

## **Children's Food and Beverage Advertising Initiative**

### **February 2008 Amended Pledge of PepsiCo Inc.**

PepsiCo, Inc. is proud to be one of the first companies to commit as a participant in the Children's Food and Beverage Advertising Initiative (CFBAI). As an industry leader in the discussions of children's marketing, PepsiCo believes children are a special audience and takes particular care developing advertisements and evaluating programming that carries messages to children.

Through the company's major business units, which include Pepsi-Cola and Aquafina beverages, Frito-Lay snack foods, Quaker food products, Tropicana juices and Gatorade sports beverages, PepsiCo is continuously transforming its portfolio to meet consumer needs, including products chosen by young people. As part of that on-going transformation, PepsiCo has improved the nutritional profile of its flagship brands by changing to healthier oils, reducing sugar and sodium content, and expanding the range of products offered. In 2004 the Company launched its "Smart Spot" program. By 2006 these products represented over two-thirds of North American revenue growth. Smart Spot eligibility criteria, as well as other information regarding the Smart Spot program, may be viewed at [www.smartspot.com](http://www.smartspot.com).

In addition, PepsiCo is the only food and beverage company to have signed voluntary agreements regarding beverages in schools and snacks 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. Both agreements represent break-through steps to adopt a practical policy in the U.S. that provides a sensible and workable solution for young people, parents and educators.

In accordance with CARU guidelines, PepsiCo defines "advertising directed primarily to children under 12" based on an analysis of the following factors, no single one of which will be controlling:

whether the content of the media (e.g.: subject matter, format, characters and other advertising) is designed for children under 12,

whether the advertised product or service is intended for use by, or is of interest to children under 12;

where the media in which the advertising appears is promoted and advertised;

available projections, at the time the advertising is placed, of audience demographics (i.e. whether a majority of the audience is projected to be children under 12); and

for television programs, whether they are aired during what is generally understood to be children's programming

To continue its responsible leadership, PepsiCo pledges to incorporate the core principles of the CFBAI into its advertising primarily directed to children under 12 as fully described below (the "PepsiCo Pledge").

### **The PepsiCo Pledge**

PepsiCo understands the importance of being a responsible marketer to children and we commit to standards that exceed the CFBAI policies and programs. PepsiCo advertising (including TV, radio, print and internet advertising) directed primarily to children under 12 will only promote products that are Smart Spot qualified. This is a dedicated commitment that as of the effective date 100% of PepsiCo advertising directed primarily to children under 12 will feature Smart Spot products - products that contribute to healthier lifestyles. Our Smart Spot nutrition standards meet established nutrition criteria based on authoritative statements from the Food and Drug Administration and the National Academy of Sciences or provide other functional benefits. These standards meet or exceed the nutrition standards that the CFBAI finds acceptable.

PepsiCo Inc. is headquartered at 700 Anderson Hill Road, Purchase, New York 10577. For information regarding Pledge implementation contact Mark L. McGowan, Vice-President & General Counsel, PepsiCo – Chicago, 555 W. Monroe St, Chicago, IL 60661. Phone 312-821-1801; email [mark.mcgowan@pepsi.com](mailto:mark.mcgowan@pepsi.com).

On behalf of all of its U.S.-based businesses PepsiCo makes the following commitments that will be in effect not later than January 1, 2008:

## **TV & Radio**

One hundred percent (100%) of advertising directed primarily to children under 12 will be for products that meet the Smart Spot criteria. Television compliance will be measured using Nielsen and IRI ratings at the time the advertisement is purchased as well as the time of programming and programming content. Radio compliance will be measured using Arbitron and/ or RADAR ratings as appropriate. Compliance will be measured separately for each medium. This commitment goes into effect not later than January 1, 2008.

## **Print Advertising**

One hundred per cent (100%) of print advertising directed primarily to children under 12 will be for products that meet the Smart Spot criteria. Compliance will be measured using PIB (Publisher's Information Bureau) or MRI (Mediamark research) data. This commitment goes into effect not later than January 1, 2008.

## **Internet Advertising Not On Company Owned Websites**

One hundred per cent (100%) of internet advertising directed primarily to children under 12 will be for products that meet the Smart Spot criteria. Compliance will be calculated relying upon ComScore Networks estimate of target age. This commitment goes into effect not later than January 1, 2008.

## **Advertising on Company Owned Website**

All company owned websites directed primarily to children under 12 will acknowledge that the website is a form of advertising and will do so in language appropriate for communication to the target audience. One hundred per cent (100%) of the products featured will be Smart Spot products and each site will encourage active lifestyles. This commitment goes in to effect not later than January 1, 2008.

