stacy Grindal, 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 Executives, 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 ARTICLE A - PARTICIPATING EMPLOYERS

The following members of the PepsiCo Organization have been designated as Employers as of January 1, 2019:

PepsiCo, Inc.  
Bare Foods Co.  
Bottling Group, LLC  
C&I Leasing, Inc.  
CytoSport, Inc.  
FL Transportation  
Frito Lay North America, Inc.  
Frito Lay, Inc.  
Golden Grain Co.  
Grayhawk Leasing, LLC  
Health Warrior, Inc.  
Hillwood Bottling LLC  
IZZE Beverage Co.  
Kevita Inc  
Naked Juice Co.  
Naked Juice Glendora  
New Bern Transport Corporation  
Pepsi Logistics  
Pepsi Northwest Beverages LLC  
Pepsico Global Mobility  
Pepsico Sales Inc.  
Pepsi-Cola Advertising & Marketing  
Pepsi-Cola Finance, LLC  
Pepsi-Cola Management & Admin Services  
Pepsi-Cola National Marketing, LLC  
Pepsi-Cola Sales & Dist, Inc.  
Pepsi-Cola Technical Ops, Inc.  
QTG Development, Inc.  
Quaker Manufacturing LLC  
Quaker Oats Company  
Quaker Sales & Distribution, Inc.  
Rolling Frito Lay Sales LLP  
SodaStream USA, Inc.  
Stacy's Pita Chip Company, Inc.  
SVC Equipment Co.  
SVC Logistics, Inc.  
SVC Manufacturing, Inc.  
The Gatorade Co.  
Tropicana Manufacturing Co.  
Tropicana Products Sales, Inc.  
Tropicana Products, Inc.

Tropicana Services, Inc.  
Tropicana Transportation Co.

## APPENDIX ARTICLE B – PBG AND PAS EXECUTIVES

B.1 Purpose. The purpose of this Article is to provide for a “home plan rules” approach for employees who move between, or are newly hired by, a PepsiCo Business, a PBG Business or PAS Business following the merger of The Pepsi Bottling Group, Inc. and PepsiAmericas, Inc. into the Pepsi-Cola Metropolitan Company, Inc., a wholly owned subsidiary of the Company, except as provided herein with respect to the deferral of Bonus Compensation under the Plan by PBG Executives and PAS Executives for the 2010 Plan Year. This Article B is effective as of the Effective Time.

B.2 Definitions. The definitions listed below apply for purposes of this Article B. Any other defined term used herein shall have the meaning applied to that term in the main portion of the Plan document.

(a) “Effective Time” means:

(1) With respect to the provisions of this Article B applicable to PAS Executives or PAS Businesses, the meaning given to that term under the Agreement and Plan of Merger dated as of August 3, 2009, among PepsiAmericas, Inc., PepsiCo, Inc., and Pepsi-Cola Metropolitan Bottling Company, Inc.; and

(2) With respect to the provisions of this Article B applicable to PBG Executives or PBG Businesses, the meaning given to that term under the Agreement and Plan of Merger dated as of August 3, 2009, among Pepsi Bottling Group, Inc., PepsiCo, Inc., and Pepsi-Cola Metropolitan Bottling Company, Inc.

(b) “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.

(c) “PAS Executive” means an individual who is employed by a PAS Business.

(d) “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.

(e) “PBG Executive” means an individual who is employed by a PBG Business.

(f) “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.

B.3 Participating Employers. PBG Businesses and PAS Businesses are not Employers under the Plan, except with respect to:

(a) Individuals who are hired by a PAS Business or PBG Business and who were Executives immediately before such date of hire; and

(b) PAS Executives and PBG Executives who elect to defer their Bonus Compensation under the Plan for the Plan Year beginning January 1, 2010 and later Plan Years.

B.4 Eligibility to Participate. PBG Executives and PAS Executives are eligible to participate in this Plan as follows:

(a) An individual who is hired by a PepsiCo Business after the Effective Time shall be eligible to participate in the Plan upon satisfying the Plan's eligibility requirements (and shall not be eligible to participate in the non-qualified defined contribution plan of another member of the PepsiCo Organization) unless he was employed by a member of the PepsiCo Organization that is not a PepsiCo Business immediately before such date of hire with a PepsiCo Business. PBG Executives and PAS Executives are ineligible to participate in this Plan, except that an individual who is hired by a PBG Business or PAS Business on or after the Effective Time, and who is an Executive immediately before such date of hire, shall be eligible to continue participating in this Plan for so long as he is continuously employed by a member of the PepsiCo Organization, to the same extent as if he had remained an Executive.

(b) Notwithstanding the foregoing, the PBG Executive and PAS Executives are eligible to defer Base Compensation and Bonus Compensation under the Plan, subject to the terms and conditions of the main provisions of the Plan, beginning with Bonus Compensation payable for the Performance Period that relates to the Plan Year that begins on January 1, 2010, and Base Compensation for the Plan Year that begins on January 1, 2011.

B.5 No Special Rights. Nothing in this Article is intended to override the provisions of Section 3.04 of the Plan or to otherwise confer any rights under the Plan not specifically authorized herein.

**PEPSICO**

**EXECUTIVE INCOME DEFERRAL**

**PROGRAM**

Plan Document for the Pre-409A Program

As Amended and Restated

Effective January 1, 2019

PEPSICO  
EXECUTIVE INCOME DEFERRAL PROGRAM

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## ARTICLE I

### INTRODUCTION

PepsiCo, Inc. (the “Company”) established the PepsiCo Executive Income Deferral Program in 1972 to permit eligible executives to defer certain cash awards made under its executive compensation programs. Subsequently, the PepsiCo Executive Income Deferral Program (the “Plan”) was expanded to permit eligible executives to defer base pay, certain other categories of executive compensation and gains on Performance Share Stock Options.

Except as otherwise provided, this document sets forth the terms of the Plan as in effect on July 1, 1997. As of that date, it specifies the group of executives of the Company and certain affiliated employers eligible to make deferrals, the procedures for electing to defer compensation and the Plan’s provisions for maintaining and paying out amounts that have been deferred. Additional provisions applicable to certain executives are set forth in the Appendix, which modifies and supplements the general provisions of the Plan.

Deferrals under the Plan that were earned and vested on or before December 31, 2004 are governed by a set of documents (which includes this document) that set forth the pre-Section 409A terms of the Plan (the “Pre-409A Program”). This document for the Pre-409A Program was most recently restated effective as of January 1, 2019. The terms of the Plan that are applicable to deferrals that are subject to Section 409A, i.e., generally, deferred amounts that are earned or vested after December 31, 2004 (the “409A Program”) are governed by a separate document. The 409A Program 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 the 409A Program document and not the Pre-409A Program documents 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 this document and the other 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.

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 the 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.

The Plan is unfunded and unsecured. Amounts deferred by an executive are an obligation of that executive's individual employer. With respect to his employer, the executive has the rights of a general creditor.

## 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:

2.1 Account: The account maintained for a Participant on the books of his Employer 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 3.2. In accordance with Section 4.3, some or all of a separate deferral may be held in a Risk of Forfeiture Subaccount. The Plan Administrator may also establish such additional subaccounts as it deems necessary for the proper administration of the Plan. Where appropriate, a reference to a Participant's Account shall include a reference to each applicable subaccount that has been established thereunder.

2.2 Base Compensation: An eligible Employee's adjusted base salary, as determined by the Plan Administrator and to the extent paid in U.S. dollars from an Employer's U.S. payroll. For any applicable payroll period, an eligible Employee's adjusted base salary shall be determined after reductions for applicable tax withholdings, Employee authorized deductions (including deductions for SaveUp, Benefits Plus and charitable donations), tax levies, garnishments and such other amounts as the Plan Administrator recognizes as reducing the amount of base salary available for deferral.

2.3 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 subaccounts in the event of the Participant's death. To be effective, any Beneficiary designation must be in writing, signed by the Participant, and filed with the Plan Administrator prior to the Participant's death, and it must meet such other standards as the Plan Administrator shall require from time to time. If no designation is in effect at the time of a Participant's death or if all designated Beneficiaries have predeceased the Participant, then the Participant's Beneficiary shall be his estate. A Beneficiary designation of an individual by name (or name and relationship) remains in effect regardless of any change in the designated individual's relationship to the Participant. A Beneficiary designation solely by relationship (for example, a designation of "spouse," that does not give the name of the spouse) shall designate whoever is the person in that relationship to the Participant at his death. 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.

