

HR Conference Executive Presentation
“Becoming Admired”

Hello, everyone.

Before I dive into the presentation at hand – The Importance of Being Admired – I thought I’d start by giving you my personal perspective on this subject. Earlier today you heard about PBG’s goals to be a strong, healthy company, and the progress we’re making in that direction.

Strong and healthy are great. Good stuff. Important stuff.

[Humorous slide of Arnold Schwarzenegger and Jack LaLaine, with Brian and Ed’s heads on their bodies, respectively]

But being admired – now that’s the icing on the cake. That’s being put in a separate category, up on a pedestal of sorts.

[Humorous slide – VP on a pedestal]

It feels different – distinguished – to be admired. It’s special.

We all know what the word “admired” means and how it feels.

But what exactly do we mean when we talk about being an admired company?

For large corporations like PBG, being “admired” means being known as:

- A great investment – with solid financials, a capable management team, and stock that hold promise for growth

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- An outstanding employer – where there are opportunities, security, and growth potential
- A great workplace – a safe, comfortable, diverse, ethical environment
- An upstanding corporate citizen – a company that supports causes bigger than itself, often with established philanthropy and social responsibility policies
- An active community member – the company genuinely supports employee volunteerism, and encourages involvement of its staff with the local community in grassroots efforts and programs.

So that’s what it means to be admired, but you may ask, “Why is it so important to be admired? Isn’t it enough to be a strong, healthy company? What will admiration gain PBG?”

Being an admired company is important for a number of reasons. In fact, there are tangible, measurable benefits that come along with being admired, and many others that are not so tangible, but real nonetheless. Here are a few examples of some of the benefits.

- From an external perspective, we know that being admired by industry analysts has a positive influence on our stock price. That makes sense. As we gain the high regard of the experts who know our industry, and the confidence of those who invest in us, when they view PBG’s future as promising, our stock is more likely to be highly valued.

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- There is also a correlation between being admired and company growth. Companies that made *Fortune Magazine*’s “World’s Most Admired” list showed growth that greatly outperformed their industry peers and the stock market as a whole over the last five years.
- When we start to gain admiration for our business achievements, our company is more likely to receive public recognition and positive publicity for its actions. And that further feeds the positive reputation of our company.
- Gaining the admiration of the communities in which we operate is also very valuable. As a company becomes more prominent in the community, studies show we reap many rewards, including:
 - Enhanced recruitment and retention of employees
 - Boosted brand and corporate image
 - Increased prominence among vital company stakeholders, including customers, employees, investors and consumers.
 - Increased sales. Research from the Corporate Executive Council shows that a company’s community involvement initiatives increase the degree of differentiation between competitors. Your involvement with local organizations and causes can help build our competitive marketplace advantage!

Achieving these things helps PBG to cultivate a solid reputation, one that is worthy of admiration. And that reputation is equity – equity that we can draw on in times of trouble. The fact is that from time to time, companies

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can run into rough patches. Maybe it’s downward turn in our business. Maybe it’s a high profile lawsuit, or a labor strike. When a problem arises, the companies that have earned the admiration and respect of key influencers tend to get the benefit of the doubt.

For example, if we’re talking about an unexpected drop in sales or an earnings miss, if the company’s management team has been consistently open and honest with the financial community, analysts may show a bit more restraint in their criticism.

Likewise, in the face of accusations made in a lawsuit alleging some type of unfair treatment, a company that has demonstrated a commitment to equality in tangible, measurable ways has earned equity. That company is far more likely to get a fair hearing and maybe even support from key opinion leaders who are likely to speak out about the case.

What does being admired gain us internally?

- It certainly adds to our ability to attract and retain the best employees. It’s safe to say that we would all prefer to work for a company that we admire, and that we hear positive things about. A great reputation can help drive more job candidates to your door.
- Then there is employee brand ambassadorship. Employees who admire a company and what it produces are more likely to act as “brand ambassadors” for its products or services. With a company

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like PBG that has more than 65,000 employees worldwide, employees who speak highly of our products and our workplace are a powerful force. When they “talk up” where they work and what they sell, they are heard and they have an impact.

