



PEPSICO

Health & Wellness
2007



PepsiCo's Philosophy of Health & Wellness

PepsiCo is committed to play a responsible and constructive role in health and wellness.

- ✓ We recognize our responsibility to encourage people to adopt healthier lifestyles – beginning with the products that we offer.
- ✓ While there's a lot of debate about different solutions to obesity, PepsiCo believes there is only one solution: energy balance – the balance between calories consumed and calories burned through activity.
- ✓ No single initiative will solve the issue of obesity. The only way to make a difference is by pulling many different levers, tapping the expertise of many partners, including industry, government and health organizations, and working both sides of the energy balance equation.
- ✓ Our efforts to find healthier solutions are about putting our resources squarely at the intersection of business and public interests.

PepsiCo cares about the health of our consumers who enjoy our products.

- ✓ We recognize that consumers have an increasing need and desire for foods and beverages that make it easier and more enjoyable for them to lead healthy lives.
- ✓ We help consumers understand their choices. Our Smart Spot symbol makes it easier for consumers to identify products to help them live a healthier life. The Smart Spot symbol – the symbol of Smart Choices Made Easy -- is a simple labeling system that explains why each product is a smart choice. It is the only industry symbol that meets nutrition criteria based on authoritative statements from the U.S. Food and Drug Administration and the National Academy of Sciences. (www.smartspot.com)
- ✓ Today, more than 250 different products carry the Smart Spot symbol including Tropicana Pure Premium, Aquafina, Quaker Oats, Gatorade, Baked! Lay's, and Diet Pepsi among many others.

PepsiCo supports programs that promote active lifestyles and encourage people to get started with simple steps.

- ✓ PepsiCo is a national sponsor of America On the Move, a national initiative dedicated to helping people make positive, small changes to improve their health and quality of life.
- ✓ PepsiCo and the YMCA of the USA have a five-year alliance that supports YMCA Activate America, the YMCA movement's innovative public health initiative that seeks to make healthy living a reality for millions of Americans. The alliance includes program development and marketing initiatives designed to strengthen and promote YMCAs as a powerful national resource for healthy living.

PepsiCo has made some important strides in health and wellness, but there is still a lot to learn and do.

- ✓ Through the power of our brands, our innovation capabilities, and our continued support of programs that are making a difference, we are now better-positioned to give consumers the great choices that they want – and need to live healthy lives. We believe that we are ideally positioned to meet that need, and we intend to lead the way.
- ✓ PepsiCo joined the American Dietetic Association (ADA), the nation's largest organization of food and nutrition professionals, as a Partner in 2007. PepsiCo will work with the ADA to create innovative consumer and professional education programs and engage in frequent dialogues to ultimately make a positive difference on public health through improved product choices and the adoption of healthful active lifestyles.

Health & Wellness Business Opportunity

Health and Wellness represents one of PepsiCo's most critical opportunities for future growth.

- ✓ In North America, our health and wellness portfolio generates nearly \$8B in revenues.
- ✓ In 2006, the Smart Spot portfolio represented more than 40% of net sales and two-thirds of revenue growth in North America.
- ✓ Growth rates have been accelerating for the last several years, which show people are looking for healthier options. Total Smart Spot growth was 8% in 2004 and 10.5% in 2006.
- ✓ According to A.C. Nielsen, PepsiCo has more "Right to Succeed" in Health & Wellness than any other food and beverage company in North America.



PepsiCo's Commitment to Health & Wellness

Health and Wellness innovation will drive the company's growth.

- ✓ By 2010, PepsiCo's North American portfolio will be balanced with 50% of its portfolio fun-for-you and 50% of its portfolio Smart Spot. good-for-you/better-for-you.
- ✓ Fifty percent of our new food and beverage products will comprise healthy ingredients or offer improved health benefits.

North American business units (Frito-Lay, Tropicana, Quaker, Pepsi-Cola, Gatorade) accelerate health and wellness innovation.

- ✓ Frito-Lay was the first food company, and the largest to-date, to completely and voluntarily eliminate trans fats from its products in 2003.
- ✓ In 2006, Frito-Lay reduced saturated fat in America's favorite potato chip brands, Lay's and Ruffles, by more than 50% by switching to sunflower oil, a heart healthy oil.
- ✓ Quaker Breakfast Bars are 25 percent lower in sugar than the leading cereal bars. Tropicana Light 'n Healthy has one-half the sugar and the calories of regular orange juice. Propel has added calcium. Aquafina, the country's No. 1 water, has launched sparkling water with natural citrus flavor. Quaker Oatmeal has Weight Control oatmeal with only 3 grams of fat and 7 grams of protein per serving.



PepsiCo's Commitment to Schools

PepsiCo is the only food and beverage company to have signed both a beverage agreement and a snacks agreement in schools through the partnership with the Alliance for a Healthier Generation – a joint initiative of the William J. Clinton Foundation and the American Heart Association.

- ✓ We recognize the critical importance of helping consumers – and kids in particular – live healthy lifestyles, and want to be a part of the solution. The transformation of our portfolio – to include more than 250 products that contribute to healthy lifestyles, is further evidence of our commitment.
- ✓ In May 2006, Pepsi-Cola announced with industry that beverage companies would: no longer offer full-calorie soft drinks, juice drinks or teas in any K-12 schools; and, limit the calories and portion sizes of other beverages, including sports drinks and juices.
- ✓ In October 2006, Frito-Lay and Quaker Foods joined industry to set first-ever voluntary guidelines for snacks/foods in schools. Many of PepsiCo's lower calorie snacks, like our reduced-sugar granola bars, reduced-fat popcorn and low-fat baked potato chips, already meet these standards for schools.
- ✓ Both agreements represent a break-through step to adopt a practical policy in the U.S. that provides a sensible and workable solution for young people, parents and educators.
- ✓ Looking ahead, we'll continue to develop innovative solutions to help kids achieve energy balance – making better choices for the calories they take in, and burning calories through physical activity.