2.4 Bonus Compensation: An eligible Employee's adjusted annual incentive award under his Employer's annual incentive plan or the Executive Incentive Compensation Plan, as determined and adjusted by the Plan Administrator and to the extent paid in U.S. dollars

from an Employer's U.S. payroll. An eligible Employee's annual incentive awards shall be adjusted to reduce them for applicable tax withholdings, Employee authorized deductions (including deductions for SaveUp, Benefits Plus and charitable donations), tax levies, garnishments and such other amounts as the Plan Administrator recognizes as reducing the amount of such awards available for deferral.

2.5 Code: The Internal Revenue Code, as amended.

2.6 Company: PepsiCo, Inc., a North Carolina corporation, or its successor or successors.

2.7 Deferral Subaccount: A subaccount of a Participant's Account maintained to reflect his interest in the Plan attributable to each deferral of Base Compensation, Bonus Compensation, Performance Unit Payout and Stock Option Gains, respectively, and earnings or losses credited to such subaccount in accordance with Section 4.1(b).

2.8 Disability: A Participant who is entitled to receive benefits under the PepsiCo Long Term Disability Plan shall be deemed to suffer from a disability. Participants who are not eligible to participate in the PepsiCo Long Term Disability Plan shall be deemed to suffer from a disability if, in the judgment of the Plan Administrator, they satisfy the standards for disability under the PepsiCo Long Term Disability Plan.

2.9 Effective Date: July 1, 1997.

2.10 Election Form: The form prescribed by the Plan Administrator on which a Participant specifies the amount of his Base Compensation, Bonus Compensation, Performance Unit Payout or Stock Option Gains to be deferred pursuant to the provisions of Article III.

2.11 Employee: Any person in a salaried classification of an Employer who (i) is receiving remuneration for personal services rendered in the employment of the Employer, (ii) is either a United States citizen or a resident alien lawfully admitted for permanent residence in the United States, and (iii) is paid in U.S. dollars from the Employer's U.S. payroll.

2.12 Employer: Each division of the Company and each of the Company's subsidiaries and affiliates that is currently designated as an Employer by the Plan Administrator.

2.13 ERISA: The Employee Retirement Income Security Act of 1974, as amended.

2.14 Fair Market Value: For purposes of converting a Participant's deferrals to PepsiCo Capital Stock as of any date, the Fair Market Value of PepsiCo Capital Stock is determined as the average of the high and low price on such date for PepsiCo Capital Stock

as reported on the principal exchange on which PepsiCo Capital Stock is traded as of the time in question, rounded to four decimal places. For purposes of determining the value of a Plan distribution or for reallocating amounts between phantom investment options under the Plan, the Fair Market Value of PepsiCo Capital Stock is determined as the closing price on the applicable Valuation Date (identified based on the Plan Administrator's current procedures) for PepsiCo Capital Stock, as reported on the principal exchange on which PepsiCo Capital Stock is traded as of the time in question, rounded to four decimal places.

2.15 Participant: Any Employee eligible pursuant to Section 3.1 who has satisfied the requirements for participation in this Plan and who has an Account. A Participant includes any individual who deferred compensation prior to the Effective Date and for whom any Employer maintains on its books an Account for such deferred compensation as of the Effective Date. An active Participant is one who is currently deferring under Section 3.2.

2.16 Performance Unit Payout: The adjusted performance unit award payable to an Employee under the Company's Long Term Incentive Plan during a Plan Year, to the extent paid in U.S. dollars from an Employer's U.S. payroll. An eligible Employee's performance unit award shall be adjusted to reduce it for applicable tax withholdings, Employee authorized deductions, tax levies, garnishments and such other amounts as the Plan Administrator recognizes as reducing the amount of such awards available for deferral.

2.17 Plan: The PepsiCo Executive Income Deferral Program, the plan set forth herein and in the 409A Program document, as it may be amended and restated from time to time (subject to the limitations on amendment that are applicable hereunder and under the 409A Program). The portion of the Plan that governs deferrals that are subject to Section 409A is referred to as the "409A Program," while the portion of the Plan that governs deferrals that are not subject to Section 409A, which includes this document, is referred to as the "Pre-409A Program."

2.18 Plan Administrator: The Compensation Committee of the Board of Directors of the Company ("Compensation Committee") or its delegate or delegates, which shall have the authority to administer the Plan as provided in Article VII. In addition, the Company's Senior Vice President, Total Rewards, or if such position is vacant or eliminated, 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, is delegated the responsibility for the operational administration of the Plan, including the powers set forth in Section 5.3 and Article VI. In turn, such Senior Vice President, has the authority to re-delegate operational responsibilities to other persons or parties. All delegations made under the authority granted by this Section are subject to Section 5.6.

2.19 Plan Year: The 12-month period from January 1 to December 31.

2.20 Retirement: Termination of service with the Company and its affiliates after attaining eligibility for retirement. A Participant attains eligibility for retirement when he attains at least age 55 with 10 or more years of service, or at least age 65 with 5 or more years of service (whichever occurs earliest) while in the employment of the Company or its affiliates. A Participant's service is determined under the terms of the PepsiCo Salaried Employees Retirement Plan.

2.21 Risk of Forfeiture Subaccount: The subaccount provided for by Section 4.3 to contain the portion of each separate deferral that is subject to forfeiture.

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

2.23 Stock Option Gains: The gains on an eligible Employee's Performance Share Stock Options that are available for deferral under the Plan pursuant to Section 3.3(c). With respect to any options that are made subject to a Stock Option Gain deferral election, the gains on such options shall be determined through a sale of related shares by the Plan Administrator net of: (i) the exercise price of the options, (ii) any transaction costs incurred when such gains are captured through the sale of related shares, and (iii) any related taxes that the Plan Administrator determines will not otherwise be satisfied by the Participant. For purposes of such sales, the Plan Administrator may aggregate shares related to the options of different Participants, sell them over one or more days and divide the net proceeds from such aggregate sales between the Participants in a reasonable manner. The Plan Administrator shall have absolute discretion with respect to the timing and aggregation of such sales.

2.24 Termination of Employment: A Participant's cessation of employment with the Company, all Employers and all other Company subsidiaries and affiliates (as defined for this purpose by the Plan Administrator). For purposes of determining forfeitures under Section 4.3 and distributing a Participant's Account under Section 4.4, the following shall apply:

(a) A Participant does not have a Termination of Employment when the business unit or division of the Company that employs him is sold if the Participant and substantially all employees of that entity continue to be employed by the entity or its successor after the sale. A Participant also does not have a Termination of Employment when the subsidiary of the Company that employs him is sold if: (i) the Participant continues to be employed by the entity or its successor after the sale, and (ii) the Participant's interest in the Plan continues to be carried as a liability by that entity or its successor after the sale through a successor arrangement. In each case, the Participant's Termination of Employment shall occur upon the Participant's post-sale termination of employment from such entity or its successor (and their related organizations, as determined by the Plan Administrator).

(b) With respect to any individual deferral, the term “Termination of Employment” may encompass a Participant’s death or death may be considered a separate event, depending upon the convention the Plan Administrator follows with respect to such deferral.

2.25 Valuation Date: Each date as of which Participant Accounts are valued in accordance with procedures of the Plan Administrator that are currently in effect. As of the Effective Date, the Valuation Dates are March 31, June 30, September 30 and December 31. 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 immediately preceding business day.

## ARTICLE III

### PARTICIPATION

#### 3.1 Eligibility to Participate.

(a) An Employee shall be eligible to defer compensation under the Plan while employed by an Employer at salary grade level 14 or above. Notwithstanding the preceding sentence, from time to time the Plan Administrator may modify, limit or expand the class of Employees eligible to defer hereunder, pursuant to criteria for eligibility that need not be uniform among all or any group of Employees. During the period an individual satisfies all of the eligibility requirements of this section, he shall be referred to as an eligible Employee.

