

Dr Pepper Snapple Group



CORPORATE PROFILE



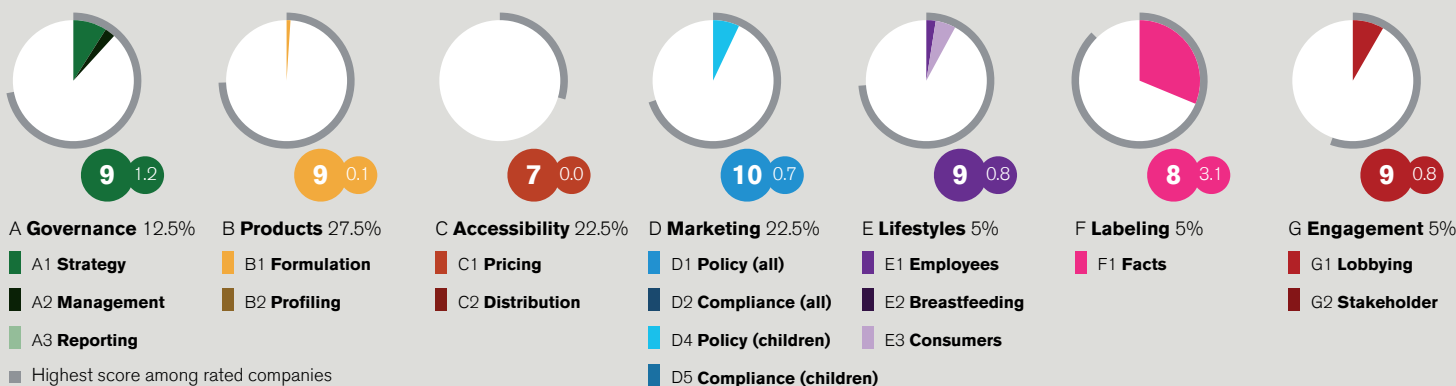
PRODUCT PROFILE

Company type	Publicly traded
Headquarters	U.S.
No. of U.S. employees	17,000
U.S. revenue range*	USD 5-10 billion

* Source: Euromonitor International, 2017.

Product Profile**	Revenue range	Mean HSR rating
Carbonates	70-80%	1.4
Juice	10-20%	2.8
RTD Tea	0-10%	1.6
Processed Fruit and Vegetables	0-10%	3.4

Corporate Profile



Main areas of strength

- Although Dr Pepper Snapple's score on the Corporate Profile is low, it has put in place some commitments and initiatives which it reports publicly.
- The company conducts some nutrition-related risk assessment and reports this in its Form 10-K Annual Report. In addition, Dr Pepper Snapple publicly reported on taking nutrition issues into consideration in its decision about the recent Bai Brands merger.
- Dr Pepper Snapple commits not to market its beverage brands in print, broadcast or online media to children under 12.
- The company funds some non-commercial public health and nutrition programs, working with United Way and the Boys & Girls Clubs of America. It also runs a physical activity program called Let's Play, in partnership with KaBoom! and Good Sports.
- Dr Pepper Snapple provides nutrition panel information online through dedicated web pages, which appears to cover all of its U.S. products.

Priority areas for improvement

- Dr Pepper Snapple ranks tenth on the U.S. Index Corporate Profile with a score of 0.6 out of 10 and is tied for eighth on the U.S. Index Product Profile with a score of 3.4 out of 10.
- The company was estimated to generate 9% of 2016 sales from healthy products (having a Health Star Rating (HSR) of 3.5 or more) and 7% from products that meet World Health Organization (WHO) Euro criteria for marketing to children. The company should step up its product reformulation, new product development and/or make acquisitions to improve the healthiness of its U.S. product portfolio.
- The company should increase its focus on nutrition and health, starting by adopting a mission statement and corporate growth strategy that explicitly refer to these business-critical topics. It should publish more information about its commercial approach to improving the accessibility of healthy foods and addressing obesity and diet-related diseases, with a particular reference to priority populations. It could also publish its approach to addressing food insecurity in the United States.
- The company could further increase public disclosure about its nutrition-related commitments, policies and practices in the United States and is encouraged to engage with ATNF to allow for a more complete assessment of its policies and practices.
- Dr Pepper Snapple should adopt and disclose a Nutrient Profiling System (NPS) and use it as the basis for defining healthy products and to guide a business-wide reformulation program underpinned by a comprehensive set of product reformulation targets.
- Commitments and evidence of activities related to improving the affordability and accessibility of healthy products, support for healthy lifestyles or stakeholder engagement are limited or non-existent. Dr Pepper Snapple should improve in these areas.
- The company should improve its minimal responsible marketing policy and, to address concerns about 'copy-cat' products, Dr Pepper Snapple should ensure that all products sold under the Smart Snacks in School regulation meet the same nutrition standards everywhere, including those products that are sold through other channels with a similar 'look and feel'.

i The assessment for the U.S. Index 2018 was conducted prior to the merger between Keurig Green Mountain and Dr Pepper Snapple Group. Dr Pepper Snapple did not actively participate in the U.S. Index 2018 research process; its assessment is therefore based on publicly available information.