PepsiCo's Commitment to Kids' Marketing

PepsiCo understands the importance of being a responsible marketer and adhere to established guidelines for children's advertising content, as well as our own PepsiCo-wide marketing practice guidelines.

- ✓ In North America, less than only 1% of PepsiCo's total advertising budget is allotted for kids' marketing.
- ✓ Pepsi-Cola does not advertise to children under 12.
- ✓ Other North American business units do not target programs that advertise to children under 8. (This policy is based on the Institute of Medicine report that states children under 8 do not understand the difference between programming and advertising.)
- ✓ Today, 50% of PepsiCo's advertising to kids features Smart Spot products.
- ✓ In 2006, PepsiCo is one of 11 companies that announced its commitment to strengthen the Children's Advertising Review Unit (CARU). The "Initiative" is designed to shift the mix of advertising messaging to children to encourage healthier dietary choices and healthy lifestyles. PepsiCo commits to:
 - Devote 100% of their advertising directed to children on television, radio, print and Internet to promote healthier dietary choices and/or to messages that encourage good nutrition or healthy lifestyle and portion control.
 - Limit products shown in interactive games to healthier dietary choices, or incorporate healthy lifestyle messages into the games.
 - Not advertise food or beverage products in elementary schools.
 - Not engage in food and beverage product placement in editorial and entertainment content.
 - Reduce the use of third-party licensed characters in advertising that does not meet the Initiative's product or messaging criteria.
- ✓ We will ensure our marketing programs and advertising are always appropriate, do not encourage sedentary behaviors, disparage healthier options or encourage excessive consumption.
- ✓ In 2007, PepsiCo joined the U.S. Department of Health & Human Services, the Ad Council and DreamWorks to launch a new series of public service announcements designed to help address childhood obesity. The campaign, "Be A Player: Get up and play an hour a day," urges children to engage in physical activity. PepsiCo is supporting this campaign through in-store retail events.
- ✓ In 2007, PepsiCo joined in a public-private-non-profit sector collaboration to encourage children to engage in 60 minutes of play a day. The Partnership For Play Every Day is convened by the YMCA of the USA, National Recreation and Park Association and National Association for Sport and Physical Education.

PepsiCo's Commitment to the Multicultural Community

PepsiCo is working to educate the African American and Latino communities about our healthier products and more active lifestyles.

- ✓ PepsiCo, the National Urban League, the National Council of La Raza and America On the Move (AOM) have formed a unique partnership to promote healthy lifestyles using a shared AOM approach, tailored to the African American and Latino communities. The community-based networks of both organizations will have access and the support of AOM's free and accessible tools and resources.
- ✓ In 2006, PepsiCo launched a pilot program in Chicago to learn how to motivate change. The goal is to drive awareness around Smart Spot products and promote active lifestyles. This community-based initiative will bring together many resources including retailers, YMCAs, health professionals and other community organizations and provide culturally relevant communications and marketing/advertising.
- ✓ In 2007, PepsiCo announced the Smart Spot Dance program — a multi-city instructional dance program that offers a fun way for families, especially Moms, to get active. Mario Lopez, from Dancing with the Stars, and LaChanze, from the Broadway hit, The Color Purple, are joining PepsiCo to get people in the urban communities dancing. PepsiCo has partnered with the National Urban League, the National Council of La Raza, the YMCA and America On the Move to reach out to the urban community to encourage dance – an effective and culturally relevant way to lead a more active lifestyle.

PepsiCo's Health and Wellness Advisory Board

PepsiCo assembled a renowned group of experts who bring a wide range of experience in the health and wellness arena to advise the company on key initiatives.

- ✓ Organized under the leadership of Dr. Dean Ornish of the Preventive Medicine Research Institute, the Health and Wellness Advisory Board has been instrumental in helping PepsiCo improve products and shape healthy lifestyles programs.

PepsiCo's Commitment to Health & Wellness in International Markets

PepsiCo is equally committed to expand our health and wellness efforts to our international markets.

- ✓ Smart Spot program was successfully launched in Canada, where they have made many of the same product improvements as in the U.S., also with significant growth results.
- ✓ In the UK, they have introduced a series of healthier new products, such as Potato Heads, baked crisps and reduced fat crisps, in addition to using a new variety of sunflower oil that delivers a 70% reduction in saturated fat for the product.
- ✓ We support active lifestyles, through such programs as Get Britain Walking in the UK and Activa Dos in Mexico.

PepsiCo's journey to offer healthier choices started literally decades ago.

- ✓ We were the first to offer a diet soft drink. That innovation in beverages was followed by moving beyond soft drinks into non-carbonated drinks – where we are the leader in bottled water, juices, and ready-to-drink tea and coffee.
- ✓ Frito-Lay was the first to introduce baked chips with lower fat, and the first line of chips with no fat and half the calories.
- ✓ In the late 90s, we moved to transform PepsiCo further with the acquisition of Tropicana, which includes a wide range of added benefits like calcium and fiber.
- ✓ The most dramatic step we've taken by far was the merger with Quaker Oats, which brought that great family of healthy cereals and grains, along with Gatorade, into our portfolio.