(b) Each eligible Employee becomes an active Participant on the date an amount is first withheld from his compensation pursuant to an Election Form submitted by the Employee to the Plan Administrator under Section 3.3.

(c) An individual's eligibility to participate actively by making deferrals under Section 3.2 shall cease upon the earlier of:

(1) The date he ceases to be an Employee who is employed by an Employer at salary grade level 14 or above; or

(2) The date the Employee ceases to be eligible under criteria described in the last sentence of subsection (a) above.

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

#### 3.2 Deferral Election.

(a) Each eligible Employee may make an election to defer under the Plan any whole percentage (up to 100%) of his Base Compensation, Bonus Compensation, Performance Unit Payout or Stock Option Gains in the manner described in Section 3.3. Any percentage of Base Compensation deferred by an eligible Employee for a Plan Year will be deducted each pay period during the Plan Year for which he has Base Compensation and is an eligible Employee. The percentage of Bonus Compensation or Performance Unit Payout deferred by an Eligible Employee for a Plan Year will be deducted from his payment under the applicable compensation program at the time it would otherwise be made, provided he remains an eligible Employee at such time. Any Stock Option Gains deferred by an eligible Employee shall be captured as of the date or dates applicable for the

category of underlying options under procedures adopted by the Plan Administrator, provided that the Plan Administrator determines the eligible Employee's rights in such options may still be recognized at such time.

(b) To be effective, an Eligible Employee's Election Form must set forth the percentage of Base Compensation, Bonus Compensation or Performance Unit Payout to be deferred (or for a deferral of Stock Option Gains, the specific options on which any gains are to be deferred), the investment choice under Section 4.1 (which investment must be stated in multiples of 5 percent), the deferral period under Section 3.4, the eligible Employee's Beneficiary designation, 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 3.3 below.

### 3.3 Time and Manner of Deferral Election.

(a) Deferrals of Base Compensation. Subject to the next two sentences, an eligible Employee must make a deferral election for a Plan Year with respect to Base Compensation at least two months prior to the Plan Year in which the Base Compensation would otherwise be paid. An individual who newly becomes an eligible Employee during a Plan Year (or less than three months prior to a Plan Year) may make a deferral election with respect to Base Compensation to be paid during the balance of the current Plan Year within 30 days of the date the individual becomes an eligible Employee. Such an individual may also make an election at this time with respect to Base Compensation to be paid during the next Plan Year.

(b) Deferrals of Bonuses and Performance Unit Payouts. Subject to the next sentence, an eligible Employee must make a deferral election for a Plan Year with respect to his Bonus Compensation or Performance Unit Payout at least six months prior to the Plan Year in which the Bonus Compensation or Performance Unit Payout would otherwise be paid. An individual who newly becomes an eligible Employee may make a deferral election with respect to his Bonus Compensation or Performance Unit Payout to be paid during the succeeding Plan Year later than the date applicable under the previous sentence so long as the deferral election is made: (i) within 30 days of the date the individual becomes an eligible Employee, and (ii) sufficiently prior to the first day of such succeeding Plan Year to ensure, in the discretionary judgment of the Plan Administrator, that the amount to be deferred will not have been constructively received (under all the facts and circumstances).

(c) Deferrals of Stock Option Gains. From time to time, the Plan Administrator shall notify eligible Employees with outstanding Performance Share Options which options then qualify for deferral of their related Stock Option Gains. An eligible Employee who has qualifying options must make a deferral election with respect to his related Stock Option Gains at least 6 months before such qualifying options' proposed capture date (as defined below) or, if earlier, in the calendar year

preceding the year of the proposed capture date. The “proposed capture date” for a set of options shall be the earliest date that the Plan Administrator would capture a Participant’s Stock Option Gains in accordance with the deferral agreement prepared for such purpose by the Plan Administrator.

(d) General Provisions. A separate deferral election under (a), (b) or (c) above must be made by an eligible Employee for each category of a Plan Year’s compensation that is eligible for deferral. If an eligible Employee fails to file a properly completed and executed Election Form with the Plan Administrator by the prescribed time, he will be deemed to have elected not to defer any Base Compensation, Bonus Compensation, Performance Unit Payout or Stock Option Gains, as the case may be, for the applicable Plan Year. An election is irrevocable once received and determined by the Plan Administrator to be properly completed. Increases or decreases in the amount or percentage a Participant elects to defer shall not be permitted during a Plan Year. Notwithstanding the preceding three sentences, to the extent necessary because of extraordinary circumstances, the Plan Administrator may grant an extension of any election period and may permit (to the extent necessary to avoid undue hardship to an eligible Employee) the complete revocation of an election with respect to future deferrals. Any such extension or revocation shall be available only if the Plan Administrator determines that it shall not trigger constructive receipt of income and is desirable for plan administration, and only upon such conditions as may be required by the Plan Administrator.

(e) Beneficiaries. A Participant designates on the Election Form a Beneficiary to receive payment in the event of his death of amounts credited to his subaccount for such deferral. A Beneficiary is paid in accordance with the terms of a Participant's Election Form, as interpreted by the Plan Administrator in accordance with the terms of this Plan. At any time, a Participant may change a Beneficiary designation for any or all subaccounts in a writing that is signed by the Participant and filed with the Plan Administrator prior to the Participant’s death, and that meets such other standards as the Plan Administrator shall require from time to time.

3.4 Period of Deferral. An eligible Employee making a deferral election shall specify a deferral period on his Election Form by designating a specific payout date, one or more specific payout events or both a date and one or more specific events from the choices that are made available to the eligible Employee by the Plan Administrator. From time to time in its discretion, the Plan Administrator may condition a Participant’s right to designate one or more specific payout events on the Participant’s also specifying a payout date. Subject to the next sentence, an eligible Employee’s elected period of deferral shall run until the earliest occurring date or event specified on his Election Form. Notwithstanding an eligible Employee’s actual election, an eligible Employee shall be deemed to have elected a period of deferral of not less than:

(a) For Base Compensation, at least 6 months after the Plan Year during which the Base Compensation would have been paid absent the deferral;

(b) For Bonus Compensation, at least 1 year after the date the Bonus Compensation would have been paid absent the deferral;

(c) For Performance Unit Payouts, at least 1 year after the date the Performance Unit Payout would have been paid absent the deferral; and

(d) For Stock Option Gains, at least 1 year after the date the Stock Option Gain is credited to a Deferral Subaccount for the benefit of the Participant.

## ARTICLE IV

### INTERESTS OF PARTICIPANTS

#### 4.1 Accounting for Participants' Interests.

(a) Deferral Subaccounts. Each Participant shall have a separate Deferral Subaccount credited with the amount of each separate deferral of Base Compensation, Bonus Compensation, Performance Unit Payout or Stock Option Gains made by the Participant under this Plan. A Participant's deferral shall be credited to his Account as soon as practicable following the date when the deferral of compensation actually occurs, as determined by the Plan Administrator. A Participant's Account is a bookkeeping device to track the value of his deferrals (and his Employer'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 his Account had actually been invested as directed by the Participant in accordance with this section (as modified by Section 4.3, if applicable). 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 his Employer's liability to make deferred payments to or on behalf of the Participant.

(c) Investment Options. Each of a Participant's Subaccounts (other than those containing Stock Option Gains) shall 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 Beneficiary) from those offered by the Plan Administrator for this purpose from time to time. Subsection (e) below governs the phantom investment options available for deferrals of Stock Option Gains. The Plan Administrator may discontinue any phantom investment option with respect to some or all Accounts, and it may provide for shifting 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). As of the Effective Date, the phantom investment options are:

##### (1) Interest Bearing Account.

(i) Effective from and after December 29, 2006, Participant Accounts invested in this phantom option accrue a return based upon an interest rate that is 120% of the applicable Federal long-

term rate (pursuant to Code Section 1274(d) or any successor provision) applicable for annual compounding, as published by the U.S. Internal Revenue Service from time to time. Returns accrue during the period since the last Valuation Date based upon 120% of the applicable Federal long-term rate (applicable for annual compounding) in effect on the first business day after such Valuation Date and are compounded annually. An amount deferred or transferred into this option is credited with the applicable rate of return beginning with the date as of which the amount is treated as invested in this option by the Plan Administrator.

