PEPSICO INC
Form DEF 14A
March 26, 2007
Table of Contents

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

x Definitive Proxy Statement

¨ Definitive additional materials

¨ Soliciting material pursuant to Rule 14a-11(c) or Rule 14a-12

PepsiCo, Inc.

(Names of Registrant as Specified in Its Charters)

(Names of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of filing fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, the form or schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

700 Anderson Hill Road

Purchase, New York 10577-1444

March 26, 2007

Dear Fellow PepsiCo Shareholder:

You are invited to attend our Annual Meeting of Shareholders on Wednesday, May 2, 2007 at 9:00 a.m. local time at the headquarters of Frito-Lay, Inc., 7701 Legacy Drive, Plano, Texas.

At the meeting, we will ask you to elect the Board of Directors, to ratify the appointment of the independent registered public accountants, to approve the 2007 Long-Term Incentive Plan and to consider one shareholder proposal. We will also review the progress of the Company during the past year and answer your questions. The attached Proxy Statement describes the business we will conduct and provides information about the Company that you should consider when you vote your shares.

Cordially,

Indra K. Nooyi

Table of Contents

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

PepsiCo will hold its Annual Meeting of Shareholders at the headquarters of Frito-Lay, Inc., 7701 Legacy Drive, Plano, Texas, on Wednesday, **May 2, 2007** at **9:00 a.m.** local time, to:

- Elect the Board of Directors.
- Ratify the appointment of the independent registered public accountants.
- Approve the 2007 Long-Term Incentive Plan.
- Act upon 1 shareholder proposal described in the attached Proxy Statement.
- Transact any other business that may properly come before the Meeting.

Holders of record of the Company s Common and Convertible Preferred Stock as of the close of business on March 9, 2007 (the Record Date) will be entitled to vote at the Meeting.

Please refer to the General Information page in this Proxy Statement for additional information about the Annual Meeting and voting.

March 26, 2007

Larry D. Thompson

Secretary

Table of Contents

GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

Who can attend the Annual Meeting?

Only shareholders of record as of the close of business on March 9, 2007, their authorized representatives and guests will be able to attend the Annual Meeting. Admission will be by ticket only, and those attending the Annual Meeting must bring photo identification. Frito-Lay headquarters is accessible to disabled persons. Upon request, we will provide wireless headsets for hearing amplification.

How do I receive an admission ticket?

If you are a registered shareholder (your shares are held in your name) and plan to attend the Annual Meeting, you can obtain an admission ticket by checking the appropriate box on your proxy card or by contacting PepsiCo s Manager of Shareholder Relations at (914) 253-3055. An admission ticket will then be sent to you.

If you are a beneficial owner (your shares are held in the name of a bank, broker or other holder of record) and plan to attend the Annual Meeting, you can obtain an admission ticket in advance by writing to Investor Relations, PepsiCo, Inc., 700 Anderson Hill Road, Purchase, NY 10577 or by contacting PepsiCo s Manager of Shareholder Relations at (914) 253-3055. Please be sure to include proof of ownership, such as a bank or brokerage account statement. Shareholders who do not obtain tickets in advance may obtain them upon verification of their ownership at the registration desk on the day of the Annual Meeting.

How do I vote at the Annual Meeting?

If you wish to vote at the Annual Meeting, written ballots will be available from the ushers at the meeting. If your shares are held in the name of a bank, broker or other holder of record and you decide to attend and vote at the Annual Meeting, you must obtain a proxy, executed in your favor, from the holder of record to be able to vote at the meeting. However, if you vote by proxy and also attend the meeting, there is no need to vote again at the Annual Meeting unless you wish to change your vote.

How do I vote if I cannot attend the Annual Meeting?

All shareholders who are entitled to vote on the matters that come before the Annual Meeting have the opportunity to do so whether or not they attend the meeting in person. Voting via the Internet or by calling the toll-free number listed on the proxy card will save the Company expense. Instructions for using these convenient services appear on the proxy card. You can also vote your shares by marking your votes on the proxy card, signing and dating it and mailing it promptly using the envelope provided. Proxy votes are tabulated by an independent agent and reported at the Annual Meeting.

Registered Shareholders If you are a registered shareholder holding shares directly in the Company under your own name and are unable to attend the Annual Meeting, you can vote your shares by proxy in one of the following manners:

Via Internet at https://www.proxypush.com/pep and following the instructions;

By Telephone at 1-866-229-9336 in the United States, Canada or Puerto Rico on a touch-tone phone and following the recorded instructions; or

By Mail by signing and returning the proxy card.

Beneficial Owners If you are a beneficial owner holding shares through a bank, broker or other holder of record and are unable to attend the Annual Meeting, please refer to the information provided by that entity for instructions on how to vote your shares.

Table of Contents

Can I receive proxy materials electronically?

Shareholders can help us reduce the cost of printing and mailing the Proxy Statement and the Annual Report by opting to receive future materials electronically. To enroll, please visit our website at www.pepsico.com, click on the Investors Shareholder Information Electronic Delivery Enrollment links and follow the instructions provided.

Can I revoke my proxy?

You may revoke your proxy by casting a ballot at the Annual Meeting. Any proxy not revoked will be voted as specified on your proxy card. If you return your proxy and no vote is specified (and you do not vote against a nominee or indicate that you abstain), your proxy will be voted in accordance with the Board of Directors recommendations.

Can employees who participate in PepsiCo s 401(k) plan vote?

Employees who participate in PepsiCo s 401(k) plan (a portion of which constitutes an Employee Stock Ownership Plan) can vote the shares held in the 401(k) plan as of the close of business on March 9, 2007. To do so, the employee participant must sign and return the proxy card received or vote via internet or telephone, as instructed in the proxy materials received in connection with the shares in the 401(k) plan. If cards representing shares held in the 401(k) plan are not returned, the 401(k) trustees will not vote those shares for which signed cards are not returned, unless required by law.

What constitutes a quorum at the Annual Meeting?

Under North Carolina law and the Company s By-laws, the presence in person or by proxy of the holders of record of a majority of the votes entitled to be cast constitutes a quorum. Abstentions and broker non-votes are counted as present to determine whether a quorum exists at the meeting.

How are votes counted?

Election of Directors. Under North Carolina law and the Company s By-laws, the nominees for directors who receive a plurality of all the votes cast shall be elected to the Board of Directors. Under the Company s Corporate Governance Guidelines, if a director nominee in an uncontested election receives a greater number of votes against his election than votes for his election, the director nominee is required to offer his irrevocable resignation to the Board following certification of the shareholder vote. The Nominating and Corporate Governance Committee will consider the resignation offer and make a recommendation to the Board. Within 90 days following certification of the shareholder vote, the independent members of the Board will make a final determination as to whether to accept the director s resignation. A director who tenders his resignation under this provision shall not be present during the deliberations or voting by the Committee or the Board regarding whether to accept the resignation offer.

Ratification of Independent Registered Public Accountants and Approval of Shareholder Proposals. Under North Carolina law and the Company By-laws, ratification of the appointment of the independent registered public accountants and approval of shareholder proposals require the affirmative vote of a majority of the votes cast on such proposals.

2007 Long-Term Incentive Plan. For the 2007 Long-Term Incentive Plan, the affirmative vote of a majority of the votes cast is required for adoption of the proposal; provided, that the New York Stock Exchange rules require also that at least a majority of outstanding shares vote with respect to the 2007 Long-Term Incentive Plan.

Note on Abstentions. If you abstain from voting on a particular matter, your vote will not be treated as present and, therefore, will not be treated as cast either for or against that proposal.

Note on Broker Non-Votes. The rules of the New York Stock Exchange determine whether a broker may cast votes related to shares held by the broker for the benefit of the actual owner where the broker does not receive specific voting instructions from the actual owner. On routine

Table of Contents

matters, such as the Election of Directors and the Ratification of Independent Registered Public Accountants, brokers may cast a vote on such shares. On non-routine matters, such as Approval of Equity Plans and Shareholder Proposals, brokers may not vote such shares and these broker non-votes will not be treated as present.

Are my votes confidential?

PepsiCo s policy is that proxies identifying individual shareholders are private except as necessary to determine compliance with law or assert or defend legal claims. Proxies may also not be kept confidential in a contested proxy solicitation or in the event that a shareholder makes a written comment on a proxy card or an attachment to it. PepsiCo retains an independent organization to tabulate shareholder votes and certify voting results. The tabulating agent maintains the confidentiality of the proxies throughout the process.

Table of Contents

PepsiCo, Inc.

700 Anderson Hill Road

Purchase, New York 10577-1444

www.pepsico.com

March 26, 2007

PROXY STATEMENT

The Board of Directors of PepsiCo, Inc. (PepsiCo or the Company) is soliciting proxies to be voted at the Annual Meeting of Shareholders to be held on Wednesday, May 2, 2007, and at any adjournment of the Meeting. We are sending this Proxy Statement in connection with the proxy solicitation.

PepsiCo s authorized stock includes both Common Stock and Convertible Preferred Stock. As of March 9, 2007, the record date, there were 1,636,042,906 shares of PepsiCo Common Stock outstanding and entitled to one vote each at the Annual Meeting and 314,153 shares of PepsiCo Convertible Preferred Stock outstanding and entitled to 1,558,984 votes at the Annual Meeting, which number is equal to the number of shares of Common Stock into which such shares of Convertible Preferred Stock could be converted on the record date, rounded to the nearest share. Holders of the Common Stock and the Convertible Preferred Stock vote together on all matters as a single class. The outstanding shares of Common Stock were registered in the names of 191,583 shareholders and the outstanding shares of Convertible Preferred Stock were registered in the names of 2,510 shareholders. As far as we know, no person owns beneficially more than 5% of the outstanding Common or Convertible Preferred Stock.

PepsiCo is making its first mailing of this Proxy Statement on or about March 26, 2007.

TABLE OF CONTENTS

	Page
PROXY ITEM NO. 1 ELECTION OF DIRECTORS	2
Ownership of PepsiCo Common Stock by Directors and Executive Officers	5
Corporate Governance at PepsiCo	7
Board of Directors	7
Director Independence	7
Presiding Director	8

Communications to the Board of Directors	8
Political Contributions Policy	8
Committees of the Board of Directors	9
The Nominating and Corporate Governance Committee	9
Director Nomination Process	9
The Audit Committee	10
Financial Expertise and Financial Literacy	10
Directors on Multiple Audit Committees	10
The Compensation Committee	10
Review and Approval of Transactions with Related Persons	12
Compensation Committee Interlocks and Insider Participation	12
Audit Committee Report	13
Audit and Non-Audit Fees	14
Executive Compensation	15
Compensation Discussion and Analysis	15
Compensation Committee Report on Executive Compensation	22
2006 Summary Compensation Table	23

Table of Contents

	Page
2006 Grants of Plan-Based Awards	26
2006 Outstanding Equity Awards at Fiscal Year End	27
2006 Option Exercises and Stock Vested	30
2006 Pension Benefits	30
2006 Non-Qualified Deferred Compensation	31
Potential Payments on Termination or Change in Control	32
2006 Director Compensation	33
Securities Authorized for Issuance Under Equity Compensation Plans	34
Section 16(a) Beneficial Ownership Reporting Compliance	36
PROXY ITEM NO. 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS	36
PROXY ITEM NO. 3 APPROVAL OF 2007 LONG-TERM INCENTIVE PLAN	37
PROXY ITEM NO. 4 SHAREHOLDER PROPOSAL	43
Charitable Contributions	44
Other Matters	45
2008 Shareholders Proposals	45
General	45
EXHIBITS	
A Corporate Governance Guidelines	A-1
B PepsiCo, Inc. 2007 Long-Term Incentive Plan	B-1

ELECTION OF DIRECTORS (PROXY ITEM NO. 1)

The Board of Directors proposes the following 10 nominees for election as directors at the Annual Meeting. The directors will hold office from election until the next Annual Meeting of Shareholders, or until their successors are elected and qualified. If any of these nominees for director becomes unavailable, the persons named in the proxy intend to vote for any alternate designated by the current Board of Directors. Following the retirement on May 2, 2007 of four directors, the Company intends to reduce the number of members constituting the full Board to 12 and will identify 2 new directors to fill the resulting vacancies. Proxies cannot be voted for a greater number of persons than the nominees named.

DINA DUBLON, 53, was elected a director of PepsiCo in 2005. Ms. Dublon is the former Executive Vice President and Chief Financial Officer, JP Morgan Chase & Co. serving from 1998 until her retirement in September 2004. She is also a director of Microsoft Corp. and Accenture. She is a trustee of Carnegie Mellon University, the Global Fund for Women, the Women s Commission for Refugee Women & Children and GreenStone Media LLC.

2

Table of Contents

VICTOR J. DZAU, MD, 61, was elected a director of PepsiCo in 2005. Dr. Dzau is Chancellor for Health Affairs at Duke University and President and CEO of the Duke University Health System since July 2004. Prior to that, he served as Hersey Professor of Medicine at Harvard Medical School and Chairman of the Department of Medicine at Brigham and Women s Hospital in Boston Massachusetts from 1996 to 2004. He is a member of the Institute of Medicine of the National Academy of Sciences and the European Academy of Science and Arts. He was the previous Chairman of the National Institutes of Health (NIH) Cardiovascular Disease Advisory Committee, and he served on the Advisory Committee to the Director of NIH. Dr. Dzau has been named 2004 Distinguished Scientist of the American Heart Association and was the recipient of the 2004 Max Delbruck Medal, Berlin, Germany and the 2005 Ellis Island Medal of Honor. Dr. Dzau is also a director of Genzyme Corporation.