- Productivity/morale – The status of being an “admired company” is a unifying and motivating force for employees, and can enhance morale and productivity. Being “most admired” – or simply striving for it - can become a rallying cry. Those of you in markets that have won top standing in competitions like “The Best of PBG” know what that feels like – it’s powerful stuff and it can help drive the business.

Now that I’ve covered what we mean by admiration and what it can gain us, let’s ask ourselves the jackpot question. How can PBG become a most admired company? And the corollary, how will we know that we are admired?

Knowing you’re among the “most admired” is not always as clear as we’d like it to be. There’s usually not a sign that reads, “Admired – You’ve Arrived,” although there are numerous indicators that we and other companies use to determine “admired” status and our corporate reputation.

One of the most renowned of these is that *Fortune Magazine*’s “World’s Most Admired List” of Companies I mentioned earlier, which is issued annually. This list is the result of a reputation study that asks executives and board members from each Fortune 1,000 and Global 500 company to rate

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the companies on a list of attributes. Among these attributes are innovation, financial soundness, quality of products and services and leadership quality.

PBG ranked Number 2 in the Beverage category on this list! We were behind only Anheuser Busch. Here’s a look at all the top finishers in our category.

[Slide of actual ranking chart from Fortune]

In case any of you were wondering, our friends at PepsiCo finished Number 2 in their category, as well – Consumer Food Products. They ranked behind only Nestle.

While the Fortune Most Admired list is an important resource, let me just caution you that lists like this are a snapshot in time. They represent a specific set of criteria and the viewpoint of select group of people – in this case executives and board members. Companies move on and off these lists, so, while they are a valuable gauge, we need to keep them in perspective.

There are numerous other sources of data from which we can draw correlations – some less directly - to being admired. They include:

- Favorable analyst reports. Industry analysts and brokerage reports can express admiration through the information they share with the investment community and Wall Street. Here’s are a few examples that were recently published:

“We believe [PBG’s] brands, international upside and focus on execution make it one of the most attractive soft

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drink bottlers in our universe.” – Bears Stearns, June 2, 2006

“It's clear to us why PBG continues to out-perform its bottler peers: a combination of the right kind of innovation... non-carb introductions in water and juice, the right country mix, consistent execution, and continuous work on productivity, particularly in international markets, helps PBG achieve profit growth and improve ROIC...” – Deutsche Bank, June 13, 2006

- In addition to what we hear from analysts in these published reports, there is also a Perception Study of publicly held companies conducted annually by an independent party. This study asks about 15 Wall Street analysts to rate companies on a number of factors that link to admiration. PBG’s results have been overwhelmingly positive, and have gotten consistently even better, on some of the most critical of these factors.

Participating analysts have expressed:

- Strong confidence in PBG’s management;
- A near-unanimous viewpoint that our business strategy is the right one, and that we’re a well-run operation;
- And the perception that PBG has been a good steward of capital – that we’ve returned cash to our shareholders effectively.

If anyone doubts the impact these things admirable qualities have on stock price, have a look at what they’ve helped do for ours:

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- PBG stock has been trading at a premium versus our peers, who haven’t ranked as high on these items.
 - Our stock has grown more than 50% over the last three years;
 - More than 9% over the last year;
 - And nearly 8% year to date.
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- Recognition in the media. As admiration for a company develops among financial analysts, community leaders, customers and even elected officials, the media begins to pay more attention. We can certainly tell our own story to the media...and we do every day.

A great example of that is the story that appeared in *The Wall Street Journal* earlier this month about PBG’s Customer Connect. It was a terrific recognition of the groundbreaking work our teams have focused on for the past three years. This story, along with another that appeared in the Beverage Digest newsletter, has increased awareness about our customer service agenda. It told our story to a broader audience and, importantly, it conveyed a positive image about PBG to the people we want to reach: customers, investors, employees and potential employees.

[slide of the The Wall Street Journal clip, “Supply Chain Fix for Pepsi – Bottler’s Move to Modernize Delivery Yields Efficiency Benefits”]

Articles like this convey the strength and consistency of our business performance and our future prospects. They give readers – who include

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investors, potential investors and potential employees – positive impressions of our company – as a great investment, employer and workplace.

- Customer feedback. This comes through both formal and informal channels. On the informal side, there’s the CR who fields a compliment - or a complaint - from a store manager. We also get feedback from big customers, such as Wal-Mart, who may honor PBG with a Supplier of the Year award, as they did in 2005.