(ii) Effective for periods ending on December 28, 2006, Participant Accounts invested in this phantom option accrue a return based upon the prime rate of interest announced from time to time by Citibank, N.A. (or another bank designated by the Plan Administrator from time to time). Returns accrue during the period since the last Valuation Date based on the prime rate in effect on the first business day after such Valuation Date and are compounded annually. An amount deferred or transferred into this option is credited with the applicable rate of return beginning with the date as of which the amount is treated as invested in this option by the Plan Administrator.

(iii) Amounts that are invested in the phantom option under clause (ii) above at the end of the day on December 28, 2006 shall be transferred to the phantom investment option under clause (i) above effective as of the beginning of the day on December 29, 2006, and thereafter the phantom investment option under clause (ii) above shall be terminated.

(iv) For the periods during which the phantom investment options under clauses (i) and (ii) above are in effect, such phantom investment options are the “default” option to the extent a default option is needed in order to make certain a Participant’s Account is 100% invested.

(2) PepsiCo Capital Stock Account. Participant Accounts invested in this phantom option are adjusted to reflect an investment in PepsiCo Capital Stock. An amount deferred or transferred into this option is converted to phantom shares of PepsiCo Capital Stock of equivalent value by dividing such amount by the Fair Market Value of a share of PepsiCo Capital Stock on the date as of which the amount is treated as invested in this option by the Plan Administrator. Only whole shares are determined. Any remaining amount (and all amounts that would be received by the Account as dividends,

if dividends were paid on phantom shares of PepsiCo Capital Stock as they are on actual shares) are credited to a dividend subaccount that is invested in the phantom option in paragraph (1) above (the Interest Bearing Account).

(i) A Participant's interest in the PepsiCo Capital Stock Account is valued as of a Valuation Date by multiplying the number of phantom shares credited to his Account on such date by the Fair Market Value of a share of PepsiCo Capital Stock on such date, and then adding the value of the Participant's dividend subaccount.

(ii) If shares of PepsiCo Capital Stock change by reason of any stock split, stock dividend, recapitalization, merger, consolidation, spinoff, combination or exchange of shares or other any other corporate change treated as subject to this provision by the Plan Administrator, such equitable adjustment shall be made in the number of shares credited to an Account or subaccount as the Plan Administrator may determine to be necessary or appropriate.

In no event will shares of PepsiCo Capital Stock actually be purchased or held under this Plan, and no Participant shall have any rights as a shareholder of PepsiCo Capital Stock on account of an interest in this phantom option. While this Plan refers to PepsiCo Capital Stock and the phantom PepsiCo Capital Stock Account, such references to capital stock shall mean and refer to PepsiCo common stock from and after the date when the Company changed to a common stock structure.

(3) SaveUp Accounts. From time to time, the Plan Administrator shall designate which, if any, of the investment options under the PepsiCo Savings Plan (the "Savings Plan") (previously know as the Company's Long Term Savings Plan ("SaveUp")) shall be available as phantom investment options under this Plan. Participant Accounts invested in these phantom options are adjusted to reflect an investment in the corresponding investment options under the Savings Plan. An amount deferred or transferred into one of these options is converted to phantom units in the applicable Savings Plan fund of equivalent value by dividing such amount by the value of a unit in such fund on the 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 by multiplying the number of phantom units credited to his Account on such date by the value of a unit in the applicable Savings Plan fund.

(d) Method of Allocation. With respect to any deferral election by a Participant, the Participant must use his Election Form to allocate the deferral in increments permitted by the Plan Administrator among the phantom investment

options then offered by the Plan Administrator. Thereafter, a Participant may reallocate previously deferred amounts in a subaccount by properly completing and submitting a fund transfer form provided by the Plan Administrator and specifying, in increments permitted by the Plan Administrator, the reallocation of his Subaccount among the phantom investment options then offered by the Plan Administrator for this purpose. Effective as of January 1, 2020, the increments permitted by the Plan Administrator are whole percentages, whole shares or whole dollars, as specified in the fund transfer forms (or other materials) provided to Participants and authorized by the Plan Administrator. Any such transfer form shall be effective as of the Valuation Date that follows its receipt by at least the number of days that the Plan Administrator specifies for this purpose from time to time. If more than one transfer form is received on a timely basis for a subaccount, the transfer form that the Plan Administrator determines to be the most recent shall be followed.

(e) Investment Choices for Stock Option Gains. Deferrals of Stock Option gains initially may be invested only in the PepsiCo Capital Stock Account. In the case of a Participant who has attained his Retirement or, effective as of September 12, 2008, upon a Participant's death or Disability, the Plan Administrator may make available some or all of the other phantom investment options described in subsection (c) above. In this case, any election to reallocate the balance in the Participant's applicable Deferral Subaccount shall be governed by the foregoing provisions of this section.

4.2 Vesting of a Participant's Account. Except as provided in Section 4.3, a Participant's interest in the value of his Account shall at all times be 100 percent vested, which means that it will not forfeit as a result of his Termination of Employment.

4.3 Risk of Forfeiture Subaccounts. A Participant may elect to defer Base Compensation, Bonus Compensation or Performance Unit Payouts to a Risk of Forfeiture Subaccount only if: (i) he had, as of June 1, 1994, a deferred compensation subaccount maintained under a forfeiture agreement (as defined below), and (ii) he has not yet attained eligibility for Retirement when the first amount would be deferred pursuant to his current risk-of-forfeiture election. A "forfeiture agreement" is an agreement with the Company, any Employer, or one of their predecessors providing that the subaccount would be forfeited if the employee terminated employment voluntarily or on account of misconduct prior to Retirement. A Participant who meets these requirements may elect under Article III to defer some or all of his eligible compensation to a Risk of Forfeiture Subaccount subject to the following terms. (The date when a Participant attains eligibility for Retirement is specified in the definition of "Retirement.")

(a) A Risk of Forfeiture Subaccount will be terminated and forfeited in the event that the Participant has a Termination of Employment that is voluntary or because of his misconduct prior to the earliest of:

(1) The end of the deferral period designated in his Election Form for such deferral (or if later, the end of such minimum period as may be required under Section 3.4);

(2) The date the Participant attains eligibility for Retirement; or

(3) The date indicated on his Election Form as the end of the risk of forfeiture condition (but not before completing the minimum risk of forfeiture period required by the Plan Administrator from time to time).

(b) A Risk of Forfeiture Subaccount shall become fully vested (and shall cease to be a Risk of Forfeiture Subaccount) when:

(1) The Participant reaches any of the dates in subsection (a) above while still employed by the Company or one of its affiliates, or

(2) On the date the Participant terminates involuntarily from his Employer (including death and termination for Disability), provided that such termination is not for his misconduct.

(c) No amounts credited to a Risk of Forfeiture Subaccount may be transferred to a subaccount of the Participant that is not a Risk of Forfeiture Subaccount. No amounts credited to a subaccount of the Participant that is not a Risk of Forfeiture Subaccount may be transferred to a Risk of Forfeiture Subaccount.

(d) A Participant may initially direct and then reallocate his Risk of Forfeiture Subaccount to any of the phantom investment options under the Plan that are currently available for such direction or reallocation, whichever applies. During the period before a Risk of Forfeiture Subaccount ceases to be a Risk of Forfeiture Subaccount, the return under any such phantom investment option shall be supplemented as follows.

(1) In the case of the PepsiCo Capital Stock Account, the Participant's dividend subaccount thereunder shall be credited with an additional year-end dividend amount equal to 2 percent of the average closing price of PepsiCo Capital Stock for the 30 business days preceding the end of the Company's fiscal year multiplied by the number of phantom shares of PepsiCo Capital Stock credited to the Participant's Account as of the end of the year. If the Participant's subaccount was not a Risk of Forfeiture Subaccount for the entire year (or if the Participant reallocated amounts to the PepsiCo Capital Stock Account after the beginning of the year), this 2 percent additional dividend will be prorated down appropriately, as determined by the Plan Administrator. In addition, the Participant's dividend subaccount shall earn interest at a rate that is 2 percent above the rate ordinarily applicable

under the Interest Bearing Account for the period that it is contained within a Risk of Forfeiture Subaccount.

