



PEPSICO



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INDRA K. NOOYI
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

July 9, 2007

Honorable Edward J. Markey
Chairman, Subcommittee on Telecommunications
And the Internet
U.S. House of Representatives
2108 Rayburn House
Office Building
Washington, D.C. 20515

Dear Mr. Chairman,

Thank you for your letter and interest in PepsiCo. I appreciate your call for the food and beverage industry to play a stronger role in helping children -- and all consumers -- lead healthy lives. All of us at PepsiCo -- parents, grandparents, aunts & uncles -- agree that children deserve special attention. As a CEO who is also a mother, that goes doubly for me.

That's why at PepsiCo, each of our 168,000 associates is guided by a single vision: We call it "Performance with Purpose." It's more than just a slogan or a lofty ideal, it's a fundamental belief that the work we do as a successful, profitable business can -- and must -- have a deeper, more meaningful impact on the lives of our consumers and the communities we serve. In essence, we believe we will do better by doing better.

Where the issue of childhood obesity is concerned, we live our "Performance with Purpose" values through a concrete commitment to what we call "Human Sustainability." I've enclosed a copy of our annual report which will provide you with more detail about our entire "Performance with Purpose" vision and goals.

Where advertising to children is concerned, this means taking particular care in evaluating programming and developing advertisements that carry any message to children. Late last year, PepsiCo joined 10 of the country's largest food and beverage companies in an effort to strengthen the guidelines of the *Children's Advertising Review Unit* (CARU). The initiative requires participating companies to devote at least half of their advertising to kids under 12 to promote healthier products and/or encourage good nutrition or healthy lifestyles. As a result of this effort, on July 18 the Federal Trade Commission will host a hearing on marketing and childhood obesity. During that session, CARU plans to announce the most robust initiative set forth by industry. I'm proud to say that PepsiCo is committed to go beyond the initiative guidelines and we look forward to sharing our pledge with you and your office on that important day.

In the meantime, let me assure you that PepsiCo understands the importance of being a responsible marketer. Not only do we adhere to established guidelines for children's advertising content, but have our own PepsiCo marketing practices guidelines:

- Importantly, none of our U.S. business units target programs that advertise to children under 8 years. This policy is based on the Institute of Medicine report that states children under 8 do not understand the difference between programming and advertising.
- Furthermore, only 1% of PepsiCo's total advertising budget in N. America is allotted for kid's marketing, and fully half of that is devoted to our healthier *Smart Spot*-labeled products -- beverages, snacks and foods that have reduced sugar, sodium and fat, or are naturally nutritious and contribute fiber, vitamins and other important nutrients.
- PepsiCo was the first in the industry to launch such a labeling program in order to make it easier for consumers to identify the PepsiCo products that can contribute to a healthier lifestyle. *Smart Spot* was introduced in 2004 and is based on nutrition criteria and authoritative statements from the National Academy of Sciences and the Food and Drug Administration. Today, *Smart Spot* appears on more than 250 PepsiCo products, including Tropicana, Aquafina, Gatorade, Baked Lay's, Quaker Oatmeal and Diet Pepsi, to name just a few.

Our commitment to "*Performance with Purpose*" and the principle of Human Sustainability goes well beyond our advertising practices as well. It involves how we develop and balance our portfolio of products to ensure they meet the full spectrum of consumers' lifestyle needs - - from treats like a refreshing Pepsi to foods & drinks that are actively nutritious, like a bowl of Quaker oatmeal or a glass of Tropicana orange juice. And to build on this, we have a clear corporate goal that by 2010, PepsiCo's N. American portfolio will be balanced with 50% in the fun-for-you food category and 50% in the good-for-you/better-for-you category -- meaning even more convenient, healthy choices for consumers.

And we're well on our way to realizing that goal.

Frito-Lay was the first food company, and the largest to-date, to voluntarily eliminate trans fats from the vast majority of its products -- back in 2003 before the dangers of trans fats were well publicized and widely known. Last year, Frito-Lay proactively took the additional step of reducing saturated fats by more than 50% by switching to sunflower oil -- a heart-healthy oil. At the same time in our other businesses, Quaker reduced the sugar content in its Breakfast Bars by 25 percent compared to the leading cereal bars, while Tropicana's Light n' Healthy has one-half the sugar and calories of regular orange juice.

These are just a few of the exciting product innovations occurring throughout the company that have helped us create a more balanced portfolio that can contribute to healthier lifestyles. But we are only getting started, so there will be even more news ahead.

Finally, we believe that collaborative cooperation is a critical component to successfully address the obesity crisis. Industry, government and health organizations must work together. That's why we are actively engaged with health, government and non-government organizations alike to promote programs that support healthy active lifestyles.

For example, we are the only food and beverage company to have signed both a beverage and a snacks agreement for products in schools through a partnership with the *Alliance for a*

Healthier Generation – a joint initiative of the William J. Clinton Foundation and the American Heart Association. In May 2006, Pepsi-Cola announced with industry that it will no longer offer full-calorie soft drinks, juice drinks, or teas in any K-12 schools; and will 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 similar, first-ever voluntary guidelines for snacks/foods in schools.

Earlier this year, PepsiCo joined the U.S. Department of Health & Human Services, the Ad Council and DreamWorks Animation 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.

Building on that momentum, PepsiCo also 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.

It's important to note that we have undertaken these initiatives with the advice of a renowned group of outside experts who bring a wide range of experiences in the health and wellness arena. Created under the leadership of Dr. Kenneth Cooper, founder of the Cooper Aerobics Center in Texas, and Dr. Dean Ornish, founder of the Preventive Medicine Research Institute in California, this group of renowned experts -- the PepsiCo Health and Wellness Advisory Board, which includes your former colleague, Speaker Tom Foley -- has been instrumental in helping our company improve products and shape healthy lifestyle programming for all our consumers, regardless of age.

In closing, I want to emphasize that we agree with you wholeheartedly that the health and well-being of consumers, and especially children, is paramount. We also agree that there is still much more we can do, which is why we remain focused on continuing to deliver on our fundamental "Performance with Purpose" vision: strong business Performance coupled with deeper, meaningful Purpose that includes providing our consumers with healthy, enjoyable, sustainable food, snack and beverage choices.

Again, I appreciate the chance to provide you with this explanation. We look forward to sharing our new marketing guidelines with your office soon, and I welcome the opportunity for us to meet in the future. Please let me know if I can be of any further assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Indra K. Roy". The signature is written in a cursive style and is underlined with a single horizontal stroke.