RAY L. HUNT, 63, Chief Executive Officer of Hunt Oil Company and Chairman, Chief Executive Officer and President, Hunt Consolidated, Inc., was elected to PepsiCo s Board in 1996. Mr. Hunt began his association with Hunt Oil Company in 1958 and has held his current position since 1976. He is also a director of Halliburton Company, Electronic Data Systems Corporation, King Ranch, Inc., Verde Group, LLC and Chairman of the Board of Directors of the Federal Reserve Bank of Dallas.

ALBERTO IBARGÜEN, 63, was elected a director of PepsiCo in 2005. Mr. Ibargüen is President and Chief Executive Officer of the John S. and James L. Knight Foundation. Mr. Ibargüen previously served as Chairman of Miami Herald Publishing Co., a Knight Ridder subsidiary, and as publisher of *The Miami Herald* and of *El Nuevo Herald.* He is a member of the boards of NCL Corporation Ltd. and The Council of Foreign Relations, a member of the Trustees Council of the National Gallery of Art and is on the Advisory Council of the Public Company Accounting Oversight Board. Mr. Ibargüen is also the Chairman of the Board of Newseum.

ARTHUR C. MARTINEZ, 67, former Chairman of the Board, President and Chief Executive Officer of Sears, Roebuck and Co., was elected to PepsiCo s Board in 1999. Mr. Martinez was Chairman and Chief Executive Officer of the former Sears Merchandise Group from 1992 to 1995 and served as Chairman of the Board, President and Chief Executive Officer of Sears, Roebuck and Co. from 1995 until 2000. He served as Vice Chairman and a director of Saks Fifth Avenue from 1990 to 1992. He is also a director of Liz Claiborne, Inc., International Flavors & Fragrances Inc. and IAC/Interactive Corp. Mr. Martinez is Chairman of the Supervisory Board of ABN AMRO Holding, N.V.

Table of Contents

INDRA K. NOOYI, 51, PepsiCo s Chairman-Elect, has been PepsiCo s President and Chief Executive Officer since October 2006. From May 2001 until October 2006, she served as President and Chief Financial Officer. She also served as Senior Vice President and Chief Financial Officer from February 2000 to May 2001. Ms. Nooyi also served as PepsiCo s Senior Vice President, Corporate Strategy and Development from 1996 until February 2000 and as PepsiCo s Senior Vice President, Strategic Planning from 1994 until 1996. Prior to joining PepsiCo, Ms. Nooyi spent four years as Senior Vice President of Strategy, Planning and Strategic Marketing for Asea Brown Boveri, Inc. She was also Vice President and Director of Corporate Strategy and Planning at Motorola, Inc.

SHARON PERCY ROCKEFELLER, 62, was elected a director of PepsiCo in 1986. She is President and Chief Executive Officer of WETA public stations in Washington, D.C., a position she has held since 1989, and was a member of the Board of Directors of WETA from 1985 to 1989. She was a member of the Board of Directors of the Corporation for Public Broadcasting until 1992. Ms. Rockefeller currently serves as trustee on the following non-profit boards: Public Broadcasting Service (PBS), National Gallery of Art, The Museum of Modern Art, Johns Hopkins Medicine, Colonial Williamsburg Foundation and Rockefeller Philanthropy Advisors.

JAMES J. SCHIRO, 61, was elected to PepsiCo s Board in January 2003. Mr. Schiro became Chief Executive Officer of Zurich Financial Services in May 2002, after serving as Chief Operating Officer Group Finance since March 2002. He joined Price Waterhouse in 1967, where he held various management positions. In 1994 he was elected Chairman and senior partner of Price Waterhouse, and in 1998 became Chief Executive Officer of PricewaterhouseCoopers, after the merger of Price Waterhouse and Coopers & Lybrand. Mr. Schiro is also a director of Royal Philips Electronics.

DANIEL VASELLA, 53, was elected to PepsiCo s Board in February 2002. Dr. Vasella became Chairman of the Board and Chief Executive Officer of Novartis AG in 1999, after serving as President since 1996. From 1992 to 1996, Dr. Vasella held the positions of Chief Executive Officer, Chief Operating Officer, Senior Vice President and Head of Worldwide Development and Head of Corporate Marketing at Sandoz Pharma Ltd. He also served at Sandoz Pharmaceuticals Corporation from 1988 to 1992.

MICHAEL D. WHITE, 55, was elected to PepsiCo s Board and named Vice Chairman of PepsiCo in March 2006. He continues to serve as Chief Executive Officer of PepsiCo International, a position he has held since February 2003. From 2000 to 2003, he served as President and Chief Executive Officer of Frito-Lay s Europe/Africa/Middle East division. From 1998 to 2000, Mr. White was Senior Vice President and Chief Financial Officer of PepsiCo. Mr. White has also served as Executive Vice President and Chief Financial Officer of PepsiCo Foods International and Chief Financial Officer of Frito-Lay North America. He joined Frito-Lay in 1990 as Vice President of Planning. Mr. White is also a director of Whirlpool Corporation.

Table of Contents

OWNERSHIP OF PEPSICO COMMON STOCK

BY DIRECTORS AND EXECUTIVE OFFICERS

The following table shows, as of March 9, 2007, the shares of PepsiCo Common Stock beneficially owned by each director (including each nominee), by each of the executive officers identified in the Summary Compensation Table on page 23 of this Proxy Statement (Named Executive Officers) and by all directors and all executive officers as a group:

Name of Individual or Group	Number of Shares of PepsiCo Common Stock Beneficially Owned(1)
John F. Akers (2)	86,873
Robert E. Allen (3)	46,337
John C. Compton	754,059
Dina Dublon	1,574
Victor J. Dzau	1,574
Richard Goodman (4)	261,446
Dawn E. Hudson	490,527
Ray L. Hunt (5)	538,923
Alberto Ibargüen	2,574
Arthur C. Martinez	32,671
Indra K. Nooyi (6)	1,384,505
Steven S Reinemund (5) (7)	4,239,603
Sharon Percy Rockefeller	66,921
James J. Schiro	19,488
Franklin A. Thomas (8)	39,034
Daniel Vasella	22,572
Michael D. White	1,203,378
All directors and executive officers as a group (26 persons) (9)	12,058,193

(1) The shares shown include the following shares that directors and executive officers have the right to acquire within 60 days after March 9, 2007 through the exercise of vested stock options: John F. Akers, 59,675 shares; Robert E. Allen, 37,014 shares; John C. Compton, 728,272 shares; Richard Goodman, 257,529 shares; Dawn E. Hudson, 468,272 shares; Ray L. Hunt, 65,327 shares; Arthur C. Martinez, 30,097 shares; Indra K. Nooyi, 1,355,956 shares; Steven S Reinemund, 4,073,677 shares; Sharon Percy Rockefeller, 34,869 shares; James J. Schiro, 16,829 shares; Franklin A. Thomas, 35,847 shares; Daniel Vasella, 16,869 shares; Michael D. White, 1,136,778 shares; and all directors and executive officers as a group, 11,017,232 shares. Except as otherwise noted, the directors and executive officers exercise sole voting and investment power over their shares shown in the table.

(2) Mr. Akers has served as a Director of the Company since 1991 and will retire from the Board of Directors on May 2, 2007.

(3) Mr. Allen has served as a Director of the Company since 1990 and will retire from the Board of Directors on May 2, 2007.

(4) Mr. Goodman became Chief Financial Officer of the Company on October 1, 2006 and prior to that served as Chief Financial Officer of PepsiCo International.

(5) The shares shown for Mr. Hunt include (i) 26,700 shares held in a corporation over which Mr. Hunt has sole voting and investment power, (ii) 262,286 shares held in trusts over which Mr. Hunt has shared voting power and sole investment power, and (iii) 152,500 shares held in a trust over which Mr. Hunt has sole voting power and no investment power. The shares shown for Mr. Reinemund include 157,920 shares over which Mr. Reinemund shares voting and investment power with his spouse.

Table of Contents

(6) Ms. Nooyi became Chief Executive Officer of the Company on October 1, 2006 and prior to that served as President and Chief Financial Officer of the Company. Ms. Nooyi is a member of the Board of Directors and will become Chairman of the Board on May 2, 2007.

(7) Mr. Reinemund became Executive Chairman on October 1, 2006 and prior to that served as Chairman and Chief Executive Officer of the Company. Mr. Reinemund will be retiring from the Board of Directors and as Executive Chairman on May 2, 2007.

(8) Mr. Thomas has served as a Director of the Company since 1994 and will retire from the Board on May 2, 2007.

(9) The shares shown include shares of PepsiCo Convertible Preferred Stock held by one executive officer in a 401(k) account, convertible into 4,643 shares of PepsiCo Common Stock.

The following table shows, as of March 9, 2007, the number of PepsiCo Common Stock equivalents held in the PepsiCo deferred income program by each director (including each nominee), by each Named Executive Officer and by all directors and all executive officers as a group:

Name of Individual or Group	Number of PepsiCo Common Stock Equivalents Held in PepsiCo s Deferred Income Program
John F. Akers	7,045
Robert E. Allen	10,994
John C. Compton	33,199
Dina Dublon	469
Victor J. Dzau	3,842
Richard Goodman	0
Dawn E. Hudson	0
Ray L. Hunt	13,284
Alberto Ibargüen	3,373
Arthur C. Martinez	17,826
Indra K. Nooyi	51,470
Steven S Reinemund	242,945
Sharon Percy Rockefeller	0
James J. Schiro	5,827
Franklin A. Thomas	4,375
Daniel Vasella	1,562
Michael D. White	0
All directors and executive officers as a group (26 persons)	407,630

Directors and executive officers as a group own less than 1% of outstanding PepsiCo Common Stock and less than 1% of outstanding PepsiCo Convertible Preferred Stock.

Table of Contents

CORPORATE GOVERNANCE AT PEPSICO

Board of Directors

Our business and affairs are overseen by our Board of Directors pursuant to the North Carolina Business Corporation Act and our By-laws. Members of the Board of Directors are kept informed of the Company s business through discussions with the Executive Chairman and the Chief Executive Officer, and with key members of management, by reviewing materials provided to them and by participating in Board and Committee meetings. Members of the Board of Directors are elected annually.

Regular attendance at Board meetings is required of each director. PepsiCo s Board held seven meetings during 2006. Average attendance by incumbent directors at Board and standing Committee meetings was 97%. No incumbent director attended fewer than 75% of the total number of Board and standing Committee meetings. The non-management directors met in executive session at six Board meetings in 2006. All directors attended the 2006 Annual Meeting.

In 2002, the Board of Directors adopted the Corporate Governance Guidelines. These Guidelines were amended in 2005 in accordance with the revised New York Stock Exchange Listing Standards and rules adopted by the Securities and Exchange Commission. The Guidelines were also amended in 2006 and the revised Guidelines are attached to this Proxy Statement as Exhibit A and are also available on the Company s website at www.pepsico.com under Corporate Governance in the Investors section and are available in print to any shareholder who requests a copy. The Company s Worldwide Code of Conduct is also available on the Company s website at www.pepsico.com under Corporate Governance in the Investors section and is available in print to any shareholder who requests a copy. Annually, all of PepsiCo s executive officers, other senior employees and directors sign certifications with respect to their compliance with the Company s Worldwide Code of Conduct.

Director Independence

The Board of Directors has determined that to be considered independent, a director may not have any direct or indirect material relationships with the Company. In making a determination of whether a material relationship exists, the Board considers all relevant facts and circumstances, including but not limited to the director s commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships. In addition to the independence requirements set forth in the Corporate Governance Listing Standards of the New York Stock Exchange, the Board has determined that a director will not be independent if he serves as an executive officer, director or trustee of a tax exempt organization that has received contributions from the Company or any of its consolidated subsidiaries in any of the last three fiscal years that exceeds the greater of $1 million or 2% of the consolidated gross revenues of such tax exempt organization for its last completed fiscal year. These independence standards were recommended by the Nominating and Corporate Governance Committee and adopted by the Board of Directors, and are detailed in full in the Corporate Governance Guidelines attached as Exhibit A to this Proxy Statement.

Consistent with these considerations, the Board has reviewed all relationships between the Company and the members of the Board and has affirmatively determined that the non-management directors standing for election listed below are independent within the meaning of the rules of the New York Stock Exchange, based on the application of the Company s independence standards.

Dina Dublon	Alberto Ibargüen	James J. Schiro
Victor J. Dzau	Arthur C. Martinez	Daniel Vasella
Ray L. Hunt	Sharon Percy Rockefeller	

From May 9, 2006 through July 1, 2006, Arthur Martinez served as interim Chief Executive Officer (Interim CEO) of International Flavors & Fragrances, Inc. (IFF), a supplier to the Company. As a result, Mr. Martinez was not considered independent under the standards for director independence adopted by the Board. Mr. Martinez temporarily stepped down from his positions on the Compensation

7

and Nominating and Corporate Governance Committees, although no Board or Committee meetings were held during this period. After Mr. Martinez concluded his tenure as Interim CEO of IFF, the Nominating and Corporate Governance Committee and the Board evaluated his status and determined that Mr. Martinez was independent under the independence standards adopted by the Board.

None of the non-management directors receives any fees from the Company other than those received in his or her capacity as a director.