(2) In the case of any other available phantom investment option, the return on each such option shall be supplemented with an additional 2% annual return for the period that it is held within a Risk of Forfeiture Subaccount (but prorated for periods of such investment of less than a year).

4.4 Distribution of a Participant's Account. A Participant's Account shall be distributed in cash as provided in this Section 4.4.

(a) Scheduled Payout Date. With respect to a specific deferral, a Participant's "Scheduled Payout Date" shall be the earlier of:

(1) The date selected by the Participant for such deferral in accordance with Section 3.4, or

(2) The first day of the calendar quarter that follows the earliest to occur event selected by the Participant for such deferral in accordance with Section 3.4.

Notwithstanding the prior sentence, in the case of a deferral of Stock Option Gains, a Participant's Scheduled Payout Date for such deferral shall be first day of the calendar quarter following his Termination of Employment other than for death, Disability or Retirement (or 12 months after the date of the deferral, if that would be later than such first day). With respect to any deferral, if a Participant selects only a payout event that might not occur (such as Retirement) and then terminates employment before the occurrence of the event, the Plan Administrator may adopt rules to specify the Scheduled Payout Date that shall apply to the deferral, notwithstanding the terms of the Participant's election. Unless an election has been made in accordance with subsection (b) below, the Participant's subaccount containing the deferral shall be distributed to the Participant in a single lump sum as soon as practicable following the Scheduled Payout Date.

(b) Payment Election. A Participant may delay receipt of a subaccount beyond its Scheduled Payout Date, or elect to receive installments rather than a lump sum, by making a payment election under this subsection. A payment election must be made by the calendar year before the year containing the Scheduled Payout Date (or if earlier, at least 6 months before the Scheduled Payout Date). Any payment election to receive a lump sum at a later time must specify a revised payout date that is at least 12 months after the Scheduled Payout Date. Any payment election to receive installment payments in lieu of a lump sum shall specify the amount (or method for determining) each installment and a set of revised payout dates, the last of

which must be at least 12 months after the Scheduled Payout Date. With respect to any subaccount, only one election may be made under this subsection. Beneficiaries are not permitted to make elections under this subsection. In addition, an election under this subsection may not delay the distribution of a deferral of Stock Option Gains made by a Participant whose employment has terminated other than for death, Disability or Retirement. Actual payments shall be made as soon as practicable following a revised payout date.

(c) Valuation. In determining the amount of any individual distribution pursuant to subsection (a) or (b) above, the Participant's subaccount shall continue to be credited with earnings and gains (and debited for expenses and losses) under Sections 4.1 and 4.3 until the Valuation Date preceding the Scheduled Payout Date or revised payout date for such distribution (whichever is applicable). In determining the value of a Participant's remaining subaccount following an installment distribution, such installment distribution shall reduce the value of the Participant's subaccount as of the close of the Valuation Date preceding the revised payout date for such installment.

(d) Limitations. The following limitations apply to distributions from the Plan.

(1) Installments may only be made quarterly, semi-annually or annually, for a period of no more than 20 years, and not later than the Participant's 80th birthday (or what would have been his 80th birthday, if the Participant dies earlier).

(2) If a Participant has elected a Scheduled Payout Date that would be after his 80th birthday, the Participant shall be deemed to have elected his 80th birthday as his Scheduled Payout Date.

(3) If a Participant has elected to defer income, which would qualify as performance-based compensation under Code section 162(m), into a Risk of Forfeiture Subaccount, then such subaccount may not be paid out at any time while the Participant is a covered employee under Code section 162(m)(3), to the extent the Plan Administrator determines it would result in compensation being paid to the Participant in such year that would not be deductible under Code section 162(m). The payout of any such amount shall be deferred until a year when the Participant is no longer a section 162(m) covered employee. The Plan Administrator may waive the foregoing provisions of this paragraph to the extent necessary to avoid an undue hardship to the Participant. This paragraph shall apply notwithstanding any provision of the Plan to the contrary.

(e) Upon a Participant's death, his Beneficiary shall be paid each subaccount still standing to the Participant's credit under the Plan in accordance with the terms of the Participant's payout election for such subaccount under Section 3.4, or his payment election under subsection (b) above, whichever is applicable.

4.5 Acceleration of Payment in Certain Cases. Except as expressly provided in this Section 4.5, no payments shall be made under this Plan prior to the date (or dates) applicable under Section 4.4.

(a) A Participant who is suffering severe financial hardship resulting from extraordinary and unforeseeable events beyond the control of the Participant (and who does not have other funds reasonably available that could satisfy the severe financial hardship) may file a written request with the Plan Administrator for accelerated payment of all or a portion of the amount credited to his Account. The Plan Administrator shall have sole discretion to determine whether a Participant satisfies the requirements for a hardship request and the amount that may be distributed (which shall not exceed the amount reasonably necessary to alleviate the Participant's hardship).

(b) After a Participant has filed a written request pursuant to this section, along with all supporting material, the Plan Administrator shall grant or deny the request within 60 days (or such other number of days as is customarily applied from time to time) unless special circumstances warrant additional time.

(c) The Plan Administrator may adjust the standards for hardship withdrawals from time to time to the extent it determines such adjustment to be necessary to avoid triggering constructive receipt of income under the Plan.

(d) A Beneficiary may also request a hardship distribution upon satisfaction of the foregoing requirements and subject to the foregoing limitations.

(e) When determined to be necessary in the interest of sound plan administration, the Plan Administrator may accelerate the payment of a class of Participants' subaccounts hereunder. This shall only occur to the extent the Plan Administrator determines that such acceleration will not trigger constructive receipt of subaccounts that are not paid out.

(f) When some or all of a Participant's subaccount is distributed pursuant to this section, the distribution and the subaccount shall be valued as provided by the Plan Administrator, using rules patterned after those in Section 4.4(c) above, on the Valuation Date coincident with or immediately preceding the date on which the decision to make accelerated payment is made (or if later, the date on which it is deemed to be effective).

## ARTICLE V

### PLAN ADMINISTRATOR

5.1 Plan Administrator. The Plan Administrator is responsible for the administration of the Plan. The Plan Administrator has 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 responsibilities being delegated and is subject to Section 5.6 below.

5.2 Action. Action by the Committee may be taken in accordance with procedures that the Committee adopts from time to time or that the Company's Law Department determines are legally permissible.

5.3 Rights and Duties. The Plan Administrator shall administer and manage the Plan and shall have all powers necessary to accomplish that purpose, including (but not limited to) 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 Employer 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 IV; and

(i) To hire agents, accountants, actuaries, consultants and legal counsel to assist in operating and administering the Plan.

(j) Notwithstanding any other provision of this Plan except Section 8.5 (relating to compliance with Section 409A), the Plan Administrator 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 phantom investment option transfers or 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 (A) such discretion is not expressly granted by the Plan provisions in question, or (B) 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. 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.

5.4 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 Employer. 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 Employer. No member of the Committee, and no individual acting as the delegate of the Committee, shall be liable for any act or omission of any other member or individual, nor for any act or omission on his own part, excepting his own willful misconduct. The Employer will indemnify and hold harmless each member of the Committee and any individual or individuals acting as the delegate of the Committee against any and all expenses and liabilities, including reasonable legal fees and expenses, arising out of his membership on the Committee (or his serving as the delegate of the Committee), excepting only expenses and liabilities arising out of his own willful misconduct.

5.5 Taxes. If the whole or any part of any Participant's Account becomes liable for the payment of any estate, inheritance, income, or other tax which the Employer may be required to pay or withhold, the Employer will have the full power and authority to withhold and pay such tax out of any moneys or other property in its hand for the account of the Participant. To the extent practicable, the Employer will provide the Participant notice of such withholding. Prior to making any payment, the Employer may require such releases or other documents from any lawful taxing authority as it shall deem necessary.

5.6 Section 16 Compliance:

(a) General. To the maximum extent possible, this Plan is intended to be a formula plan for purposes of Section 16 of the Securities Exchange Act of 1934, as amended, (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 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.