## **Third-Party Licensed Characters**

PepsiCo acknowledges that from time-to-time third-party characters may be used to promote its products. In contrast to company-owned characters such as Cap'n Crunch or Chester Cheetah, these third-party characters are usually licensed for a set period of time. These third-party characters may be associated with television programs, movies, or the like. When such third-party characters are used in advertising directed primarily at children under 12, they will be used in conjunction with only Smart Spot products. Licensing agencies have been notified of PepsiCo's position and this commitment goes into effect not later than January 1, 2008.

## **Product Placement**

PepsiCo will not pay for or actively seek placement of our products in the content of any medium directed primarily to children under 12. Product placement agencies have been notified of PepsiCo's position and this commitment goes into effect not later than January 1, 2008.

## **Use of Products in Interactive Games**

PepsiCo will not allow its products to be incorporated into interactive games designed primarily for children under 12 unless such products are Smart Spot eligible. Licensing agencies have been notified of PepsiCo's position and this commitment goes into effect not later than January 1, 2008.

## **Advertising in Schools**

PepsiCo will not advertise our products in elementary and middle schools as these are the schools which children under 12 attend. This includes book covers, book packs, pencils, posters and the like. PepsiCo is the only company which is a signatory to both the snack food and the beverage school policy statements of the Alliance for a Healthier Generation, a joint initiative of the William J. Clinton Foundation and the American Heart Association. PepsiCo is fully committed to compliance with these policy commitments.

## **Advertising Not Directed Primarily at Children**

PepsiCo has provided CFBAI with a list of all of our brands, including those that do

not direct advertising primarily to children under 12. PepsiCo advertising which is not directed primarily to children under 12 will continue to be held to the highest standards of the advertising industry.

### **Nutrition Standards**

PepsiCo has provided CFBAI with detailed references and citations to support the eligibility criteria for its Smart Spot products. These criteria and standards are grounded in well-established and broadly recognized scientific and/or governmental standards. Smart Spot eligibility criteria, as well as other information regarding the Smart Spot program, may be viewed at [www.smartspot.com](http://www.smartspot.com). For each PepsiCo product which meets CFBAI nutrition standards by virtue of Smart Spot eligibility, PepsiCo has provided CFBAI with that product's name, nutrition labeling, ingredient list and the specific scientific and/or governmental standards relied upon to meet Smart Spot standards.

Effective January 1, 2008, the PepsiCo products which will engage in advertising directed primarily to children under 12 are:

1. Baked! CHEETOS® Crunchy Cheese Flavored Snacks marketed by Frito-Lay North America, Inc., a division of PepsiCo, Inc.
2. Baked! CHEETOS® Flamin' Hot® Cheese Flavored Snacks, marketed by Frito-Lay North America, Inc., a division of PepsiCo, Inc.

These products qualify as Smart Spot snacks. They meet Smart Spot snack criteria because they are reduced in fat compared to the base product; they also meet Smart Spot snack criteria limits on the amount of fat, cholesterol, sodium and added sugar, and are fortified with calcium. These product have 50% less fat than regular CHEETOS® snacks, and a 1 ounce serving contains 120 calories, 0 grams of trans fat, 1 gram of saturated fat, and 10% of the RDA of Calcium;

3. Baked! CHEETOS® CRACKER TRAX™ Cheesy Cheddar Flavored Baked Snack Crackers marketed by Frito-Lay North America, Inc., a division of PepsiCo, Inc.
4. Baked! CHEETOS® CRACKER TRAX™ Spicy Cheddar flavored Baked Snack Crackers marketed by Frito-Lay North America, Inc., a division of PepsiCo, Inc.

These products qualify as Smart Spot snacks. They meet Smart Spot snack criteria limits on the amount of fat, cholesterol, sodium and added sugar. Each 30g serving contains 140 calories, 0 grams of trans fat, and 1 gram of saturated fat.

5. Gatorade® Thirst Quencher, marketed by The Gatorade Company, a division of PepsiCo, Inc.

This product qualifies as a Smart Spot beverage because it is formulated for more complete rehydration in circumstances where water may be insufficient, and it is marketed only in association with the promotion of children in sports or other vigorous physical activity.

During the pendency of the CFBAI, should a decision be made to advertise other PepsiCo products to children under 12, PepsiCo agrees that only products which meet its Smart Spot criteria will be so advertised. PepsiCo will notify CFBAI of any such decision so that CFBAI can effectively monitor PepsiCo's on-going compliance with this Pledge.