Presiding Director

In September 2002, the Board of Directors appointed Robert E. Allen as the Presiding Director of the Board. In his capacity as the Presiding Director, Mr. Allen presides at the regularly-scheduled executive sessions of the Board, at which only non-management directors are present. He also advises the Chairman of the Board and, as appropriate, Committee chairs with respect to agendas and information needs relating to the Board and Committee meetings, and performs other duties that the Board may from time to time delegate to assist the Board in the fulfillment of its responsibilities. Effective upon Mr. Allen s retirement on May 2, 2007, Sharon Percy Rockefeller will become the Presiding Director of the Board. Shareholders and other interested parties may communicate with Mr. Allen until May 2, 2007 and Ms. Rockefeller thereafter, or with any non-management directors, by any of the following means:

by phone at 1-866-626-0633

by sending a letter to PepsiCo, Inc., 700 Anderson Hill Road, Purchase, New York, 10577 Attention: Presiding Director

by submitting a communication on-line at our website www.pepsico.com under Investors Corporate Governance Contact the Board of Directors

Communications to the Board of Directors

The PepsiCo Corporate Law Department reviews all communications sent to the Board of Directors relating to the duties and responsibilities of the Board and its Committees. The Corporate Law Department maintains a log of all such communications and regularly provides a summary of communications to the Board that relate to the functions of the Board or a Board Committee or that otherwise require Board attention. Directors may at any time review the log of Board communications received by the Company and request copies or summaries of such communications. In addition, the Corporate Law Department may forward certain communications only to the Presiding Director, the Chair of the relevant Committee or the individual Board member to whom a communication is directed. Concerns relating to PepsiCo s accounting, internal accounting controls or auditing matters will be referred directly to members of the Audit Committee.

Shareholders and other interested parties may contact the Board, a Committee of the Board or an individual member of the Board by any of the following means:

by phone at 1-866-626-0633

by sending a letter to PepsiCo, Inc., 700 Anderson Hill Road, Purchase, New York, 10577, Attention: Presiding Director

by submitting a communication on-line at our website www.pepsico.com under Investors Corporate Governance Contact the Board of Directors

Political Contributions Policy

In 2005, the Board of Directors adopted a Political Contributions Policy for the Company. The Political Contributions Policy, together with other policies and procedures, including the Company s Code of Conduct, guide the Company s approach to political contributions. In connection with the development of this policy and in keeping with the Company s goals of transparency, the policy and the Company s annual political contributions are posted on our website at www.pepsico.com Investors Corporate Governance Policies.

Table of Contents

Committees of the Board of Directors

The Board of Directors has three standing Committees: Nominating and Corporate Governance, Compensation and Audit. The table below indicates the members of each Board committee:

Name	Nominating and Corporate Governance	Compensation	Audit
John F. Akers(1)	X	Chair	
Robert E. Allen(1)(2)	X	X	
Dina Dublon			X
Victor J. Dzau	X	X	
Ray L. Hunt	Chair	X	
Alberto Ibargüen			X
Arthur C. Martinez	X	X	
Indra K. Nooyi			
Steven S Reinemund(1)			
Sharon P. Rockefeller(2)	X	X	
James J. Schiro			Chair
Franklin A. Thomas(1)			X
Cynthia M. Trudell(3)			X
Daniel Vasella	X	X	
Michael D. White			

(1) Mr. Akers, Mr. Allen, Mr. Reinemund and Mr. Thomas are retiring from the Board of Directors as of May 2, 2007.
(2) Mr. Allen is the Presiding Director of the Board until May 2, 2007 and Ms. Rockefeller will become the Presiding Director thereafter.
(3) Ms. Trudell was a member of the Board and Audit Committee during 2006 and until February 2, 2007.

The Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee, which was established in 1997 and renamed in 2002, held four meetings in 2006. The Nominating and Corporate Governance Committee: (a) identifies and recommends to the Board for election and/or appointment qualified candidates for membership on the Board and the Committees of the Board; (b) develops and recommends to the Board corporate governance principles and the Worldwide Code of Conduct applicable to the Company and monitors compliance with all such principles and policies; (c) develops and recommends to the Board criteria to assess the independence of members of the Board; (d) makes recommendations to the Board concerning the composition, size, structure and activities of the Board and its Committees; (e) assesses and reports to the Board on the performance and effectiveness of the Board and its Committees; and (f) reviews and reports to the Board with respect to director compensation and benefits. The Nominating and Corporate Governance Committee Charter is available on the Company s website at www.pepsico.com under Corporate Governance in the Investors section and is also available in print to any shareholder who requests a copy. The Nominating and Corporate Governance Committee is comprised entirely of directors who meet the independence requirements of the New York Stock Exchange and applicable securities laws.

Director Nomination Process

The Nominating and Corporate Governance Committee does not solicit director nominations, but will consider recommendations for director nominees made by shareholders, if the individuals recommended meet certain minimum Board membership criteria. The Committee s assessment of Board candidates includes consideration of a candidate s: (i) relevant knowledge and diversity of background and experience in areas including business, finance, accounting, technology, marketing, international business and government; (ii) personal qualities of leadership, character, judgment and

Table of Contents

whether the candidate possesses a reputation in the community at large of integrity, trust, respect, competence and adherence to the highest ethical standards; (iii) roles and contributions valuable to the business community and (iv) whether the candidate is free of conflicts and has the time required for preparation, participation and attendance at all meetings. Shareholder recommendations should be sent to the Secretary of PepsiCo at 700 Anderson Hill Road, Purchase, New York 10577 and must include detailed background regarding the suggested candidate that demonstrates how the individual meets the minimum Board membership criteria.

Nominations received by the Secretary of the Company from shareholders are reviewed by the Chairman of the Nominating and Corporate Governance Committee to determine whether the candidate possesses the minimum qualifications described above, and if so, whether the candidate s expertise and particular set of skills and background fit the current needs of the Board. This is done to ensure that the Board includes members with diverse backgrounds, skills and experience, including appropriate financial and other expertise relevant to the business of the Company. If the candidate meets the requirements for a current vacancy on the Board, the submission materials are reviewed with the Nominating and Corporate Governance Committee and are responded to by the Chairman of the Committee or his designee. The process for evaluation of candidates submitted by non-shareholders of the Company is handled similarly.

From time to time, the Nominating and Corporate Governance Committee engages consulting firms to perform searches for director candidates who meet the current needs of the Board. If a consulting firm is retained to assist in the search process for a director, a fee is paid to such firm.

The Audit Committee

The Audit Committee, which was established in 1967, held ten meetings in 2006. The Audit Committee s primary responsibilities are to assist the Board s oversight of: (a) the quality and integrity of the Company s financial statements and its related internal controls over financial reporting; (b) the Company s compliance with legal and regulatory requirements; (c) the independent auditor s qualifications and independence; and (d) the performance of the Company s internal audit function and the independent auditors. The report of the Audit Committee is set forth on page 13 of this Proxy Statement. The Audit Committee Charter is available on the Company s website at www.pepsico.com under Corporate Governance in the Investors section and is also available in print to any shareholder who requests a copy.

Financial Expertise and Financial Literacy

The Board of Directors has determined that Dina Dublon and James J. Schiro, members of our Audit Committee, satisfy the criteria adopted by the Securities and Exchange Commission to serve as audit committee financial experts and are independent directors, pursuant to the standards set forth in the Company s Corporate Governance Guidelines and the requirements under the Securities Exchange Act of 1934 and the New York Stock Exchange Listing Standards. In addition, the Board of Directors has determined that Dina Dublon, Alberto Ibargüen, James J. Schiro and Franklin A. Thomas, all members of our Audit Committee, are independent directors and are financially literate within the meaning of the New York Stock Exchange Corporate Governance Listing Standards.

Directors on Multiple Audit Committees

None of the Company s directors serves on the audit committee of more than three public companies.

The Compensation Committee

The Compensation Committee, which has been active since 1955, held five meetings during 2006. The Compensation Committee: (a) oversees the policies of the Company relating to compensation of the Company s executives and makes recommendations to the Board regarding the

Table of Contents

compensation of PepsiCo s executive officers; (b) produces a report on executive compensation for inclusion in the Company s Proxy Statement; and (c) monitors the development and implementation of succession plans for the Chief Executive Officer (CEO) and other key executives, and makes recommendations to the Board with respect to such plans.

The Compensation Committee is composed entirely of independent members of the Board who are outside directors for purposes of Section 162(m) of the Internal Revenue Code and non-employee directors for purposes of Section 16 of the Securities Exchange Act of 1934. The Compensation Committee Report is set forth on page 22 of this Proxy Statement. The Compensation Committee Charter is available on the Company s website at www.pepsico.com under Corporate Governance in the Investors section and is also available in print to any shareholder who requests a copy.

The Compensation Committee oversees the design and administration of PepsiCo s compensation programs and evaluates PepsiCo s compensation programs against competitive practices, legal and regulatory developments and corporate governance trends. The Compensation Committee makes recommendations to the Board of Directors regarding total compensation for each executive officer, which is then reviewed and approved by the full Board of Directors. As part of its processes and procedures for determining executive compensation, the Compensation Committee annually:

- reviews and establishes the peer group companies used as a reference to benchmark Company performance and executive officer compensation;

- reviews executive officer compensation to ensure that a significant portion is performance-based to create incentives for above-target performance and consequences for below-target performance;

- reviews total compensation and benefits summaries (referred to as tally sheets) for each executive officer to ensure the Committee understands all aspects of each executive officer s total compensation;

- approves specific performance targets, which are linked to Company, line of business or business unit performance, depending on an executive officer s position and scope of responsibility;

- confirms with the Committee s independent outside advisor that total compensation paid to each executive officer is appropriate based on an analysis that compares the Company s financial performance relative to the performance of its peer group as measured by financial metrics including long-term shareholder returns and operating performance over one-year and three-year time periods; and

- approves base salary adjustments and annual and long-term incentive award payouts for each year based on performance achieved in the prior year relative to the pre-established performance targets.

The Compensation Committee engages Mercer Human Resource Consulting as an independent outside advisor to evaluate all components of compensation and benefits provided to the executive officers relative to financial performance (see Role of the Consultant in the Compensation Discussion and Analysis on page 15 of this Proxy Statement). The Compensation Committee also solicits input from the Executive Chairman and the President and CEO in determining compensation for other executive officers in order to gain their perspective on individual performance and contributions. Director compensation is determined by the Board upon recommendation of the Nominating and Corporate Governance Committee.

11

Table of Contents

Review and Approval of Transactions with Related Persons

On an annual basis, each director and executive officer is required to complete a questionnaire, which requires disclosure of any transactions the director or executive officer, or their immediate family members or associates, may have with the Company in which the director or executive officer, or their immediate family members or associates, has a direct or indirect material interest. The Audit Committee, which is responsible for reviewing and approving any related party transactions, considers the responses in the questionnaires and other information regarding potential relationships between the Company and the directors and executive officers. The Audit Committee has determined that there are no related party transactions to report.

Compensation Committee Interlocks and Insider Participation

None of PepsiCo s independent directors is an executive officer of a public company of which a PepsiCo executive officer is a director.

Table of Contents

AUDIT COMMITTEE REPORT

PepsiCo s Audit Committee reports to and acts on behalf of the Board of Directors by providing oversight of the Company s independent auditors and the Company s financial management and financial reporting procedures. The Audit Committee is comprised entirely of directors who meet the independence, financial experience and other qualification requirements of the New York Stock Exchange and applicable securities laws. The Audit Committee is a separately designated standing audit committee established in accordance with section 3(a)(58)(A) of the Securities Exchange Act of 1934. The names of the Audit Committee members are included at the end of this Audit Committee Report. The Audit Committee operates under a written charter adopted by the Board of Directors, which is reviewed annually and is available on the Company s website at www.pepsico.com under Corporate Governance in the Investors section.

The Company s management has responsibility for preparing the Company s financial statements and the Company s independent auditors (independent registered public accountant) KPMG LLP (KPMG), is responsible for auditing those financial statements. In this context, the Audit Committee has met with management and KPMG to review and discuss the Company s audited financial statements. The Audit Committee discussed with Company management and KPMG the critical accounting policies applied by the Company in the preparation of its financial statements. These policies arise in connection with: revenue recognition and related trade spending; brand and goodwill valuations; income tax expense and accruals; stock-based compensation expense; and pension and retiree medical plans. The Company s management has represented to the Audit Committee that the financial statements were prepared in accordance with generally accepted accounting principles. The Audit Committee discussed with KPMG the matters required to be discussed by the Statement on Auditing Standards No. 61 (Communications with Audit Committees), as amended, and the Sarbanes-Oxley Act of 2002, and had the opportunity to ask KPMG questions relating to such matters. The discussions included the quality, and not just the acceptability, of the accounting principles utilized, the reasonableness of significant accounting judgments, and the clarity of disclosures in the financial statements. The Audit Committee also discussed with Company management the process for certifications by the Company s Chief Executive Officer and Chief Financial Officer, which is required by the Securities and Exchange Commission and the Sarbanes-Oxley Act of 2002 for certain of the Company s filings with the Securities and Exchange Commission.

