

PEPSICO'S HEALTH AND WELLNESS COMMITMENT

Ms. Ellen Taaffe

At PepsiCo, health and wellness represents one of the most critical opportunities we have identified for our future growth. Our strategy is quite simple: make a real impact by offering consumers solutions that contribute to healthier lifestyles. In essence, it's where business interests and the public interest meet – an intersection, if you will, focused on choices and habits. We believe we can play a role in empowering and motivating consumers to adopt healthier lifestyles. PepsiCo is in a unique position to provide a wide range of better product choices, as well as support programs to promote healthier lifestyles.

Making a Healthier Lifestyle Easier for Consumers

In 2004, we launched the Smart Spot™ program. The Smart Spot symbol is the first-of-its-kind designation that makes it easier for consumers to identify PepsiCo products that contribute to healthier lifestyles. Products that contain the Smart Spot symbol meet established nutrition criteria based on authoritative statements from the Food and Drug Administration and the National Academy of Sciences. The Smart Spot symbol appears on more than 100 PepsiCo products including Tropicana Pure Premium, Aquafina, Gatorade thirst quencher, Baked! Lay's, Quaker Oatmeal and Diet Pepsi, among many others.

Building a Pipeline of Smart Spot Products

Innovation, as well as improvements to current products — like removing trans fats from Frito-Lay branded products – is a top priority for PepsiCo. Teams within all of our divisions and at a corporate level are working to develop new Smart Spot products that contribute to healthier lifestyles. Many of these products have been well received by consumers, and have made a positive impact on our business. In fact, sales growth of our Smart Spot products is outpacing our more indulgent products.

OUR COMMITMENT TO PROMOTING HEALTH LIFESTYLES

Research shows that maintaining energy balance is key to weight management. At PepsiCo, we emphasize the importance of energy balance – balancing calories consumed and calories burned. Focusing only on one side of the equation will not help achieve the long term goal of a healthier lifestyle.

We are proud to be the national presenting sponsor of America on the Move™ (AOM), a program developed at the University of Colorado that is committed to helping Americans make small changes that add up to big differences. For instance, by walking an extra 2,000 steps and consuming 100 fewer calories a day, many Americans may be able to stop gaining weight.

OUR COMMITMENT TO KIDS AND SCHOOLS

Forming healthier eating and physical activity habits starts when we are young, so we've been focusing on helping kids do just that. PepsiCo is providing a wider range of offerings in schools, particularly Smart Spot products. New, Smart Spot products that are appropriate for kids are being introduced in schools first, such as Quaker Milk Chillers, lower-calorie flavored milks. We are working with our bottlers and vending distributors to establish guidelines on school offerings, again with an emphasis on Smart Spot products. We have also installed more than 17,000 Aquafina and Gatorade vending machines in schools.

To help educate kids about energy balance, PepsiCo and AOM developed a lesson plan called Balance First™. This program reached 3 million elementary age kids in 2004. In 2005, we will continue to distribute the lesson plans to elementary schools. And in partnership with the Discovery Channel, we've distributed Balance First to virtually all 15,000 middle schools in the United States. There is no linkage to PepsiCo product sales and no product/brand integration in the program.

Working with the School Nutrition Association, we launched Health is Power™, an education effort to teach food service directors and school administrators about healthier lifestyles and Smart Spot choices.

Outside school, PepsiCo and its brands have a long history in youth-sport sponsorship, such as the YMCA of the USA and Pepsi's "Get Out and Play" program. Our Gatorade brand is supporting a program by the University of North Carolina at Chapel Hill called "Get Kids in Action," which will help identify a variety of real and proven solutions to increase physical activity among children to reduce and prevent childhood obesity.

OUR ONGOING COMMITMENT

We have made some great 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 than ever to give consumers the great choices they want – and need – to live healthier lifestyles.