

WHEREAS: PepsiCo repeatedly emphasizes its commitment to environmental leadership. However, most Pepsi beverage containers in the U.S. continue to be landfilled, incinerated or littered, thereby contributing to depletion of natural resources, environmental pollution, and reducing the U.S. supply of plastic bottle and aluminum can feedstocks for recycling.

We are pleased PepsiCo met its goal to incorporate 10% recycled content resin into its plastic beverage containers in the U.S. by year-end 2005, and has maintained this goal through 2009. We believe both recycled content *and* container recovery goals are essential to an effective recycling strategy. In contrast to PepsiCo, major beverage firms Coca-Cola Co. and Nestle Waters North America have established public, quantitative beverage container recovery goals.

Unfortunately, the U.S. recycling rates for beverage containers have declined significantly. The National Association for PET Container Resources estimates the recovery rate for PET plastic bottles, including beverage containers, declined from 39.7% in 1995 to 27.1% in 2008. The Aluminum Association and other trade groups reported the *aluminum* can recycling rate was 54% in 2008, down from a level of 65% level reported by the Container Recycling Institute for 1992.

Yet, significantly higher container recovery rates are possible. In 11 U.S. states with container deposit legislation (or bottle bills), beverage container recycling rates of 70% and higher are being achieved, levels on average three times as high as in states without deposits. In Norway and Sweden, beverage companies have achieved container recovery rates of 80% and higher.

Nevertheless, PepsiCo actively opposes container deposit systems *without* putting forth a sustainable plan capable of achieving comparable U.S. recovery rates.

BE IT RESOLVED THAT Shareowners of PepsiCo request that the board of directors review the efficacy of its container recycling program and prepare a report to shareholders, by September 1, 2010, on a recycling strategy that includes a publicly stated, quantitative goal for enhanced rates of beverage container recovery and recycling in the U.S. The report, to be prepared at reasonable cost, may omit confidential information.

SUPPORTING STATEMENT

We believe the requested report is in the best interest of PepsiCo and its shareholders. Leadership in this area may protect the Pepsi brands and improve the company's reputation. We anticipate the report will detail the means and feasibility of achieving, as soon as practicable, a sustainable, quantitative, beverage container recovery goal. The report should:

- explain PepsiCo's efforts to work with peers to establish industry-wide container recycling goals;
- identify factors that have contributed positively to any PepsiCo or third-party beverage container recovery programs worldwide that are achieving recovery rates in excess of 60%; and
- include a cost-benefit analysis of the different container recovery options available, such as curbside and drop-off recycling, drop-off programs, container deposit systems, and voluntary company and industry programs.