(b) Approval of Distributions: From and after January 1, 2005, this Plan remains subject to the Company's policies requiring compliance with Section 16 of the Act. Accordingly, this Subsection shall govern the distribution of a deferral that (i) is wholly or partly invested in the phantom PepsiCo Capital Stock Account at the time the deferral would be valued to determine the amount of cash to be distributed to a Participant, (ii) either was the subject of a re-deferral election or was not covered by an agreement, made at the time of the Participant's original deferral election, that any investments in the phantom PepsiCo Capital Stock Account would, once made, remain in that account until distribution of the deferral, (iii) is made to a Participant who is subject to Section 16 of the Act at the time the interest in the phantom PepsiCo Capital Stock Account 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 PepsiCo Capital Stock Account (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 Capital Stock Account 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 provided that there is no material modification for Section 409A purposes, 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 Capital Stock Account 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 Deferral Subaccount related to the distribution is no longer invested in the phantom PepsiCo Capital Stock Account or when the time between the liquidation and an opposite way transaction is sufficient.

## ARTICLE VI

### CLAIMS PROCEDURE

6.1 Claims for Benefits. If a Participant, Beneficiary or other person (hereafter, "Claimant") does not receive timely payment of any benefits which he believes are due and payable under the Plan, he may make a claim for benefits to the Plan Administrator. The claim for benefits must be in writing and addressed to the Plan Administrator or to the Company. If the claim for benefits is denied, the Plan Administrator will notify the Claimant in writing 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 should advise the Claimant of the basis for the denial, any additional material or information necessary for the Claimant to perfect his claim, and the steps which the Claimant must take to have his claim for benefits reviewed.

6.2 Appeals. Each Claimant whose claim for benefits has been denied may file a written request for a review of his claim by the Plan Administrator. The request for review must be filed by the Claimant within 60 days after he received the written notice denying his claim. The decision of the Plan Administrator will be made within 60 days after receipt of a request for review and will be communicated in writing to the Claimant. Such written notice shall set forth the basis for the Plan Administrator's decision. If there are special circumstances which require an extension of time for completing the review, the Plan Administrator's decision may be rendered not later than 120 days after receipt of a request for review.

6.3 Special Procedures for Disability Determinations: Notwithstanding Sections 6.1 and 6.2, for claims and appeals relating to Disability benefits that are filed from and after January 1, 2002, 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).

6.4 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 this Article.

(a) Upon review by any court or other tribunal, the exhaustion requirement of this Section 6.4 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 6.4, 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 6.4 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 6.4 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 6.4, the following definitions apply.

(1) A "Dispute" is any claim, dispute, issue, action or other matter.

(2) 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.

(3) 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.

6.5 Limitations on Actions: Effective for claims or actions filed on or after January 1, 2019 any claim filed under Article VI 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 this Article shall have no effect on this two-year time frame.

6.6 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 6.5 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, 2019.

## ARTICLE VII

### AMENDMENT AND TERMINATION

7.1 Amendments. The Compensation Committee of the Board of Directors of the Company, or its delegate or delegates, has the right in its sole discretion to amend this Plan in whole or in part at any time and in any manner; provided, however, that no such amendment shall reduce the amount credited to the Account of any Participant as of the date such amendment is adopted. As of September 25, 2019, the Company's Executive Vice President and Chief Human Resources Officer (or if such position is vacant or eliminated, 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) is delegated the responsibility to amend the Plan at any time and in any manner, except with respect to those provisions of the Plan which relate to matters subject to Section 5.6. Any amendment shall be in writing and adopted by the Committee or an officer of the Company who is authorized by the Committee for this purpose. All Participants shall be bound by such amendment.

7.2 Termination of Plan. The Company expects to continue this Plan, but does not obligate itself to do so. The Company, acting by the Compensation Committee of its 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), 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), amounts theretofore credited to affected Participants' Accounts may either be paid in a lump sum immediately, or distributed in some other manner consistent with this Plan, as determined by the Plan Administrator in its sole discretion.

## ARTICLE VIII

### MISCELLANEOUS

8.1 Limitation on Participant's 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 deferrals as provided herein.

8.2 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 this Employer 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 Employer. No other Employer guarantees or shares such obligation, and no other Employer shall have any liability to the Participant or his Beneficiary. In the event, a Participant transfers from the employment of one Employer to another, the former Employer shall transfer the liability for deferrals made while the Participant was employed by that Employer to the new Employer (and the books of both Employers shall be adjusted appropriately).

8.3 Other 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.

8.4 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 Employer 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.

8.5 Governing Law and Compliance. 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 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. In addition, at all times during each Plan Year, this Plan shall be operated to preserve the status of deferrals under this Pre-409A Program as being exempt from Section 409A, i.e., to preserve the grandfathered status of this Pre-409A Program. In all cases, the provisions of the prior sentence shall apply notwithstanding any contrary provision of the Plan.

8.6 Adoption of Plan by Related Employers. The Plan Administrator may select as an Employer any division of the Company, as well as any corporation related to the Company by stock ownership, and permit or cause such division or corporation 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.

8.7 Gender, Tense, Headings 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. Headings and subheadings in this Plan are inserted for convenience of reference only and are not considered in the construction of the provisions hereof. 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).

8.8 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 Account of a Participant are not (except as provided in Section 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 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 subaccount of a Participant. Any such payment shall be charged against and reduce the Participant’s Account.

8.9 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 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 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.

8.10 Separate Plans. This Plan document encompasses three separate plans of deferred compensation for all legal purposes (including federal tax law, state tax law and, effective January 1, 1999, ERISA) as set forth in subsections (a), (b) and (c) below.

(a) The portion of the Plan that provides for deferrals of Base Compensation and Bonus Compensation (which shall be known as the “PepsiCo Executive Income Deferral Plan”).

(b) The portion of the Plan that provides for deferrals of Performance Unit Payouts (which shall be known as the “PepsiCo Performance Unit Deferral Plan”).

(c) The portion of the Plan that provides for deferrals of Stock Option Gains (which shall be known as the “PepsiCo Option Gains Deferral Plan”).

Together, these three separate plans of deferred compensation, which are components of the Pre-409A Program, are referred to, in conjunction with the 409A Program, as the PepsiCo Executive Income Deferral Program.

This 10th day of December, 2019, the above restated Plan is hereby adopted and approved by the Company's duly authorized officer to be effective as stated herein.

PEPSICO, INC.

By: /s/ Ronald Schellekens  
Ronald Schellekens  
Executive Vice President and Chief Human Resources  
Officer

APPROVED

By: /s/ Stacy Grindal  
Stacy Grindal, Law Department

PEPSICO EXECUTIVE INCOME DEFERRAL PROGRAM

APPENDIX

The following Appendix articles modify or supplement the general terms of the Plan as it applies to certain executives.

Except as specifically modified in the Appendix, the foregoing provisions of the Plan shall fully apply. In the event of a conflict between this Appendix and the foregoing provisions of the Plan, the Appendix shall govern with respect to the conflict.

## ARTICLE A

### SPINOFF OF TRICON

This Article sets forth provisions that apply in connection with the Company's spinoff of Tricon Global Restaurants, Inc.

A.1 Definitions. When used in this Article, the following underlined terms shall have the meanings set forth below. Except as otherwise provided in this Article, all terms that are defined in Article II of the Plan shall have the meaning assigned to them by Article II.

(a) Distribution Date: The "Distribution Date" as that term is defined in the 1997 Separation Agreement between PepsiCo, Inc. and Tricon.

(b) PepsiCo Account Holder: A Participant who has an interest in the PepsiCo Capital Stock Account on the Reference Date.

(c) Reference Date: The date specified by the Plan Administrator for purposes of determining who shall be credited with an interest in the Tricon Common Stock Account.

(d) Transferred Individual: A "Transferred Individual" as that term is defined in the 1997 Employee Programs Agreement between PepsiCo, Inc. and Tricon.

(e) Transition Individuals: A "Transition Individual" as that term is defined in the 1997 Employee Programs Agreement between PepsiCo, Inc. and Tricon.

(f) Tricon: Tricon Global Restaurants, Inc., a North Carolina Corporation.

(g) Tricon Account Holder: A PepsiCo Account Holder whose interest in the PepsiCo Capital Stock Account on the Reference Date includes at least 10 phantom shares of PepsiCo Capital Stock.

(h) Tricon EID: Tricon Executive Income Deferral Program.

(i) Tricon Group: Tricon and its subsidiaries and affiliates, as determined by the Plan Administrator.