And then there’s more formal data we get through our Customer Satisfaction Survey. That data helps us determine how we rank versus our peer companies on customer service issues. Our Customer Satisfaction survey has consistently ranked PBG high on marks for:

- Innovation
- Being easy to do business with, and
- Creatively promoting our brand portfolio.

From that same survey, we also know that we still have room to improve in other areas, including our responsiveness to customer issues, and providing service as scheduled. These issues are being addressed through our Customer Connect work.

- This year, we also gleaned feedback from Customer Appreciation Week back in April. If you recall, during that

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week our frontline sales managers met with their customers, reviewed our Customer Connect service initiatives and plans with them, and thanked them for their business.

More than 90% of the customers reached that week were either “very positive” or “receptive” to the Customer Connect story. Other customer feedback included comments like, “This separates PBG from the competition,” and “I feel a new commitment from Pepsi.”

- Community perception. How is our company viewed by community leaders and members? Our PBG WINS (We Are Involved Neighbors) program supports employees in their community involvement, and many of you have organized fundraising and cause-related events in your market. As a result, PBG has received recognition from a number of local and national organizations for our community efforts. At Headquarters, I know we are greatly admired by our United Way Chapter for our campaign participation – and they’ve recognized us with many awards. Many of your locations have been honored for your efforts, as well, indicating that you’ve earned the admiration of community leaders, non-profit organizations, and citizens.

- Internally, one of the best tools we have to evaluate our “admiration” is our Employee Insights Survey results. Several questions on that survey strike at the heart of admiration. They include:

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“I am proud to work for PBG”

“How would you rate the image of PBG compared to our primary competitors?”

“Rate your trust and confidence you have in the PBG Senior Management team”

Overall, PBG rated in favorable territory on these questions:

- 77% said they were proud to work for PBG
- 68% of employees rated our image favorable compared to the competition
- And about 60% expressed trust and confidence in our top management team.

These numbers are for PBG overall - your location's data will be more helpful in assessing your employees' situation.

- Employee tenure vs. turnover. It would make sense that employees who truly admire their company and the work it does would stay longer. As HR professionals, however, we know there are many other factors that play into turnover, but I don't want to discount this item, either. You know what your turnover numbers look like, and you probably have a good feel for what's behind them.
- Employee engagement is another helpful gauge. Are employees informed of and truly interested and invested in achieving the company's objectives? Do they understand the company's strategy? Admired companies have employees who tend to be more engaged with the company's goals – they understand what they're working

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toward, and its importance. They therefore tend to work more productively, have higher morale, and are more active ambassadors for their company’s products and employment brand. Some of our EI survey results are good engagement indicators. Here are a few examples, and how we scored:

- 88% of employees rated favorably in their understanding of how their work plays a part in customer service.
 - 84% rated favorably when asked if they understand how their job affects PBG’s success.
 - Nearly 80% of employees scored favorably when asked how long they expected to continue working for PBG.
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- Informal feedback (grapevine and buzz). As HR professionals, you’re all familiar with the grapevine as a temperature-taking tool. Listen for the buzz in your location and you’ll get a good read on employees’ sentiments about the workplace.

So, with all of this information available, can we say that PBG is an admired company? As you can see, we have a great deal of information and data to consider, but at this point and time, I’d say that we’re on our way to getting there. We’re well regarded in the investment community; we’re building good favor with our customers; our Employee Insights results overall are improving; and our presence in the community is growing.

It’s clear that we’re headed in the right direction.

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We’ve all heard that “Life is a journey, not a destination.” Well, admiration is both – a journey and a destination. Many of the benefits of being “most admired” will come to us as we’re headed in that direction, while we’re on our journey to do right with all of our constituencies.

Even when we’ve reached admired status, that doesn’t mean we can check the admiration box and move on, “fete accompli.” Admiration is a high-maintenance quality. It needs upkeep and nurturing, and the continuum for improvement is never-ending.

One of the most important points I’d like you to grasp today is that while admired status is recognition of a company as a whole, it is earned on a “micro-level.” Admiration must be earned and maintained location by location, customer by customer, employee by employee. And that’s why you are in a position to play a big role.