The Audit Committee reviewed with the Company s internal and independent auditors the overall scope and plans for their respective audits for 2006. The Audit Committee also received regular updates from the Company s General Auditor on internal control and business risks and the Company s senior officer for compliance and business practices on compliance issues. The Audit Committee meets with the internal and independent auditors, with and without management present, to discuss their evaluations of the Company s internal controls and the overall quality of the Company s financial reporting. The Audit Committee also meets with the Company s General Counsel, with and without management present, to discuss the Company s compliance with laws and regulations.

The Audit Committee reviewed and discussed with KPMG, KPMG s independence and, as part of that review, received the written disclosures required by applicable professional and regulatory standards relating to KPMG s independence from the Company. The Audit Committee also reviewed and pre-approved all fees paid to the independent auditors. These fees are described in the next section of this Proxy Statement. The Audit Committee also considered whether KPMG s provision of non-audit services to the Company was compatible with the auditor s independence. The Committee has adopted a formal policy on Audit, Audit-Related and Non-Audit Services, which is published on the Company s website and which is briefly described in the next section of this Proxy Statement. The Audit Committee concluded that the independent auditor is independent from the Company and its management.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board has approved, that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended December 30, 2006, for filing with the Securities and Exchange Commission. The Audit Committee has also retained

13

Table of Contents

KPMG as the Company s independent auditors for the fiscal year 2007, and the Audit Committee and the Board have recommended that shareholders ratify the appointment of KPMG as the Company s independent auditors for the fiscal year 2007.

James J. Schiro became the Chairman of the Audit Committee on May 3, 2006. Prior to Mr. Schiro, Arthur C. Martinez was a member of the Audit Committee and the Committee s Chairman from January 1, 2006 through May 2, 2006. Cynthia Trudell was a member of the Audit Committee from January 1, 2006 through February 2, 2007.

THE AUDIT COMMITTEE

DINA DUBLON	JAMES J. SCHIRO, CHAIRMAN
ALBERTO IBARGÜEN	FRANKLIN A. THOMAS

AUDIT AND NON-AUDIT FEES

The following table presents fees for professional audit services rendered by KPMG LLP, the Company s independent auditor, for the audit of the Company s annual financial statements for 2005 and 2006, and fees billed for other services rendered by KPMG LLP.

	2005	2006
Audit fees	$ 16,550,000	$ 18,254,000
Audit-related fees(1)	$ 1,727,000	$ 1,631,000
Tax fees(2)	$ 887,000	$ 875,000
All other fees	$ 0	$ 0

(1) Audit-related fees for 2005 and 2006 consisted primarily of the audits of certain employee benefit plans, due diligence reviews of certain businesses acquired and internal control reviews.

(2) Tax fees for 2005 and 2006 consisted primarily of international tax compliance services.

We understand the need for the independent auditors to maintain their objectivity and independence, both in appearance and in fact, in their audit of the Company s financial statements. Accordingly, the Audit Committee has adopted the PepsiCo Policy for Audit, Audit-Related and Non-Audit Services. The Policy provides that the Audit Committee will engage the auditor for the audit of the Company s consolidated financial statements and other audit-related work. The auditor may also be engaged for tax and other non-audit-related work if those services: enhance and support the attest function of the audit; are an extension to the audit or audit-related services; or are services with respect to which, under the circumstances, KPMG offers unique qualification and there is clearly no question regarding their independence in providing such service. The policy further provides that on an annual basis the auditor s Global Lead Audit Partner will review with the Audit Committee the services the auditor expects to provide in the coming year and the related fee estimates. In addition, PepsiCo will provide the Audit Committee with a quarterly status report regarding the Committee s pre-approval of audit-related, tax or other non-audit services that the auditor has been pre-approved to perform, has been asked to provide or may be expected to provide during the balance of the year. PepsiCo s Policy for Audit, Audit-Related and Non-Audit Services is available on the Company s website at www.pepsico.com under Corporate Governance in the Investors section.

Table of Contents

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Philosophy

It is critical to our long-term success and growth that our businesses are managed by highly capable leaders with the experience, skills and dedication to oversee a growing and changing global organization.

Our executive compensation philosophy is based on the principle that PepsiCo will achieve its best results if its employees act and are rewarded as business owners. Ownership is not only about owning stock, but it is also about being accountable for business results, in good times and bad. Owners act with the conviction that their business is personal and that they can make a difference. Owners take initiative and they take responsibility for the assets of the business, including its employees. As executives progress to higher levels at PepsiCo, their responsibilities, risks and rewards will progress as well.

Our compensation programs are designed to help recruit, retain and motivate a large group of talented and diverse domestic and international employees. Our programs are highly incentive-based and competitive in the marketplace, with a significant portion of total compensation determined by Company performance. As a result, when PepsiCo s financial performance is above that of our peer group average, total compensation is delivered above the peer group average. Likewise if PepsiCo s financial performance were to be below the peer group average, total compensation would be delivered below the peer group average.

Oversight of the Executive Compensation Programs

PepsiCo s executive compensation programs are overseen and administered by the Compensation Committee of the Board of Directors. For a detailed account of the Compensation Committee s annual responsibilities, see The Compensation Committee on page 10 of this Proxy Statement. For details on the Compensation Committee s composition, see Committees of the Board of Directors on page 9 of this Proxy Statement.

Peer Group

The Compensation Committee and Board utilize the same peer group to annually evaluate both executive officer pay levels and Company performance. The peer group is composed of large public consumer products companies in the Food & Beverage, Household & Personal Products and Pharmaceutical sectors that we compete with for executive officer talent and investor dollars. The Compensation Committee annually reviews and validates the peer group with the assistance of the Compensation Committee s independent outside advisor, Mercer Human Resource Consulting, to ensure all peer companies remain an appropriate basis for comparison. The following peer companies were approved by the Board, and are listed in order of 2006 revenue size (from largest to smallest), with PepsiCo shown to display its relative position: The Procter & Gamble Company; Johnson & Johnson; PepsiCo; Kraft Foods Inc.; The Coca-Cola Company; 3M Company; Kimberly-Clark Corporation; Sara Lee Corporation; Anheuser-Busch Companies, Inc.; Colgate-Palmolive Company; General Mills, Inc.; Kellogg Company; H.J. Heinz Company; Campbell Soup Company and The Estee Lauder Companies Inc. As noted by our position in the list, PepsiCo is one of the largest companies in the peer group, with 2006 revenue of $35 billion compared to the peer group median of $16 billion and 75th percentile of $24 billion.

Role of the Consultant

The Compensation Committee utilizes input from Mercer Human Resource Consulting (Mercer), its independent outside advisor, to determine the alignment between executive officer pay and PepsiCo s financial performance relative to the Board-approved peer group. The Compensation

Table of Contents

Committee strongly considers Mercer s analysis and advice when making compensation decisions for the Executive Chairman, the President and CEO and other executive officers. Compensation Committee members can engage or initiate contact with Mercer and have direct access to the independent advisor without management involvement. While Mercer works directly for the Compensation Committee, Mercer obtains input from management to ensure that its recommendations and advice reinforce PepsiCo s business strategy, principles and values.

Executive Compensation Policies

Pay levels for executive officers are designed to be competitive relative to our peer group companies and, most importantly, align with the Company s performance. Pay-for-performance is a critical policy in designing our executive officer compensation, and, as a result, our pay mix, defined as the amount of fixed base salary relative to at-risk annual and long-term cash incentive awards and at-risk equity-based awards, places the greatest emphasis on variable pay incentives. As a result, over 90% of our President and CEO s target total compensation is variable and at-risk, and approximately 80% of the total compensation for our other Named Executive Officers is variable and at-risk.

To sustain PepsiCo s exceptional long-term performance, we set stretch financial goals that are equivalent to our peer groupths 75 percentile performance (i.e., the top 25% of peer companies). Our objective is to compensate at the 75^{th} percentile relative to our peer group only when we achieve performance at or above the 75^{th} percentile of our peer group. To accomplish this, we annually review compensation (base salary, annual incentive awards and long-term incentive awards) provided by our peer group to set target total compensation levels for our executive officers at the peer group median for similar positions. We then utilize variable pay incentives to award pay in line with our performance. Our design ensures that our pay-for-performance programs only deliver total compensation at the 75^{th} percentile when financial performance is at or above the peer group 75^{th} percentile. If financial performance were to be below the peer group 75^{th} percentile, total compensation awarded would be below the 75^{th} percentile.

Each year, actual annual incentive and long-term incentive awards are approved by the Board based on an analysis of PepsiCo s actual performance relative to our stretch financial goals and an executive officer s individual performance and contributions to PepsiCo s strategic goals. The Compensation Committee recommends, and the Board approves, pay actions for the Executive Chairman and the President and CEO. Mercer provides market information in order to assist the Committee and the Board in making pay actions for all executive officers, including the Executive Chairman and the President and CEO. The Compensation Committee and the Board solicit input from the Executive Chairman and the President and CEO in determining pay for other executive officers to gain their perspective on individual performance and contribution.

In 2006, Mercer s independent review provided assurance that PepsiCo s executive officer total compensation program was appropriately aligned with PepsiCo s financial performance and that the programs should continue to support the attraction and retention of talent necessary to maintain our long history of strong sales growth, profitability and shareholder returns.

Components of PepsiCo s Compensation and Benefits Programs

For 2006, the primary components of our compensation and benefits programs for executive officers were (1) base salary, (2) annual incentive awards, (3) long-term incentive awards, (4) retirement programs and (5) benefits and perquisites. Each of these programs is underpinned by a number of governance features, which are highlighted at the end of this Compensation Discussion and Analysis (pages 21-22 of this Proxy Statement).

1. Base Salary. The relative levels of base salary for the Executive Chairman, the President and CEO and the other executive officers are based on the underlying accountabilities of each executive officer s position and reflect each executive officer s scope of responsibility. The salaries are reviewed annually and are benchmarked against similar positions among the peer group companies. In addition, executive officer salaries are analyzed relative to internal positions to ensure equity and

16

Table of Contents

alignment of our pay within PepsiCo. Prior to 2006, all base salaries were capped at $1.0 million to ensure company tax deductibility. In October 2006, to appropriately align with peer company prevalent practice, the President and CEO s salary was increased above this amount. Under Section 162(m) of the Internal Revenue Code, base salaries in excess of $1.0 million delivered in a given year are not tax deductible. All base salaries for Named Executive Officers were fully deductible in 2006. Base salaries paid to our Named Executive Officers in 2006 are presented under column (c) in the 2006 Summary Compensation Table (page 23 of this Proxy Statement).

2. Annual Incentive Compensation. We provide performance-related annual incentive compensation opportunities to our executive officers under the shareholder-approved 2004 Executive Incentive Compensation Plan (2004 EIC Plan). Awards under the 2004 EIC Plan are designed to be fully deductible for federal income tax purposes under Section 162(m) of the Internal Revenue Code. To achieve this, we use pre-approved earnings per share and operating profit targets to establish an individual s maximum award. The Compensation Committee then exercises discretion to reduce, but not to increase, the amount of the award. In 2006, the Committee exercised this discretion in determining the amount of the actual incentive awards provided to all Named Executive Officers. The description below outlines how actual annual incentives are determined.

When determining actual incentive awards paid to executive officers, the Compensation Committee considers Company and individual performance, with Company performance weighted approximately two-thirds and individual performance weighted approximately one-third. Company performance includes financial performance measures related to volume, revenue and earnings growth. Individual performance includes measures relating to an individual s contribution to PepsiCo s strategic business and organization imperatives such as improved operating efficiencies, customer and employee satisfaction and the executive officer s management and development of people.

Our annual incentive plan utilizes performance measures which executives directly influence to ensure a direct link between performance and actual incentive awards. The specific 2006 performance measures to determine incentive awards for PepsiCo s Named Executive Officers are listed in the table below. These performance measures relate to Company (PepsiCo), reporting lines of business (e.g., PepsiCo Beverages North America), and business units (e.g., Pepsi-Cola North America) depending on the Named Executive Officer s position and scope of responsibility. For Named Executive Officers who changed positions during the year, performance measures are displayed separately for each position.

Name	Performance Measures*
Steven S Reinemund Director; Executive Chairman (Former CEO)	Net Revenue EPS Strategic imperatives
Indra K. Nooyi Director; President & CEO (Former President & CFO)	Net Income & Volume (9 Months as President & CFO) EPS & Net Revenue (3 Months as President & CEO) Strategic imperatives
Richard A. Goodman Chief Financial Officer (Former PepsiCo Int l CFO)	PepsiCo International (7 Months): NOPBT & Volume PepsiCo (5 Months): Net Income & Volume Strategic imperatives
Michael D. White Director; Vice Chairman, PepsiCo; CEO, PepsiCo International	PepsiCo International: NOPBT & Volume Strategic imperatives
John C. Compton CEO, PepsiCo North America (Former President & CEO, QTG**)	PepsiCo Beverages N. America & QTG** N. America (9 Months): NOPBT & Volume PepsiCo N. America (3 Months): NOPBT & Volume

	Strategic imperatives
Dawn Hudson President & CEO, Pepsi-Cola North America	PepsiCo Beverages N. America, Pepsi-Cola N. America & Foodservice: NOPBT & Volume Strategic imperatives

* EPS represents earnings per share; NOPBT represents net operating profit before taxes and Volume represents unit and share growth.