A.2 Transfer of Benefits and Liabilities. Effective as of the end of the day on the Distribution Date, all interests in the Plan of (and Plan liabilities with respect to) nonterminated Transferred Individuals shall be transferred to the Tricon EID. This transfer shall constitute a complete payout of these individuals' Accounts for purposes of determining who is a Participant or Beneficiary under the Plan. For this purpose, a Transferred Individual shall be considered "nonterminated" if he is actively employed by (or on a leave of absence from and expected to return to) the Tricon Group. Following the Distribution Date, Tricon shall succeed to all of PepsiCo's authority to affect and govern Plan interests transferred in accordance with this section (including through interpretation, plan amendment or plan termination).

A.3 Cessation of Employer Status. Effective as of the end of the day on the Distribution Date, any Employer who is a member of the Tricon Group shall no longer qualify as Employers hereunder. Any individual whose Account is transferred in accordance with Section A.2 shall not thereafter be able to defer any compensation (including Stock Option Gains) under this Plan, unless he returns to employment with an Employer following the Distribution Date (and is an eligible Employee at the time of the deferral).

A.4 Employment Transfers by Transition Individuals. If a Participant is transferred to the Tricon Group under circumstances that cause him to be a Transition Individual, such transfer to the Tricon Group shall not be considered a Termination of Employment or other event that could trigger distribution of the Participant's interest in the Plan. In this case, the Participant's interest in the Plan (and all Plan liabilities with respect to the Participant) shall be retained by the Plan. For purposes of determining the distribution of such Participant's interest in the Plan, the Participant's Termination of Employment shall not be deemed to occur before his termination of employment with the Tricon Group.

A.5 Special Tricon Stock Investment Option. As of the Distribution Date, the Plan Administrator shall establish a temporary phantom investment option under the Plan, the Tricon Common Stock Account, and each Tricon Account Holder shall be credited with an interest in such account.

(a) Establishing the Account Holder's Interest. The amount of a Tricon Account Holder's interest is determined by dividing by 10 the number of phantom shares of PepsiCo Capital Stock standing to his credit in the PepsiCo Capital Stock Account on the Reference Date. The portion of the resulting quotient that is an integer shall be the number of phantom shares of Tricon Common Stock that is credited to the Participant's Tricon Common

Stock Account as of the Distribution Date. A Tricon Stock Holder's interest in the Tricon Common Stock Account shall also include a dividend subaccount. The initial balance in the dividend subaccount shall be zero, but it shall thereafter be credited with all amounts that would be received for the Participant by the Tricon Common Stock Account as dividends, if dividends were paid on phantom shares of Tricon Common Stock as they are on actual shares. All amounts credited to this dividend subaccount shall be invested in the phantom option described in Section 4.1(c)(1) (the Interest Bearing Account).

(b) Valuation and Adjustment: A Participant's interest in the Tricon Common Stock Account is valued as of a Valuation Date by multiplying the number of phantom shares credited to his Account on such date by the fair market value of a share of Tricon Common Stock on such date, and then adding the value of the Participant's dividend subaccount.

(1) As of any date, the fair market value of Tricon Common Stock is determined for purposes of this Article using procedures comparable to those used in determining the Fair Market Value of PepsiCo Capital Stock, but with such modifications as the Plan Administrator may apply from time to time.

(2) If shares of Tricon Common Stock change by reason of any stock split, stock dividend, recapitalization, merger, consolidation, spinoff, combination or exchange of shares or other any other corporate change treated as subject to this provision by the Plan Administrator, such equitable adjustment shall be made in the number of shares credited to an Account or subaccount as the Plan Administrator may determine to be necessary or appropriate

In no event will shares of Tricon Common Stock actually be purchased or held under this Plan, and no Participant shall have any rights as a shareholder of Tricon Common Stock on account of an interest in the Tricon Common Stock Account.

(c) Investment Reallocations. In accordance with Section 4.1(e), a Tricon Account Holder may reallocate amounts from his Subaccounts in the Tricon Common Stock Account to other phantom investment options under the Plan that are available for this purpose. No Participant may reallocate amounts into the Tricon Common Stock Account.

(d) Termination of the Tricon Common Stock Account.

Effective as of the end of the day on December 31, 1999 (or such later date as the Plan Administrator shall specify), the Tricon Common Stock Account shall cease to be available under the Plan. Any amount under the Plan still standing to the credit of a Participant on such date shall automatically be reallocated to the phantom investment option described in Section 4.1(c)(1) (the Interest Bearing Account) unless the Participant selects a different replacement option in accordance with such requirements as the Plan Administrator may apply.

A.6 PepsiCo Account Holders with Less Than 10 Shares: The interest in the PepsiCo Capital Stock Account of any PepsiCo Account Holder who does not qualify to be a Tricon Account Holder shall be adjusted as of the Distribution Date. Pursuant to this adjustment, the value of his dividend subaccount under the PepsiCo Capital Stock Account shall be increased by the product of (a) and (b) below:

(a) The number of phantom shares of PepsiCo stock credited to the Participant's Account under the PepsiCo Capital Stock Account divided by 10.

(b) The fair market value of a share of Tricon Common Stock on the Distribution Date.

## ARTICLE B

### INITIAL PUBLIC OFFERING OF PBG

This Article sets forth provisions that apply in connection with PBG's initial public offering.

B.1 Definitions. When used in this Article, the following underlined terms shall have the meanings set forth below. Except as otherwise provided in this Article, all terms that are defined in Article II of the Plan shall have the meaning assigned to them by Article II.

(a) Offering Date: The "Offering Date" as that term is defined in the Separation Agreement between PepsiCo, Inc. and PBG.

(b) PBG: Pepsi Bottling Group, Inc.

(c) PBG EID: PBG Executive Income Deferral Program.

(d) PBG Group: PBG and its subsidiaries and affiliates, as determined by the Plan Administrator.

(e) Transferred Individual: A "Transferred Individual" as that term is defined in the Employee Programs Agreement between PepsiCo, Inc. and PBG.

(f) Transition Individuals: A "Transition Individual" as that term is defined in the Employee Programs Agreement between PepsiCo, Inc. and PBG.

B.2 Transfer of Benefits and Liabilities. Effective as of the end of the day on the Offering Date, all interests in the Plan of (and Plan liabilities with respect to) nonterminated Transferred Individuals shall be transferred to the PBG EID. This transfer shall constitute a complete payout of these individuals' Accounts for purposes of determining who is a Participant or Beneficiary under the Plan. For this purpose, a Transferred Individual shall be considered "nonterminated" if he is actively employed by (or on a leave of absence from and expected to return to) the PBG Group, as of the end of the day on the Offering Date.

B.3 Cessation of Employer Status. Effective as of the end of the day on the Offering Date, any Employer who is a member of the PBG Group shall no

longer qualify as an Employer hereunder. Any individual whose Account is transferred in accordance with Section B.2 shall not thereafter be able to defer any compensation (including Stock Option Gains) under this Plan, unless he returns to employment with an Employer following the Offering Date (and is an eligible Employee at the time of the deferral). Following the Offering Date, PBG shall succeed to all of PepsiCo's authority to affect and govern Plan interests transferred in accordance with this section (including through interpretation, plan amendment or plan termination).

#### B.4 Employment Transfers by Transition Individuals.

(a) Transfers to PBG. If a Participant is transferred to the PBG Group under circumstances that cause him to be a Transition Individual, such transfer to the PBG Group shall not be considered a Termination of Employment or other event that could trigger distribution of the Participant's interest in the Plan. In this case, the Participant's interest in the Plan (and all Plan liabilities with respect to the Participant) may be retained by the Plan, or they may be transferred to the PBG EID, as determined by the Plan Administrator in its discretion. If a transfer of the Participant's interest occurs, this transfer shall constitute a complete payout of the Participant's Account for purposes of determining who is a Participant or Beneficiary under the Plan. If a transfer does not occur, for purposes of determining the distribution of such Participant's interest in the Plan, the Participant's Termination of Employment shall not be deemed to occur before his termination of employment with the PBG Group.