You may not feel as though you have any influence on our press coverage or our position on a particular list. But as an HR leader, you have great influence over many of the qualities that factor into PBG’s reputation.

- Your responsibilities for recruiting, staffing and training help ensure that the best people work for PBG, and that they go into the marketplace informed and well-prepared. The CEO of Novartis, one of Fortune’s Most Admired Companies, says, “The most strategic decision we can make is the selection of people and leaders.” Think about that – many of you are in the driver’s seat.

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- Engage employees (not just sales employees) in company initiatives and goals by helping to drive clarity. Work with your department heads and supervisors to make sure employees they know what they’re working toward.
- You can help ensure that two-way communication is the standard in your location. Don’t just deliver information top down - provide opportunities for employee feedback. And acknowledge that feedback when you receive it. Some of the best ideas for doing business better have come from employee suggestions, and from their complaints. Your front line workers are the closest to our products, customers and consumers – consider what they have to say.
- Communicate to leverage existing beneficial programs. Having terrific benefits and programs doesn’t earn a company admiration unless people are aware of them.
- Use existing PBG recognition programs; implement your own local programs. Show employees that PBG recognizes and admires outstanding work, and you’ll create a proud, admirable workforce that strives for excellence.

Externally:

- Create community involvement opportunities that interest your employees. Studies show that if you support their interests, they will feel a stronger company affiliation, and they will carry the “spirit of PBG” into the community.
- Help your MU forge relationships with community-based organizations. These may be non-profit groups...ones that we can

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partner with through donations, or our volunteerism. Many MUs are already finding creative ways to support their local communities.

These include partnering with a local customer on a promotion that sells our product, while directing a portion of the proceeds to a charity.

Don't overlook the opportunity to partner with groups that reach a variety of diverse groups. Whether it's your local chapter of the NAACP or SER for Jobs or another organization that is unique to your area, these groups and the people who lead them are often highly influential opinion leaders. These leaders know which companies truly care about their constituencies and which ones simply pay lip service to their concerns. Said another way, they know which companies are worthy of admiration ...and they will spread the word.

You can play a critical role by helping your management team to identify the right organizations to partner with ... and at the same time, you're likely to open the door to an important recruiting avenue.

And as you're doing all of this work, don't forget that we need to tell our story. When you have great things going on in your market, “Don't hide your light under a bushel basket.” Let the Headquarters Public Relations team help you tell the PBG story.

But remember, we can't tell the stories we don't know about. Every single one of you is a source of information. And our PR department wants to hear about your great work. Call them or send them an email. Let them know about the programs, partnerships and events your Market Unit is working on.

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They can help to identify the best ways to communicate your great work to the right audiences.

If communication seems to be a common thread here, that’s no surprise.

The Hay Insight Group – a prominent research and analysis firm – worked in conjunction with *Fortune Magazine* to analyze the Most Admired List that I referenced earlier. And one of the key factors that these Most Admired companies shared was their focus on communication. They spend a great deal more emphasis than other companies on communicating to their managers and their employees, to ensure that both audiences clearly understand their roles and responsibilities in implementing their strategy. It’s likely that they direct significant energy to communicating externally, as well.

The good news is that most of you are probably already doing much of what I’ve outlined here. Helping PBG achieve admired status requires that you do mainly what’s already asked of you, while focusing on a few key principles:

- Lead by example.
- Uphold company integrity – consistently do the right thing.
- Foster pride/brand ambassadorship among employees.
- Help make your location an upstanding member of the community.

Your goal should be to make your particular location an admired one!

Concluding points:

To quote a John Lennon lyric, “Life is what happens while you’re busy making other plans.” Admiration is a lot like that. You can’t plan for it too

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rigidly, or chase it too aggressively. Admiration happens gradually, almost as a byproduct, as we develop and implement our plans for the future, and as those plans generate visible results - for the company, for employees, and for our communities.

You see, admiration is really a longer-term result of organizational strength and health. And the pay-off is big. Admiration is not only a reward in itself, but it's also a vital part of the corporate growth cycle:

- Strength leads to→ Health, which leads to→ Admiration, which leads to more Strength, and so on....

If you use your influence and skills to achieve a strong, healthy company, you will have helped to create an admired one, too.

Thank you!