** QTG represents the Quaker Foods/Tropicana/Gatorade Business Unit.

Table of Contents

The range of potential incentive awards for each Named Executive Officer is listed under columns (c), (d), and (e) in the 2006 Grants of Plan-Based Awards table on page 26 of this Proxy Statement. In the case where a Named Executive Officer changed his or her position during the year, annual incentive targets were prorated based on the time the Named Executive Officer served in each position. Actual awards can range from 0% to 200% of target. After the end of 2006, the Compensation Committee evaluated PepsiCo s performance against the 2006 performance measures and determined each Named Executive Officer s actual incentive award, as shown in column (g) in the 2006 Summary Compensation Table on page 23 of this Proxy Statement.

3. Long-Term Incentive (LTI) Compensation. Consistent with our compensation philosophy, we believe that stock ownership and stock-based incentive awards are the best way to align the interests of the executive officers with those of PepsiCo s shareholders. We have a long history of linking pay to our long-term stock performance for all employees, not just executives. This is best demonstrated by the fact that, since 1989, we have provided an annual grant of stock options to virtually all full-time U.S. employees under our broad-based stock option program, SharePower.

Executive officers long-term incentives are comprised of:

(a) Stock options;

(b) Performance-based restricted stock units (RSUs) that vest only if pre-approved performance targets are achieved;

(c) Performance-based long-term cash awards that vest over three years (our Executive Chairman and our President and CEO are not eligible for this component); and

(d) Retention grants to key senior leaders that vest based on continued service.

The annual executive officer LTI program is designed to deliver a mix of approximately 40% stock options, 40% performance-based RSUs and 20% performance-based long-term cash. This mix was selected to provide an equal balance of equity (options and performance-based RSUs), and also provides a portion delivered in performance-based long-term cash that reflects market practice. Most executives, excluding executive officers, are provided with a choice between stock options and RSUs that vest after three years of service. However, PepsiCo s executive officers, including the Executive Chairman, the President and CEO and the other Named Executive Officers, are not provided with this choice. The value of the annual equity award for these executive officers is balanced equally between stock options and performance-based RSUs.

Target grant guidelines for executive officers vary by position and are based on competitive benchmarking, with target grant levels expressed in dollars (rather than as a percent of salary) and set to approximate the peer group median. The actual size of grants awarded to executive officers range from 0% to 150% of target based on PepsiCo s financial performance relative to the peer group, as well as each executive officer s individual contribution to PepsiCo s strategic imperatives and retention considerations. We require that awards made under the long-term incentive plans include vesting terms that encourage an executive officer to remain with PepsiCo over a number of years.

The Board authorizes all equity grants awarded to employees and directly approves individual awards to executive officers. All stock option and RSU grants are awarded under our shareholder approved 2003 Long-Term Incentive Plan at Fair Market Value, defined as the average of the high and low stock prices rounded up to the nearest quarter on the date of grant. This formula mitigates the impact of our stock price s intra-day volatility when setting our equity awards grant price. PepsiCo has never repriced awards. Repricing of awards would require shareholder approval under the shareholder-approved 2003 Long-Term Incentive Plan. During 2006, PepsiCo reviewed the grant practices for all outstanding stock options and RSUs (i.e., those awarded over the past ten years) and confirmed that all grants were made on pre-approved grant dates and at exercise prices or grant prices equal to the Fair Market Value on the pre-approved grant dates. Our annual grant is provided on the later of February 1st or the regularly scheduled January/February Board meeting. On February 3, 2006, the Board granted stock options and performance-based RSUs to all executive officers with a grant price of $57.50 (the average of the low and high price on the date of grant, rounded up to the nearest quarter).

Table of Contents

3(a). Stock Options. We believe that stock options represent performance-based compensation and are a powerful motivational tool, as they have no intrinsic value to recipients on the date of grant and they only deliver meaningful value to executive officers if PepsiCo achieves sustained, long-term stock price growth. In addition, the number of stock options an executive officer receives each year varies from 0% to 150% of target based on Company and individual performance as described above. Executive officers receive annual grants of stock options each February that generally vest after three years of service and expire after ten years. Beginning with the 2006 grant, executive officers who retire from the Company are eligible to vest in a pro-rata portion of their stock option grants based on the length of time served in proportion to the full vesting period. Executive officers who retire are also eligible to vest fully in their 2005 award currently scheduled to vest in February 2008. Dividends are not earned on stock option grants. The 2006 grant date fair value of stock option awards to our Named Executive Officers are presented under column (l) in the 2006 Grants of Plan-Based Awards table on page 26 of this Proxy Statement.

3(b). Performance-Based Restricted Stock Units. Annual grants of performance-based restricted stock units provided to executive officers vest based on PepsiCo achieving pre-defined earnings per share targets over a three-year performance period. The earnings per share performance targets are approved each year by the Board of Directors. Earnings per share targets for the performance-based RSUs have never been adjusted or reset, and management does not have the authority to do so.

Earnings per share targets are stretch financial goals and are set to achieve approximately 75th percentile financial performance relative to the peer group over the three-year performance period. When these earnings targets are achieved, executive officers are eligible to receive the full award. If PepsiCo were to perform below the pre-established earnings target, the number of shares paid out would be reduced. No shares would be paid out if PepsiCo were to perform below the peer group median. In no circumstances would the award be increased, even if PepsiCo were to exceed the earnings target.

Notwithstanding the attainment of the three-year earnings targets, the Board retains the right to reduce, but not increase, the size of the award that would otherwise be paid. Executive officers forfeit all performance-based RSUs if they leave PepsiCo prior to the completion of the three-year performance period. Executive officers who retire from the Company are eligible to receive a pro-rata portion of performance-based RSUs based on the length of time served in proportion to the full vesting period; however, payment of the final award remains contingent on achieving the applicable performance targets. The 2006 grant date fair value of performance-based RSUs to our Named Executive Officers is included under column (l) in the 2006 Grants of Plan-Based Awards table on page 26 of this Proxy Statement. Executive officers earn dividend equivalents on their RSUs during the vesting period that are paid out (without interest) only if and when the corresponding RSUs vest.

3(c). Performance-Based Long-Term Cash. Executive officers have a performance-based long-term cash target award opportunity (expressed as a percent of salary), with the exception of the Executive Chairman and the President and CEO who are not eligible. The amount of the actual award (as a percent of target) is determined based on achievement of the same annual performance goals used for annual incentive compensation (see Annual Incentive Compensation discussion on page 17 of this Proxy Statement for details); however, the award vests and pays out in equal installments over three years. The executive officers only receive the full value of these awards if they remain employed through the vesting period. Executive officers who retire from the Company are eligible to receive the full value of their unvested performance-based long-term cash awards. The value of the 2006 performance-based long-term cash awards to our Named Executive Officers is included under column (g) in the 2006 Summary Compensation Table on page 23 of this Proxy Statement.

3(d). Retention Grants. The Board of Directors selectively awards retention equity grants to leaders who are critical to business continuity and growth. These awards typically consist of restricted stock units with vesting periods designed to facilitate retention through key business and/or career milestones. The awards have no value unless the executive remains employed with PepsiCo for the

19

full vesting period, and the awards are cancelled if the executive terminates or retires. The grant date fair value of retention grants awarded in 2006 to Named Executive Officers are included under column (l) in the 2006 Grants of Plan-Based Awards table on page 26 of this Proxy Statement.

4. Retirement Programs. Our retirement programs consist of a defined benefit pension plan, retiree medical coverage and a 401(k) plan. Our defined benefit pension plan is designed to facilitate the retirement of employees who have performed at PepsiCo over the long term. Benefits are calculated based on service, base salary and annual incentive compensation. Awards of stock options, restricted stock units and performance-based long-term cash are not considered when determining pension benefits. Executive benefits are calculated using the same formula as other salaried employees; however, because of IRS compensation and benefit limits applicable to PepsiCo s qualified pension plan, a significant portion of an executive officer s pension is typically provided by a non-qualified, unfunded pension plan. As a result, pension benefits are provided to Named Executive Officers under two plans, a qualified and a non-qualified plan. The present value of each Named Executive Officer s accumulated benefit under the qualified and non-qualified pension plans are set forth in the 2006 Pension Benefits table on page 30 of this Proxy Statement. The narrative following the 2006 Pension Benefits table on pages 30-31 of this Proxy Statement describes the plans material features.

Named Executive Officers are eligible for retiree medical coverage. This benefit is available to all salaried employees based on age and service, and our executives who enroll for coverage are required to pay twice as much for their coverage as other retirees.

Executive deferrals into the 401(k) Plan and Company matching contributions are also limited by IRS regulations. While the Company does permit most executives to defer their base salary and annual incentive compensation, PepsiCo does not provide an excess plan to offset 401(k) limitations nor do we provide executives with special benefit plans such as executive life insurance.

5. Benefits and Perquisites.

5(a). Benefits. Executives generally receive the same healthcare benefits as other employees. U.S.-based medical benefits are the same for all participants in the Company s healthcare program; however, our executives are required to pay twice as much for their coverage. All of our employees, including executive officers, are eligible to participate in HealthRoads, PepsiCo s broad-based wellness program. HealthRoads provides our employees with personal health coaching recommendations and encouragement to reach exercise, weight management, nutrition, smoking cessation and stress management goals. In addition, executive officers who relocate at PepsiCo s request are supported under the relocation program available to all PepsiCo employees. The program covers relocation expenses and applicable reimbursement of taxes associated with moving.

5(b). Perquisites. Consistent with our philosophy of making compensation primarily performance-based, executive perquisites are limited to a company car and annual physical. Personal use of company aircraft and ground transportation are also available and are utilized on a limited and selective basis, with executives fully responsible for their tax liabilities associated with any personal use of aircraft and ground transportation. Executive officers do not receive other perquisites such as country clubs, financial planning or company-paid apartments.

5(c). Change-in-Control Provisions. All employees, including Named Executive Officers, and non-employee directors are provided change-in-control protections under our shareholder-approved 2003 Long-Term Incentive Plan. For all grants in 2007 and thereafter, stock options vest and RSUs are paid if the participant is terminated without cause or resigns for good reason within two years following a change in control of PepsiCo or if the acquiring entity fails to assume the awards (double trigger). We adopted double trigger vesting to ensure management talent would be available to assist in the successful integration following a change in control and to align with emerging governance trends. The proposed 2007 Long-Term Incentive Plan being submitted to shareholders for approval at the 2007 Annual Meeting includes the same double trigger vesting.

For all grants prior to 2007, stock options vest and RSUs are paid upon a change in control of PepsiCo. In the event a participant is terminated without cause within two years following the change in

Table of Contents

control or the participant s options are adversely modified, the participant receives a payment equal to the present value of his or her outstanding pre-2007 options at the time of such event calculated using the Black-Scholes formula.

Named Executive Officers are not eligible to receive any cash severance, continued health and welfare benefits, pension service credit, tax gross-ups or any other change-in-control benefits other than the change-in-control protections under our 2003 Long-Term Incentive Plan described above.

5(d). Executive Deferral. Under PepsiCo s executive deferral program, most U.S.-paid executives can elect to not receive all or a portion of their base salary or annual cash incentive awards and defer those amounts into investment funds which grow on a tax-deferred basis. Prior to 2004, stock option gains and performance-based long-term cash awards were also eligible for deferral. If stock options were deferred, they were required to have been exercised within one month of expiration and the gains were required to have been deferred into the PepsiCo Common Stock Fund. Executives have the opportunity to invest their deferrals into nine market-based funds, including the PepsiCo Common Stock Fund. Beginning in 2007, an investment fund is offered that earns interest at 120% of the Long-term Applicable Federal Rate (as published by the U.S. Treasury). Prior to December 31, 2006, an investment fund was offered that earned interest at market Prime Rate. In 2006, the difference between Prime Rate and 120% of the Long-term Applicable Federal Rate was approximately 1.9%. This difference accounted for the above-market interest reflected in column (h) of the 2006 Summary Compensation Table on page 23 of this Proxy Statement. The change in 2007 from the Prime Rate fund to the new fund directly aligns with the SEC s definition of on market investment returns and will eliminate any reference to above market interest on a go forward basis.

PepsiCo does not match an executive s deferrals. PepsiCo s executive deferral program is non-qualified and unfunded where deferred compensation is unsecured and at-risk, meaning the balances may be forfeited in the event of the Company s financial distress such as bankruptcy. At the time of election to defer, executives are required to choose to receive future payments on either a specific date or upon separation from service (i.e., termination or retirement). Payments are made in cash and may be received as a lump sum or in installments (quarterly, semi-annually or annually) over a period up to 20 years. Deferrals are paid at the time of termination in cases when termination (other than retirement) occurs prior to the elected payment date. In order to comply with Internal Revenue Code Section 409A, any payments to senior executives are delayed six months following separation from service. Executives have one opportunity to voluntarily delay their original payment date, provided they make this choice at least twelve months prior to the original payment date and payment is delayed for at least five years.

Additional Features of our Executive Compensation Programs

Our Compensation and Benefit programs operate with the following governance features:

Stock Ownership. To reinforce our ownership philosophy, executive officers are required to own shares of PepsiCo stock equal to a specified multiple of their salary under the Board-approved stock ownership guidelines. The applicable multiples vary between two and eight times base salary based on an executive officer s position. PepsiCo shares or equivalents held directly by the executive officer (or immediate family members), in the 401(k) Plan, deferred compensation account, or in a trust for the benefit of immediate family members, count towards satisfying the requirement. Unexercised stock options and unvested restricted stock units do not count towards satisfying the requirement.

Executive officers have five years from their appointment to meet their ownership guideline requirement. All of our executive officers have met or are in a position to meet their objectives within the five-year time requirement.