(b) Transfers from PBG. If an individual is transferred by the PBG Group to an Employer under circumstances that cause him to be a Transition Individual and such individual's interest in the PBG EID is transferred to this Plan, such Individual shall become a Participant in this Plan. In connection with any such transfer of the individual's interest, the individual's phantom investment in PBG capital stock under the PBG EID shall be carried over and replicated hereunder until December 31, 2000 (or such other date as may be specified by the Plan Administrator). Any other phantom investment of the individual under the PBG EID may be carried over and replicated hereunder, or it may be converted to a phantom investment available under the Plan (depending upon the procedures then applied by the Plan Administrator).

B.5 Special PBG Stock Investment Option. To the extent required by Section B.4 (and as otherwise made available by the Plan Administrator from time to

time), the Plan Administrator shall establish a temporary phantom investment option under the Plan, the PBG Capital Stock Account.

(a) General Principles. The PBG Capital Stock Account shall be administered under rules that are similar to those applicable to the PepsiCo Capital Stock Account, but with such modifications as the Plan Administrator may apply from time to time.

(b) Valuation and Adjustment: A Participant's interest in the PBG Capital Stock Account is valued as of a Valuation Date by multiplying the number of phantom shares credited to his Account on such date by the fair market value of a share of PBG Capital Stock on such date, and then adding the value of the Participant's dividend subaccount. If shares of PBG Capital Stock change by reason of any stock split, stock dividend, recapitalization, merger, consolidation, spinoff, combination or exchange of shares or other any other corporate change treated as subject to this provision by the Plan Administrator, such equitable adjustment shall be made in the number of shares credited to an Account or subaccount as the Plan Administrator may determine to be necessary or appropriate. In no event will shares of PBG Capital Stock actually be purchased or held under this Plan, and no Participant shall have any rights as a shareholder of PBG Capital Stock on account of an interest in the PBG Capital Stock Account.

(c) Investment Reallocations. In accordance with Section 4.1(e), a PBG Account Holder may reallocate amounts from his Subaccounts in the PBG Capital Stock Account to other phantom investment options under the Plan that are available for this purpose. Except as expressly authorized by the Plan Administrator, no Participant may reallocate amounts into the PBG Capital Stock Account.

(d) Termination of the PBG Capital Stock Account. Effective as of the end of the day on December 31, 2000 (or such later date as the Plan Administrator shall specify), the PBG Capital Stock Account shall cease to be available under the Plan. Any amount under the Plan still standing to the credit of a Participant on such date shall automatically be reallocated to the phantom investment option described in Section 4.1(c)(1) (the Interest Bearing Account) unless the Participant selects a different replacement option in accordance with such requirements as the Plan Administrator may apply.

**PEPSICO**

**DIRECTOR**

**DEFERRAL PROGRAM**

**Plan Document for the 409A Program**  
**Amended and Restated Effective as of January 1, 2020**

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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 (the "Effective Date"), 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 were 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 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.

The document for the 409A Program was restated as of December 20, 2017, to reflect the Company's transferring its stock exchange listing from the New York Stock Exchange to The Nasdaq Global Select Market.

The document for the 409A Program was most recently restated effective as of January 1, 2020. This restatement changed the 409A Program's rules for Second Look Elections to permit an

unlimited number of Second Look Elections effective for Second Look Elections made on or after January 1, 2020.

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 principal exchange on which PepsiCo Common Stock is traded, 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 principal exchange on which PepsiCo Common Stock is traded, rounded to four decimal places.

2.16 409A Program:

The term “409A Program” shall have the meaning given to it in Article 1.

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 1<sup>st</sup> 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, or if such position is vacant or eliminated, 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, 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 1.

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 80<sup>th</sup> birthday (and the specification of such a later date shall be deemed instead to specify the Director's 80<sup>th</sup> 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 of 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 and the next two sentences, a Participant who has made a valid initial deferral in accordance with the foregoing provisions of this Article may subsequently make additional elections 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." For periods before January 1, 2020, a Participant was eligible to make only one Second Look Election with respect to each individual deferral under the Plan.

(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 for a deferral (or the latest subsequent Second Look Election) specified payment based on a Specific Payment Date, the Participant may only change the payment terms for such deferral through a Second Look Election if the election is made at least 12 months before the Participant's original (or if applicable, last subsequently elected) 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 five years after the original (or if applicable, last subsequently elected) 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 was after the Participant's 80<sup>th</sup> birthday, either by the Participant's choice or if necessary to comply with the five-year rule stated above, the Second Look Election was void.

(2) If a Participant's initial election specified payment based on the Participant's Separation from Service, which for purposes of this Section excludes Death or Disability, 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 each Second Look Election by a Participant must delay the payment of the Participant's deferral for at least five years. For example, the Second Look Election must delay the payment of the Participant's deferral to a new Specific Payment Date that turns out to be at least five years after the later of (i) the payment date for the Participant's Separation from Service that is applicable under Section 6.03(b) or (ii) the last Specific Payment Date following the Participant's Separation from Service that was designated in a prior Second Look Election. If the new Specific Payment Date selected in the Second Look Election turns out to be less than five years after the payment date for the Participant's Separation from Service that is applicable under Section 6.03(b), the Second Look Election is void.

(3) Neither a Separation from Service nor a period of delay after a Separation from Service may be specified as the payout date resulting from a Second Look Election.

(4) To the extent permitted by subsection (a) above, a Participant may make an unlimited number of Second Look Elections for each individual deferral, but each Second Look Election must comply with all of the relevant requirements of this Section.

(5) 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 five years after when the lump sum payment would have been paid based upon the Participant's initial election (or if applicable, the Participant's subsequent Second Look Election)

(6) If a Participant's initial election (or if applicable, the Participant's Second Look Election) specified payment in the form of installments and the Participant wants to elect installment payments over a greater or lesser number of years, the election will be subject to the provisions of the Plan regarding installment payment elections in Section 4.03(b)(1) and (2), and the first payment date of the new installment payment schedule must be no earlier than five years after the first payment date that applied under the Participant's initial (or, if applicable, subsequent) installment election..

(7) If a Participant's initial (or if applicable, the Participant's Second Look Election) 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 five years after the first payment date that applied under the Participant's initial (or, if applicable, subsequent) installment election.

(8) 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 this subsection (b), the Participant's original (or, if applicable, subsequent) election shall be superseded (including any Specific Payment Date specified therein), and the original (or, if applicable, subsequent) election shall not be taken into account with respect to the deferral that is subject to the effective and superseding 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 80<sup>th</sup> birthday. If the Eligible Director elects installment payments and the installments would otherwise begin before and extend beyond the Eligible Director's 80<sup>th</sup> 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 80<sup>th</sup> birthday; provided that the amounts to be distributed in connection with the installments prior to the Eligible Director's 80<sup>th</sup> 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 80<sup>th</sup> 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. On and after January 1, 2020, an Eligible Director shall be entitled to change the time and form of payment of Mandatory Deferrals that are distributable on account of Separation from Service (other than for Disability or Death) in accordance with Section 4.04. Prior to January 1, 2020, an 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 (b), 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 (c), 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 corresponds 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 (a). 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, on and after January 1, 2020, the Participant may change the time and form of payment of Mandatory Deferrals that are distributable on account of Separation from Service (other than for Disability

or Death) in accordance with Section 4.04. Prior to January 1, 2020, the Participant may only make a Second Look Election under Section 4.04 to the extent expressly permitted by the Board of Directors.

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 15<sup>th</sup> 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 (b) 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. This 409A Program document, as amended and restated effective December 20, 2017, was adopted and approved by the authorized delegate of the Compensation Committee on February 7, 2018. This 409A Program document, as amended and restated effective January 1, 2020, was adopted and approved at the duly authorized meeting of the Compensation Committee on November 14, 2019.

Article XII – SIGNATURE

Pursuant to the direction and authorization of the Compensation Committee of the Company's Board of Directors, the above Plan, which was initially effective as of January 1, 2005 (except as otherwise provided), has been amended and restated effective as of January 1, 2020 (except as otherwise provided).

PEPSICO, INC.

By: /s/ Ronald Schellekens  
Ronald Schellekens  
Executive Vice President and Chief Human Resources Officer  
Date: December 10, 2020

APPROVED:

By: /s/ Stacy Grindal  
Stacy Grindal, 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 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.