

**United Nations CEO Water Mandate – 2011 Communication on Progress
PepsiCo, Inc.**

PepsiCo is a proud and active member of the CEO Water Mandate. Our Chairman and CEO Indra Nooyi publicly demonstrated the company's commitment to help address the global water crisis by joining other partners as a signatory to the United Nations CEO Water Mandate in 2007. This made PepsiCo one of the first six companies to commit to this important initiative.

PepsiCo believes in a holistic approach to water management that includes the CEO Water Mandate's six highlighted areas: direct operations, supply chain and watershed management, collective action, public policy, community engagement and transparency. We understand the need to regularly communicate our progress to the CEO Water Mandate.

We have increased our reporting on this important issue over the last two years. Please see below for detail on our most recent Corporate Sustainability Report, along with three additional reports focused on agriculture and water.

PepsiCo 2010 Corporate Sustainability Report – published in 2011	
Striving for Positive Water Impact: Lessons from a Partnership Approach in Five Watersheds (co-authored with The Nature Conservancy) – published in 2011	
PepsiCo's Inaugural Sustainable Agriculture Report – published in 2011	
PepsiCo's Water Stewardship Report – published in 2010	

We also invite you to find more details via our recently updated website where we have several pages of water-focused content: <http://www.pepsico.com/Purpose/Environmental-Sustainability/Water.html>. Based on this content, we have given brief responses to the CEO Water Mandate's highlighted areas below. Please see our website for more details.

1. Direct operations

PepsiCo's goal is to improve water-use efficiency by 20 percent per unit of production by 2015 versus a 2006 baseline for global manufacturing operations as they existed in 2006, excluding major acquisitions in 2009 and 2010. For these operations through 2010, we have improved water-use efficiency by 18.7 percent for foods manufacturing, and 17.8 percent for beverage manufacturing. These conservation efforts translate to a water savings of nearly 13.8 billion liters compared with the 2006 baseline.

2. Supply chain and watershed management

Conserving water in our plants is an important way to improve our water-use efficiency. To achieve our conservation goals, we embed conservation practices into the day-to-day operations of our manufacturing facilities, including a water component of our successful Resource Conservation (ReCon) tool. With this tool, our manufacturing facilities conduct self-audits of their water management practices, and identify and respond to water conservation improvements by mapping all water-use streams within the facility, and assigning relative values to each of these streams based on the local cost of water. The tool is now being expanded to our franchise bottler network, co-packer partners and direct suppliers. In 2010, over 100 supplier associates attended ReCon classes. Suppliers participating in the program have realized a collective 22% improvement in water use efficiency vs. a 2007 baseline.

In addition to this enterprise-wide approach to engage our supply chain, PepsiCo's individual businesses continue to activate significant initiatives to help conserve water. For example, our UK business has a published goal to reduce the impact of applied water of our farmers operating in water stressed areas by 50% by 2015, and have engaged in unique partnerships to help achieve this. One example is the development of the novel i-crop technology with the University of Cambridge, which is now being piloted with farmers in the UK. I-crop helps deliver the precise amount of water needed by the crop at a specific time. PepsiCo seeks alternative, more efficient methods of applying water to the crops it purchases through targeted water application and the use of low volume application methods resulting in significant water savings, increased yields and reduced fertilizer leaching. In India, we have introduced drip irrigation onto our potato fields improving water application by 50% vs. flood irrigation. This program has increased rapidly to 1,000 acres in 2010 and is planned to expand in future years.

3. Collective action

As we expand the model of water stewardship to PepsiCo facilities around the world, we are also focused on addressing the broader challenge of water scarcity and strive for positive water impact in our operations, especially in water-distressed areas. In 2010, PepsiCo and The Nature Conservancy began working together to develop a method that will allow PepsiCo's diverse manufacturing locations, and eventually our suppliers, to identify locally-relevant strategies to protect and restore the water resources we and our communities rely upon. The first phase of this initiative, which focused on specific watersheds in China, Mexico, India, Europe, and the USA, provided a foundation for a broadly applicable approach which is currently under development. PepsiCo is also one of the inaugural members of the Water Leadership Group of the World Business Council for Sustainable Development, and a member of the Global Agenda Council for Water Security of the World Economic Forum.

4. Public Policy

In 2009, PepsiCo became one of the first companies of our size to publish public guidelines in support of water as a fundamental human right, in the context of the United Nations/World Health Organization guidance. The United Nations defines the human right to water as all people's right to safe, sufficient, acceptable, physically accessible and affordable water for personal and domestic use. In addition, we consistently advocate for ethical engagement by business in water related policy, and have participated substantively to the Guide to Responsible Business Engagement in Water Policy published by the UN CEO Water Mandate. PepsiCo is a member of the Interim Executive Committee of the Water Resources Group 2030, chartered to assist governments with collaborative solutions to narrow the 40% gap between water supply and demand which has been identified by 2030. Through support from the PepsiCo Foundation, the philanthropic arm of PepsiCo, for an initiative with the Columbia Water Center in India, we are testing novel approaches to policy engagement with the Government of Gujarat, which will incentivize farmers to use water and energy-conserving technology.

5. Community engagement

Since 2005, PepsiCo Foundation, the philanthropic arm of PepsiCo, has committed more than \$15 million to initiatives that provide access to safe water and sanitation to communities in developing countries. PepsiCo Foundation expects to reach its goal of providing access to safe water and sanitation to one million people in 2011 through the support of such partners as Water.org, Safe Water Network, The Energy Resources Institute (TERI), China Women's Development Foundation (CWDF) and the Earth Institute at Columbia University. These projects are helping install village water and irrigation systems, establish water health centers, construct over 1,000 rainwater harvesting cisterns, improve sanitation programs and recharge aquifers in developing communities, particularly in Ghana, Kenya, Brazil, China and India.

Since 2001, PepsiCo Foundation and PepsiCo China have contributed \$2.5 million to bring access to safe water to 56,000 people in western rural areas of China. In Asia, we have also launched a pilot program, WaterHope, which uses innovative microfinance and business models to partner with the communities to develop safe, sustainable water supplies. So far, four franchise water stations have been launched in poor urban areas of Manila, Philippines, developed in partnership with local NGOs with expertise on microfinance and micro-enterprise development. Learn more about [PepsiCo Foundation's](#) partners and programs.

6. Transparency

PepsiCo chairman and CEO, Indra Nooyi, publicly demonstrated PepsiCo's commitment to helping address the global water crisis by joining other partners as a signatory to the United Nations CEO Water Mandate which requires this annual communication on progress. We also have published a water focused report in both 2010 and 2011. Our site also highlights key performance indicators (<http://www.pepsico.com/Purpose/Sustainability-Reporting/KPI-Highlights.html>) and GRI's G3 index (<http://www.pepsico.com/Purpose/Sustainability-Reporting/GRI-Index.html>).

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