Exercise and Hold Policy. To ensure that our executive officers exhibit a strong commitment to PepsiCo share ownership, the Board of Directors adopted an Exercise and Hold Policy. Under this policy, annual option exercises for cash are limited to 20% of pre-tax gains on all vested outstanding options as of February 1 of that year. Any proceeds in excess of this 20% limit must be held in PepsiCo shares for at least one year after the date of exercise.

Table of Contents

Employment Contracts. Named Executive Officers, including the Executive Chairman and the President and CEO, do not have employment contracts. Consistent with our approach of rewarding performance, employment is not guaranteed; thus the Company or the Named Executive Officer may terminate the employment relationship at any time. All executives are subject to non-compete, non-solicitation and non-disclosure policies under signed equity agreements provided under our shareholder-approved 2003 Long-Term Incentive Plan.

Clawback Provision. Under the terms of our 2003 Long-Term Incentive Plan and our executive deferral program, employees, including Named Executive Officers, who violate PepsiCo s Worldwide Code of Conduct, who violate our non-compete, non-solicitation and non-disclosure policies or who engage in gross misconduct may be subject to financial consequences. Our 2003 Long-Term Incentive Plan permits PepsiCo to cancel an executive s outstanding equity awards, including both vested and unvested awards, if PepsiCo determines that the executive has committed any such violation. Both the 2003 Long-Term Incentive Plan and our executive deferral program also permit PepsiCo to claw back all gains from exercised stock options and vested restricted stock units received within the 12 months preceding the violation, as well as any gains earned on contributions to the Company s executive deferral program.

Hedging. Executive officers and non-employee directors are prohibited from using any strategies or products (e.g. derivative securities or short-selling techniques) to hedge against the potential changes in the value of PepsiCo stock.

Trading Windows. Executive officers and non-employee directors can only purchase and sell PepsiCo stock and exercise stock options during approved trading windows.

Summary

PepsiCo s compensation practices and compensation philosophy are designed to align executive interests with those of shareholders. We believe our pay programs, which have a strong pay-for-performance orientation, will continue to assist the Company to attract, retain and motivate the key talent PepsiCo needs to continue to compete and provide strong return to shareholders.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on our reviews and discussion with management, the Compensation Committee recommended to the Board of Directors, and the Board has approved, that the Compensation Discussion and Analysis be included in this Proxy Statement.

THE COMPENSATION COMMITTEE

JOHN F. AKERS, CHAIRMAN	ARTHUR C. MARTINEZ
ROBERT E. ALLEN	SHARON PERCY ROCKEFELLER
VICTOR J. DZAU	DANIEL VASELLA
RAY L. HUNT	

Table of Contents

2006 SUMMARY COMPENSATION TABLE

Name and Principal Position (a)	Year (b)	Salary ($)(3) (c)	Bonus ($)(4) (d)	Stock Awards ($)(5) (e)	Option Awards ($)(5) (f)	Non-Equity Incentive Plan Compensation ($)(6) (g)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($)(7) (h)	All Other Compensation ($)(8) (i)	Total($) (j)
Steven S Reinemund (1) Director; Executive Chairman	2006	1,000,000	0	6,220,781	3,960,734	5,000,000	3,863,710	197,817	20,243,042
Indra K. Nooyi (1) Director; President and Chief Executive Officer	2006	964,413	0	2,006,876	2,353,440	3,000,000	898,884	153,506	9,377,119
Richard A. Goodman (1) Chief Financial Officer	2006	470,508	0	619,224	290,339	696,007	491,459	27,614	2,595,151
Michael D. White Director; Vice Chairman, PepsiCo; Chief Executive Officer, PepsiCo International	2006	894,856	0	2,519,696	1,555,591	2,812,000	1,194,115	91,315	9,067,573
John C. Compton (2) Chief Executive Officer, PepsiCo North America	2006	767,212	0	733,719	1,567,322	1,360,681	414,828	112,815	4,956,577
Dawn Hudson President and Chief Executive Officer, Pepsi-Cola North America	2006	731,154	0	1,108,620	1,541,332	1,114,518	383,373	62,073	4,941,070

(1) Effective October 1, 2006, Mr. Reinemund transitioned from his position as Chairman and Chief Executive Officer to Executive Chairman of the Board, Ms. Nooyi was promoted from President and Chief Financial Officer to President and Chief Executive Officer and Mr. Goodman was promoted from Chief Financial Officer of PepsiCo International to Chief Financial Officer of PepsiCo.

(2) Effective September 15, 2006, Mr. Compton was promoted from President and Chief Executive Officer of Quaker-Tropicana-Gatorade to Chief Executive Officer of PepsiCo North America.

(3) Salary amounts reflect the actual base salary payments made to the Named Executive Officers in 2006.

(4) Bonus refers to non-performance-based guaranteed cash payments. In 2006, no guaranteed payments were made to any Named Executive Officer as all cash incentives were performance-based and are reflected in column (g) of the table above, labeled Non-Equity Incentive Plan Compensation.

(5) Stock Awards (column (e)) and Option Awards (column (f)) represent restricted stock unit grants and stock option grants, respectively, for which PepsiCo recorded 2006 compensation expense. Under the required FAS 123(R) methodology, the compensation expense reflected in columns (e) and (f) is for grants made in 2006 and grants made in prior years which continued to be expensed in 2006. The full FAS 123(R) grant date fair value of the Stock Awards and Option Awards granted in 2006 is included in column (l) in the 2006 Grants of Plan-Based Awards table on page 26 of this Proxy Statement. The assumptions used in calculating the FAS 123(R) compensation expense of the Stock Awards and Option Awards are provided in the Company s Annual Report on Form 10-K for the applicable fiscal years which are available at www.pepsico.com.

(6) As described in the Annual Incentive Compensation and Performance-Based Long-Term Cash sections of the Compensation Discussion and Analysis on pages 17 and 19, respectively, the amounts reported in this column reflect compensation earned for 2006 performance under the annual incentive compensation program and the full value of the performance-based long-term cash award.

(i) For Mr. Reinemund, the amount reported reflects compensation earned for 2006 performance under the annual incentive compensation program. The amount does not include a performance-based long-term cash award, as Mr. Reinemund is not eligible to participate in that program.

(ii) For Ms. Nooyi, the amount reported reflects compensation earned for 2006 performance under the annual incentive compensation program. The amount does not include a performance-based long-term cash award, as Ms. Nooyi is not eligible to participate in that program. In addition to the amounts listed in the table, in March 2007, Ms. Nooyi received $184,503 representing one-third of the performance-based long-term cash award earned for 2004 performance and $209,333 representing one-third of the performance-based long-term cash award earned for 2005 performance.

Table of Contents

(iii) For Mr. Goodman, the amount reported reflects $479,001 earned for 2006 performance under the annual incentive compensation program and $217,006 earned under the performance-based long-term cash incentive program. In addition to the amounts listed in the table, in March 2007, Mr. Goodman received $58,760 representing one-third of the performance-based long-term cash award earned for 2004 performance and $55,213 representing one-third of the performance-based long-term cash award earned for 2005 performance. If Mr. Goodman were to have retired at year-end 2006, he would have received an additional $55,213 which represents the final one-third of the performance-based long-term cash award earned for 2005 performance.

(iv) For Mr. White, the amount reported reflects $2,109,000 earned for 2006 performance under the annual incentive compensation program and $703,000 earned under the performance-based long-term cash incentive program. In addition to the amounts listed in the table, in March 2007, Mr. White received $198,997 representing one-third of the performance-based long-term cash award earned for 2004 performance and $212,173 representing one-third of the performance-based long-term cash award earned for 2005 performance.

(v) For Mr. Compton, the amount reported reflects $1,003,781 earned for 2006 performance under the annual incentive compensation program and $356,900 earned under the performance-based long-term cash incentive program. In addition to the amounts listed in the table, in March 2007, Mr. Compton received $71,747 representing one-third of the performance-based long-term cash award earned for 2004 performance and $138,950 representing one-third of the performance-based long-term cash award earned for 2005 performance.

(vi) For Ms. Hudson, the amount reported reflects $817,313 earned for 2006 performance under the annual incentive compensation program and $297,205 earned under the performance-based long-term cash incentive program. In addition to the amounts listed in the table, in March 2007, Ms. Hudson received $105,657 representing one-third of the performance-based long-term cash award earned for 2004 performance and $122,443 representing one-third of the performance-based long-term cash award earned for 2005 performance.

(7) The amounts reported reflect (i) the aggregate change in 2006 in the actuarial present value of each Named Executive Officer s accumulated benefit under the defined benefit pension plans in which he or she participates and (ii) the above-market earnings, if any, on income previously earned and deferred by each Named Executive Officer under PepsiCo s executive deferral program. The executive deferral program is described in the Executive Deferral section of the Compensation Discussion and Analysis on page 21 of this Proxy Statement. The change in pension value included in column (h) reflects the impact of changes in age, service and earnings during 2006 and the impact of a change in the discount rate used to determine the present value from 5.65% on September 30, 2005 to 5.8% on September 30, 2006. Details on the methodology for calculating PepsiCo s pension plan accumulated benefit obligation are included in the narrative description to the 2006 Pension Benefits table on pages 30-31 of this Proxy Statement.

(i) For Mr. Reinemund, the amount includes: (i) $3,467,281 representing the aggregate change in 2006 in the actuarial present value of Mr. Reinemund s accumulated benefit under the defined benefit pension plans in which he participates and (ii) $396,429 on income previously earned and deferred by him under PepsiCo s executive deferral program. This amount was deemed to be above-market earnings as described in the Executive Deferral section of the Compensation Discussion and Analysis on page 21 of this Proxy Statement.

(ii) For Ms. Nooyi, the amount includes: (i) $784,793 representing the aggregate change in 2006 in the actuarial present value of Ms. Nooyi s accumulated benefit under the defined benefit pension plans in which she participates and (ii) $114,091 on income previously earned and deferred by her under PepsiCo s executive deferral program. This amount was deemed to be above-market earnings as described in the Executive Deferral section of the Compensation Discussion and Analysis on page 21 of this Proxy Statement.

(iii) For Mr. Goodman, the amount includes: (i) $468,203 representing the aggregate change in 2006 in the actuarial present value of Mr. Goodman s accumulated benefit under the defined benefit pension plans in which he participates and (ii) $23,256 on income previously earned and deferred by him under PepsiCo s executive deferral program. This amount was deemed to be above-market earnings as described in the Executive Deferral section of the Compensation Discussion and Analysis on page 21 of this Proxy Statement.

(iv) For Mr. White, the amount represents the aggregate change in 2006 in the actuarial present value of Mr. White s accumulated benefit from the defined benefit pension plans in which he participates. This amount does not include deferred compensation earnings, as Mr. White had not participated in the program as of year-end 2006.

(v) For Mr. Compton, the amount includes: (i) $412,718 representing the aggregate change in 2006 in the actuarial present value of Mr. Compton s accumulated benefit under the defined benefit pension plans in which he participates and (ii) $2,110 on income previously earned and deferred by him under PepsiCo s executive deferral program This amount was deemed to be above-market earnings as described in the Executive Deferral section of the Compensation Discussion and Analysis on page 21 of this Proxy Statement.

(vi) For Ms. Hudson, the amount represents the aggregate change in 2006 in the actuarial present value of Ms. Hudson s accumulated benefit under the defined benefit pension plans in which she participates. This amount does not include deferred compensation earnings, as Ms. Hudson had not participated in the program as of year-end 2006.

(8) Amounts reported include personal use of company aircraft and ground transportation, car allowance and applicable taxes, relocation benefits and tax reimbursement on such benefits, executive physical benefits and the Company s matching

Table of Contents

contribution into the PepsiCo Salaried 401(k) Plan. Personal use of Company aircraft and ground transportation is valued based on the aggregate incremental cost to the Company. For this purpose, the Company has calculated the aggregate incremental cost based on the variable operating costs that were incurred as a result of personal use of the aircraft (such as fuel, maintenance, landing fees and crew expenses) or ground transportation (such as fuel and the driver s compensation). The Named Executive Officers are fully responsible for all taxes associated with any personal use of aircraft and ground transportation.

(i) For Mr. Reinemund, the amount reported includes: (i) $160,557 for personal use of Company aircraft; (ii) $745 for the personal use of ground transportation; (iii) $24,137 car allowance, inclusive of applicable taxes of $8,387; and (iv) $7,500 Company matching contributions into the PepsiCo Salaried 401(k) Plan.

(ii) For Ms. Nooyi, the amount reported includes: (i) $113,289 for personal use of Company aircraft; (ii) $7,333 for the personal use of ground transportation; (iii) $24,137 car allowance, inclusive of applicable taxes of $8,387; and (iv) $6,600 Company matching contributions into the PepsiCo Salaried 401(k) Plan.

(iii) For Mr. Goodman, the amount reported includes: (i) $22,585 car allowance, inclusive of applicable taxes of $7,573; and (ii) $4,400 Company matching contributions into the PepsiCo Salaried 401(k) Plan.

(iv) For Mr. White, the amount reported includes: (i) $59,064 for personal use of Company aircraft; (ii) $467 for the personal use of ground transportation; (iii) $24,137 car allowance, inclusive of applicable taxes of $8,387; and (iv) $6,600 Company matching contributions into the PepsiCo Salaried 401(k) Plan.

(v) For Mr. Compton, the amount reported includes: (i) $46,033 for personal use of Company aircraft; (ii) $24,137 car allowance, inclusive of applicable taxes of $8,387; (iii) $34,510 relocation allowances and reimbursement of relocation expenses incurred as a result of the Company s decision to relocate Mr. Compton from Dallas to Chicago in 2005 after assuming his role as President and Chief Executive Officer, Quaker-Tropicana-Gatorade, inclusive of applicable taxes of $3,971; and (iv) $6,100 Company matching contributions into the PepsiCo Salaried 401(k) Plan.

(vi) For Ms. Hudson, the amount reported includes: (i) $28,604 for personal use of Company aircraft; (ii) $208 for the personal use of ground transportation; (iii) $25,402 for Company car expenses, inclusive of applicable taxes of $8,387; and (iv) $6,812 for the Company matching contributions into the PepsiCo Salaried 401(k) Plan.

Table of Contents

2006 GRANTS OF PLAN-BASED AWARDS [(1)]

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (2) Threshold($)	Target($)	Maximum($)	Estimated Future Payouts Under Equity Incentive Plan Awards (3) Threshold(#)	Target(#)	Maximum(#)	All Other Stock Awards: Number of Shares of Stock or Units(#)	All Other Option Awards: Number of Securities Underlying Opts(#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)(6)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
Steven S Reinemund		0	3,500,000	7,000,000							
	2/3/2006				0	93,168	93,168				5,357,160
	2/3/2006								373,714	57.50	5,545,916
Indra K. Nooyi		0	2,600,000	5,200,000							
	2/3/2006				0	17,974	17,974				1,033,505
	2/3/2006								72,705	57.50	1,078,942
Richard A. Goodman		0	414,792	829,583							
		0	187,917	375,833							
	2/3/2006				0	0 **(4)**	0 **(4)**	16,956 **(4)**			974,970
	2/3/2006								360 **(4)**	57.50	4,460
	9/15/2006							15,385 **(5)**			1,000,025
Michael D. White		0	1,500,000	3,000,000							
		0	500,000	1,000,000							
	2/3/2006				0	17,974	17,974				1,033,505
	2/3/2006								72,705	57.50	1,078,942
	9/15/2006							76,923 **(5)**			4,999,995
John C. Compton		0	967,500	1,935,000							
		0	344,000	688,000							
	2/3/2006				0	12,596	12,596				724,270
	2/3/2006								51,124	57.50	758,680
	11/17/2006							80,321 **(5)**			4,999,982
Dawn Hudson		0	808,500	1,617,000							
		0	294,000	588,000							
	2/3/2006				0	12,596	12,596				724,270
	2/3/2006								51,124	57.50	758,680
	9/15/2006							76,923 **(5)**			4,999,995

(1) Details on PepsiCo s long-term incentive programs are described in the Long-Term Incentive Compensation section of the Compensation Discussion and Analysis on pages 18-20 of this Proxy Statement. Stock option and restricted stock unit awards were granted on the date of Board approval, with both the stock option exercise and the restricted stock unit base price determined based on the average of the high and low price of PepsiCo Common Stock on the date of grant rounded up to the nearest quarter.

(2) The amounts reported include the potential range of incentive awards for 2006 under the annual incentive compensation program and the performance-based long-term cash incentive program, as described in the Annual Incentive Compensation and Performance-Based Long-Term Cash sections of the Compensation Discussion and Analysis on pages 17 and 19, respectively. For Mr. Reinemund and Ms. Nooyi, the range reflects the potential payout under the annual incentive program and does not include potential awards under the performance-based long-term cash award, as they are not eligible to participate in that program. For the other Named Executive Officers, the numbers in the first row reflect the potential payout range under the annual incentive program and the numbers in the second row reflect the potential payout range under the performance-based long-term cash incentive program.

(3) The amounts reported in the target and maximum columns reflect the maximum number of performance-based restricted stock units granted to each Named Executive Officer on February 3, 2006. These awards will vest and be paid out in February 2009 only if PepsiCo achieves annual earnings per share targets over the three-year vesting period and if the officer remains employed with PepsiCo through the vesting date. The maximum and target values are the same and cannot be increased above target, even if PepsiCo were to exceed the earnings target. If PepsiCo were to perform below the pre-established earnings targets, the number of shares paid out would be reduced. Additional details are described in the Performance-Based Restricted Stock Units section of the Compensation Discussion and Analysis on page 19 of this Proxy Statement.

(4) Beginning in 2007, as a result of Mr. Goodman s promotion to the executive officer position of Chief Financial Officer, he receives performance-based restricted stock units. In 2006, Mr. Goodman received service-based restricted stock units which vest and payout through February 1, 2009. These RSUs were granted under our long-term incentive program which provides executives (excluding executive officers) with the choice to elect to receive stock options, restricted stock units or a combination thereof.

(5) The amounts reported reflect Board-approved retention restricted stock unit grants. The extended vesting periods of these awards vary by individual and are designed to facilitate retention of these individuals through key business and/or career milestones. The awards only vest if the Named Executive Officer remains employed with PepsiCo for the full vesting period and are cancelled if he or she terminates employment or retires prior to the end of the vesting period. For additional details on specific vesting schedules, see footnote (2) of the 2006 Outstanding Equity Awards at Fiscal Year End table on page 27 of this Proxy Statement.

(6) The amounts reported represent the full grant date fair value of all long-term incentive awards (restricted stock units and stock options) granted to Named Executive Officers in 2006 following the required FAS 123(R) compensation expense methodology. For restricted stock units, grant date fair value is calculated using the fair value of Pepsico Common Stock on the grant date, and for stock options, grant date fair value is calculated using the Black-Scholes value on the grant date. The assumptions used in calculating the FAS 123(R) grant date fair value of these awards are provided in the Company s Annual Report on Form 10-K for the fiscal year ended December 30, 2006 which is available at www.pepsico.com.

Table of Contents

2006 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END [1]

Name	Option Awards					Stock Awards (3)			
	Number of Securities Underlying Unexercised Options(#) Exercisable	Number of Securities Underlying Unexercised Options(#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options(#)	Option Exercise Price($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested(#)	Market Value of Shares or Units of Stock That Have Not Vested($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Steven S Reinemund **(5)**		750,000 **(2)**		45.51	7/25/2016			93,168	5,827,658
		373,714		57.50	1/31/2016			91,694	5,735,460
		367,893		53.75	1/31/2015			87,982	5,503,274
		353,198		47.25	1/31/2014				
	864,717			39.75	1/31/2013				
	758,357			50.00	1/31/2012				
	750,000			45.51	7/25/2011				
	605,672			43.50	1/31/2011				
	182,985			34.00	1/31/2010				
	190,394			32.25	1/31/2010				
	144,945			38.50	1/31/2009				
	71,890			18.58	1/27/2009				
	753,409			27.38	1/25/2009				
	8,892			36.50	1/31/2008				
Indra K. Nooyi **(6)**		375,000 **(2)**		45.51	7/25/2016	105,820 **(2)**	6,619,041	17,974	1,124,274
		72,705		57.50	1/31/2016			19,228	1,202,711
		77,777		53.75	1/31/2015			21,865	1,367,656
		88,444		47.25	1/31/2014				
	235,379			39.75	1/31/2013				
	175,932			50.00	1/31/2012				
	375,000			45.51	7/25/2011				
	197,293			43.50	1/31/2011				
	104,125			34.00	1/31/2010				
	167,435			32.25	1/31/2010				
	12,348			38.50	1/31/2009				
Richard A. Goodman **(7)**		360		57.50	1/31/2016	15,385 **(2)**	962,332		
		385		53.75	1/31/2015	16,956	1,060,598		
		55,464		47.25	1/31/2014	12,093	756,417		
	81,458			39.75	1/31/2013				
	55,260			50.00	1/31/2012				
	10,955			44.50	1/31/2011				
	41,379			43.50	1/31/2011				
	13,013			43.25	1/31/2010				

Michael D. White **(8)**		72,705	57.50	1/31/2016	76,923 **(2)**	4,811,534	17,974	1,124,274
		150,000 **(2)**	43.50	1/31/2016	105,820 **(2)**	6,619,041	19,228	1,202,711
		77,777	53.75	1/31/2015			21,865	1,367,656
		88,444	47.25	1/31/2014				
	235,966		39.75	1/31/2013				
	147,180		50.00	1/31/2012				
	310,603		43.50	1/31/2011				
	96,508		34.00	1/31/2010				
	180,769		32.25	1/31/2010				
	77,308		38.50	1/31/2009				
John C. Compton **(9)**		150,000 **(2)**	41.50	7/17/2017	80,321 **(2)**	5,024,079	12,596	787,880
		51,124	57.50	1/31/2016			11,791	737,527
		47,799	53.75	1/31/2015			10,476	655,274
		150,000 **(2)**	39.50	7/28/2014				
		42,629	47.25	1/31/2014				
	108,590		39.75	1/31/2013				
		150,000 **(2)**	41.50	7/17/2012				
	76,100		50.00	1/31/2012				
	82,185		43.50	1/31/2011				
	60,041		34.00	1/31/2010				
	124,296		32.25	1/31/2010				
	150,000		39.50	7/28/2009				
	43,482		38.50	1/31/2009				
	40,949		36.50	1/31/2008				

Table of Contents

Name	Option Awards					Stock Awards (3)			
	Number of Securities Underlying Unexercised Options(#) Exercisable	Number of Securities Underlying Unexercised Options(#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options(#)	Option Exercise Price($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested(#)	Market Value of Shares or Units of Stock That Have Not Vested($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Dawn Hudson **(10)**		200,000 **(2)**		41.50	7/17/2017	76,923 **(2)**	4,811,534	12,596	787,880
		51,124		57.50	1/31/2016			12,698	794,260
		51,507		53.75	1/31/2015			14,444	903,472
		58,593		47.25	1/31/2014				
	127,499			39.75	1/31/2013				
		200,000 **(2)**		41.50	7/17/2012				
	200,000			41.50	7/17/2012				
	79,347			50.00	1/31/2012				
	85,233			43.50	1/31/2011				
	6,980			34.00	1/31/2010				
	11,444			38.50	1/31/2009				

(1) For information on the material terms and conditions of the equity awards reported in this table, please see the Long-Term Incentive Compensation section of the Compensation Discussion and Analysis on pages 18-20 of this Proxy Statement. No stock options or restricted stock units granted to a Named Executive Officer have been transferred to any other person, trust or entity. With the exception of the retention grants discussed in footnote 2 below, each of the stock option and performance-based restricted stock unit awards listed in the table vest three years after the Grant Date subject to continued service with PepsiCo through the vesting date and, in the case of performance-based restricted stock units, achievement of applicable earnings targets.

(2) These Board-approved awards were designed to facilitate retention of leaders who are critical to business continuity and growth. The vesting periods of these awards vary by individual and were designed to facilitate retention through key business and/or career milestones. The awards have no value unless the Named Executive Officer remains employed with PepsiCo for the full vesting period and are cancelled if he or she terminates employment or retires prior to the end of the vesting period. For example, Mr. Reinemund s retention grant of 750,000 stock options which vest on July 26, 2011 will be forfeited upon his planned retirement in May 2007. The retention grants have the following vesting periods:

Option Awards

Name	Number of Options	Exercise Price	Vesting Period	Vesting Date	Expiration Date
S. Reinemund	750,000	$ 45.51	10 years	7/26/2011	7/25/2016
I. Nooyi	375,000	$ 45.51	10 years	7/26/2011	7/25/2016
M. White	150,000	$ 43.50	10 years	2/1/2011	1/31/2016
J. Compton	150,000	$ 41.50	10 years	7/18/2012	7/17/2017
J. Compton	150,000	$ 39.50	10 years	7/29/2009	7/28/2014
J. Compton	150,000	$ 41.50	5 years	7/18/2007	7/17/2012
D. Hudson	200,000	$ 41.50	10 years	7/18/2012	7/17/2017
D. Hudson	200,000	$ 41.50	5 years	7/18/2007	7/17/2012

Restricted Stock Unit Awards

Name	Number of RSUs	Vesting Period	Vesting Date
I. Nooyi	105,820	5 years	2/1/2009
R. Goodman	15,385	3 years	9/15/2009
M. White	76,923	3 years	9/15/2009
M. White	105,820	5 years	2/1/2009
J. Compton	48,193	8 years	11/17/2014
J. Compton	32,128	4 years	11/17/2010
D. Hudson	30,769	5 years	9/15/2011
D. Hudson	46,154	3 years	9/15/2009

Table of Contents

(3) The market value of unvested RSUs and unvested performance-based RSUs reflected in columns (h) and (j) have been valued by multiplying the number of unvested RSUs reflected in columns (g) and (i), respectively, by $62.55, PepsiCo s closing stock price on December 29, 2006, the last business day of the 2006 fiscal year.

(4) The reported awards reflect grants of performance-based restricted stock units which will vest and payout based on the achievement of annual earnings per share targets over a three-year performance period and require that the Named Executive Officer continues to provide service to PepsiCo through the end of the performance period. The number of shares displayed in column (i) reflects the maximum number of shares that would be earned if PepsiCo were to meet or exceed its pre-established three-year earnings targets. If PepsiCo were to perform below the pre-established earnings targets, the number of shares would be reduced. For additional details please see the Performance-Based Restricted Stock Units section of the Compensation Discussion and Analysis on page 19 of this Proxy Statement and the 2006 Grants of Plan-Based Awards table on page 26 of this Proxy Statement.

(5) As of December 29, 2006, based on PepsiCo s closing stock price of $62.55, Mr. Reinemund s vested stock options had an intrinsic value of $97.9 million. His unvested options and restricted stock units had an intrinsic value of $40.4 million, of which $22.2 million would have vested if Mr. Reinemund were to have retired at year-end 2006.

(6) As of December 29, 2006, based on PepsiCo s closing stock price of $62.55, Ms. Nooyi s vested stock options had an intrinsic value of $26.1 million. Her unvested options and restricted stock units had an intrinsic value of $19.1 million, of which none would have vested if she were to have terminated at year-end 2006 due to the fact that Ms. Nooyi was not retirement eligible at that time.

(7) As of December 29, 2006, based on PepsiCo s closing stock price of $62.55, Mr. Goodman s vested stock options had an intrinsic value of $3.8 million. His unvested options and restricted stock units had an intrinsic value of $3.6 million of which $1.9 million would have vested if Mr. Goodman were to have retired at year-end 2006.

(8) As of December 29, 2006, based on PepsiCo s closing stock price of $62.55, Mr. White s vested stock options had an intrinsic value of $23.2 million. His unvested options and restricted stock units had an intrinsic value of $20.4 million, of which none would have vested if he were to have terminated at year-end 2006 due to the fact that Mr. White was not retirement eligible at that time.

(9) As of December 29, 2006, based on PepsiCo s closing stock price of $62.55, Mr. Compton s vested stock options had an intrinsic value of $16.0 million. His unvested options and restricted stock units had an intrinsic value of $18.3 million, of which none would have vested if he were to have terminated at year-end 2006 due to the fact that Mr. Compton was not retirement eligible at that time.

(10) As of December 29, 2006, based on PepsiCo s closing stock price of $62.55, Ms. Hudson s vested stock options had an intrinsic value of $10.2 million. Her unvested options and restricted stock units had an intrinsic value of $17.3 million of which none would have vested if she were to have terminated at year-end 2006 due to the fact that Ms. Hudson was not retirement eligible at that time.

Table of Contents

2006 OPTION EXERCISES AND STOCK VESTED

	Options (1)		RSUs	
Name	Number of Shares Acquired on Exercise(#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting(#)	Value Realized on Vesting($)
(a)	(b)	(c)	(d)	(e)
Steven S Reinemund	196,000	7,608,206	0	0
Indra K. Nooyi	0	0	0	0
Richard A. Goodman	0	0	0	0
Michael D. White	56,906	1,536,699	0	0
John C. Compton	677	17,193	0	0
Dawn Hudson	126,420	3,084,271	0	0

(1) All stock option exercises during 2006 were executed in a manner consistent with our Exercise and Hold Policy, which is described in the Additional Features of our Executive Compensation Programs section of the Compensation Discussion and Analysis on page 21 of this Proxy Statement.

2006 PENSION BENEFITS

Name	Plan Name	Number of Years Credited Service(#)	Present Value of Accumulated Benefit($)	Payments During Last Fiscal Year($)
(a)	(b)	(c)	(d)	(e)
Steven S Reinemund	PepsiCo Salaried Employees Retirement Plan	22	837,536	0
	PepsiCo Pension Equalization Plan		17,915,137	0
Indra K. Nooyi	PepsiCo Salaried Employees Retirement Plan	13	299,530	0
	PepsiCo Pension Equalization Plan		3,291,284	0
Richard A. Goodman	PepsiCo Salaried Employees Retirement Plan	13	598,863	0
	PepsiCo Pension Equalization Plan		1,462,610	0
Michael D. White	PepsiCo Salaried Employees Retirement Plan	17	489,370	0
	PepsiCo Pension Equalization Plan		4,196,939	0
John C. Compton	PepsiCo Salaried Employees Retirement Plan	24	311,695	0
	PepsiCo Pension Equalization Plan		1,495,815	0
Dawn Hudson	PepsiCo Salaried Employees Retirement Plan	10	215,752	0
	PepsiCo Pension Equalization Plan		1,257,061	0

The Named Executive Officers participate in two pension plans: the Salaried Employees Retirement Plan (Salaried Plan), which is qualified under the Internal Revenue Code, and the Pension Equalization Plan (PEP), which is an unfunded, non-tax-qualified restoration plan. The Salaried Plan provides retirement benefits to essentially all salaried employees of the Company. The PEP restores benefits that may not be paid from the Salaried Plan due to limitations imposed by the Internal Revenue Code on qualified plan compensation or benefits. PEP benefits are payable to any salaried employee whose benefits are affected by these limits.

Both the Salaried Plan and the PEP have the same requirements for participation, benefits eligibility and vesting at five years of service. Benefits are determined using the same formula in both plans. Named Executive Officers do not receive any additional service or other enhancements in determining the form, timing or amount of their benefits.

Normal retirement benefits are payable at age 65 with five years of service. Unreduced early retirement benefits are payable as early as age 62 with 10 years of service. Reduced early retirement benefits are payable as early as age 55 with 10 years of service and are determined by reducing the normal retirement benefit by 4% for each year prior to age 62. Currently, Steve Reinemund and Richard Goodman have met the eligibility requirements for early retirement.

Table of Contents

Pension plan benefits are payable as a monthly single life annuity beginning at a Named Executive Officer s normal retirement date and are determined by the following formula:

3% for each year of service up to 10 years, plus 1% for each year of service in excess of 10, multiplied by the executive s highest consecutive five-year average monthly earnings;

reduced by 0.43% of the executive s highest consecutive five-year average monthly earnings up to his or her monthly Social Security Covered Compensation, multiplied by the executive s years of service up to 35.

Pensionable earnings include base salary and annual incentive awards. Awards of stock options, restricted stock units and performance-based long-term cash are not considered when determining pension benefits.

The present value of the accumulated retirement benefits reported in column (d) of the 2006 Pension Benefits table represents the accumulated benefit obligation for benefits earned to date, based on age, service and earnings through the measurement date of September 2006. These amounts have been calculated using actuarial methods and assumptions (as shown below) in the fiscal year-end valuation under Statement of Financial Accounting Standards No. 87, *Employers Accounting for Pensions* with the assumption, required by SEC disclosure rules, that each Named Executive Officer remains in service until retiring at the earliest date when unreduced retirement benefits are available (i.e., age 62):

Discount rate of 5.8%; and

Benefits will be converted to lump sums based on the following interest rates in effect at retirement: 4.9% in 2006, grading to 5.5% in 2010.

2006 NON-QUALIFIED DEFERRED COMPENSATION [1]

Name (a)	Executive Contributions in Last Fiscal Year($) (b)	Registrant Contributions in Last Fiscal Year($) (c)	Aggregate Earnings in Last Fiscal Year($) (d)	Aggregate Withdrawals/ Distributions($) (e)	Aggregate Balance at Last Fiscal Year End ($)(2) (f)
Steven S Reinemund **(3)**	0	0	2,769,096	0	37,916,705
Indra K. Nooyi **(4)**	0	0	713,746	0	9,763,848
Richard A. Goodman **(5)**	0	0	98,179	0	1,337,124
Michael D. White	0	0	0	0	0
John C. Compton **(6)**	573,170	0	185,337	0	2,325,187
Dawn Hudson	0	0	0	0	0

(1) For a description of the material terms of PepsiCo s executive deferral programs, refer to the Executive Deferral section of the Compensation Discussion and Analysis on page 21 of this Proxy Statement.

(2) Deferral balances of Named Executive Officers were invested in the following funds in 2006 which earned the following rates of return: (i) PepsiCo Common Stock Fund: 7.0%, (ii) Prime Rate Fund: 7.9%, (iii) Fidelity Equity Income Fund: 19.8%, (iv) Vanguard Large Cap Equity Index Fund: 15.3% and (v) Security Plus: 5.1%.

(3) Mr. Reinemund s balance includes deferrals from base salary, annual incentive awards, one stock option exercise, performance-based long-term cash awards and investment earnings on the deferral balance. In 2006, his deferral balance was invested in the PepsiCo Common Stock Fund and the Prime Rate Fund. The balance includes $396,429 of earnings included in column (h) of the 2006 Summary Compensation Table. This amount was deemed to be above-market earnings as described in the Executive Deferral section of the Compensation Discussion and Analysis on page 21 of this Proxy Statement.

(4) Ms. Nooyi s balance includes deferrals from base salary, annual incentive awards, one stock option exercise and investment earnings on the deferral balance. In 2006, her deferral balance was invested in the PepsiCo Common Stock Fund and the Prime Rate Fund. The balance includes $114,091 of earnings included in column (h) of the 2006 Summary Compensation Table. This amount was deemed to be above-market earnings as described in the Executive Deferral section of the Compensation Discussion and Analysis on page 21 of this Proxy Statement.

Table of Contents

(5) Mr. Goodman s balance includes deferrals from annual incentive awards and investment earnings on the deferral balance. In 2006, Mr. Goodman s deferral balance was invested in the Prime Rate Fund. The balance includes $23,256 of earnings included in column (h) of the 2006 Summary Compensation Table. This amount was deemed to be above-market earnings as described in the Executive Deferral section of the Compensation Discussion and Analysis on page 21 of this Proxy Statement.

(6) Mr. Compton s balance includes deferrals from base salary, annual incentive awards, performance-based long-term cash awards and investment earnings on the deferral balance. In 2006, Mr. Compton s deferral balance was invested in the PepsiCo Common Stock Fund, the Prime Rate Fund, the Fidelity Equity Income Fund and the Vanguard Large Cap Equity Index Fund. The balance includes $2,110 of earnings included in column (h) of the 2006 Summary Compensation Table. This amount was deemed to be above-market earnings as described in the Executive Deferral section of the Compensation Discussion and Analysis on page 21 of this Proxy Statement. Mr. Compton s 2006 contributions represent a portion of his 2005 annual incentive award that he chose to defer rather than receive in March 2006. This amount was previously disclosed as 2005 compensation under the Bonus column of the Summary Compensation Table in PepsiCo s 2006 proxy statement.

POTENTIAL PAYMENTS ON TERMINATION OR CHANGE IN CONTROL

Termination of Employment/Retirement

None of our Named Executive Officers has any arrangement that provides for severance payments or benefits. In the event a Named Executive Officer retires, terminates or resigns from PepsiCo for any reason, he or she would be entitled to:

- the long-term incentive awards disclosed in footnotes (5) through (10) to the 2006 Outstanding Equity Awards at Fiscal Year End table on page 27 of this Proxy Statement and footnote (6)(iii) to the 2006 Summary Compensation Table on page 23 of this Proxy Statement;
- the pension value disclosed in column (d) of the 2006 Pension Benefits table on page 30 of this Proxy Statement; and
- the non-qualified deferred compensation balance disclosed in column (f) of the 2006 Non-Qualified Deferred Compensation table on page 31 of this Proxy Statement.

PepsiCo s non-competition, non-solicitation and non-disclosure policies that apply to the Named Executive Officers are provided under our clawback policy which is described on page 22 of this Proxy Statement of the Compensation Discussion and Analysis.

Change in Control

An overview of the material terms of PepsiCo s change-in-control program is provided in the Change-in-Control Provisions section of the Compensation Discussion and Analysis on page 20 of this Proxy Statement.

If the Named Executive Officers had been terminated as of December 29, 2006 (the last business day of the 2006 fiscal year) following a change in control of PepsiCo, the value of their options (calculated based on the Black-Scholes formula using assumptions for the calculation of the FAS 123(R) compensation expense as provided in the Company s Annual Report on Form 10-K for the fiscal year ended December 30, 2006 which is available at www.pepsico.com), restricted stock units and accrued dividends that would vest at that time are shown below (calculated based on a PepsiCo closing stock price of $62.55). These values are in addition to what the Named Executive Officer would otherwise be entitled to receive if he or she terminated employment or retired (as described in the Termination of Employment/Retirement section above).

Mr. Reinemund:	$27.1 million
Ms. Nooyi:	$29.3 million
Mr. Goodman:	$ 1.7 million
Mr. White:	$27.9 million
Mr. Compton:	$23.7 million
Ms. Hudson:	$23.2 million

Table of Contents

2006 DIRECTOR COMPENSATION [1]

Name (a)	Fees Earned or Paid in Cash ($)(2) (b)	Stock Awards ($)(4) (c)	Option Awards ($)(4) (d)	Non-Equity Incentive Plan Compensation($) (e)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings($) (f)	All Other Compensation($) (g)	Total($) (h)
John F. Akers	120,000	110,887	68,810	0	0	4,645 **(5)**	304,342
Robert E. Allen	120,000	85,879	98,900	0	0	4,645 **(5)**	309,424
Dina Dublon	100,000	66,647	75,939	0	0	0	242,586
Victor J. Dzau	100,000	72,907	68,810	0	0	0	241,717
Ray L. Hunt	128,333 **(3)**	66,647	124,228	0	0	0	319,208
Alberto Ibarguen	100,000	66,647	68,810	0	0	0	235,457
Arthur C. Martinez	100,000	91,655	94,138	0	0	0	285,793
Sharon P. Rockefeller	100,000	85,879	98,900	0	0	4,645 **(5)**	289,424
James J. Schiro	128,333 **(3)**	66,647	124,228	0	0	0	319,208
Franklin A. Thomas	100,000	98,383	83,855	0	0	4,645 **(5)**	286,883
Cynthia M. Trudell	100,000						