****** The mean HSR is calculated per category and multiplied by the percentage of 2016 sales per category. These figures are totalled and doubled to give a maximum Product Profile score of 10.

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Category analysis - Nutrition

A Governance

- Dr Pepper Snapple's strategy focuses on sales, execution and operational goals. Its vision is to 'Be the Best Beverages Business in the Americas.' No focus on health and/or nutrition is apparent, nor was any evidence found of a commitment to deliver more, healthy foods in the U.S. market. The company should increase its focus on nutrition and health, starting by adopting a mission statement and corporate growth strategy that explicitly refer to it.
- Dr Pepper Snapple published a limited nutrition-related risk assessment in its 2016 Form 10-K Annual Report, identifying risks of increased consumer health consciousness, changes in consumer preferences and increased government regulation. It could improve by extending its nutrition-related risk assessment, for example by including litigation, brand and reputational risks.
- The company reported publicly on taking nutrition issues into consideration in its decision about the 2017 Bai Brands merger, as it referred to specific nutrition-related issues such as increased health consciousness, caloric intake and sugar content.
- The company discloses information about its concept of 'Balance' - outlining that the company provides a range of full-calorie, reduced and no calorie beverages so that consumers can choose the option they prefer. However, no evidence of a Board-approved commercial nutrition strategy for the U.S. market was found, which the company should adopt and disclose publicly.
- No evidence of concrete nutrition-related objectives was found. Although a broad product innovation goal was defined in 2010, no forward-looking objective was defined after 2015. Further, the commitment was not well defined and could include non-targeted vitamin fortification, the use of organic ingredients, or other aspects not considered relevant in the ATNI methodology. Similarly, through its participation in the Balance Calories Initiative with the Alliance for a Healthier Generation and others in the industry, the company has committed to reduce beverage calories consumed per person nationally by 20% by 2025. However, the company has not set out how this joint initiative translates into objectives for its individual business. The company should articulate forward-looking commercial objectives, related to its nutrition strategy.
- The company should report on its U.S. governance structure in relation to its nutrition strategy. It should also start clear and comprehensive reporting on its activities to prevent and address nutrition-related issues in the United States and publish information about its progress against nutrition-related objectives and targets.
- Dr Pepper Snapple has three focus areas for its philanthropic approach, including a focus on fit and active lifestyles. Let's Play is its largest philanthropic initiative, which aims to stimulate children's physical activity. The initiative provides grants through non-profit partners KaBOOM! and Good Sports in locations across the United States. A second focus area is 'hometown giving', which includes a corporate philanthropy program called ACTION Nation through which it funds public health programs in communities. The company should provide more information about the strategy that underpins its approach to selecting and supporting such programs, and its role in them.

B Products

- Dr Pepper Snapple has reported in multiple CSR reports in recent years that more than half of the products in its innovation pipeline were dedicated to reduced calories, smaller portion sizes or improved nutrition, without specifying details or nutrition criteria. No current forward-looking commitment is in place to increase its R&D spending or effort to improve the nutritional quality of its products for the U.S. market. The company should be clear and transparent about its ambitions in this area.
- The company provided some examples of new healthy products introduced in the United States in the last three years. These examples include 2015 launches of Canada Dry and Schweppes zero-calorie sparkling waters, Snapple unsweetened Straight Up Tea, smaller-portion Hawaiian Punch pouches and Peñafiel mineral water for key Hispanic markets in the United States.
- No commitment was found to indicate that Dr Pepper Snapple aligns its

approach to product development and reformulation to U.S. dietary guidelines. In addition, the company does not commit to apply a consistent set of nutrition standards to products sold under the Smart Snacks in School regulation and to equivalent products with a similar look and feel, sold through other channels. The company should adopt and publicly disclose these commitments to address concerns about 'copy-cat' products.

- The company does not disclose or provide evidence of the percentage of products that meet its definition of healthy nor the sales generated from such products. In fact, it is not clear whether the company uses a definition of healthy products as no evidence was found of the company having adopted an NPS to guide its product innovation and reformulation activities. It is important the company adopts a well-verified NPS that covers all products and encompasses both 'positive' and 'negative nutrients.' This NPS should be based on and align with internationally recognized systems such as the HSR. Furthermore, the company should link its definition of healthy products to the nutritional criteria within its NPS.
- The Product Profile estimated that 9% of 2016 U.S. sales were generated by healthy products (which comprise 22% of the product portfolio), based on an HSR of 3.5 or more. These results indicate that the company should considerably scale up its efforts to improve the healthiness of its products, driven by a clear definition of healthy products and a strategy to increase the sales of these products.
- The company should strengthen its approach to product reformulation in several areas. No evidence was found that concrete product reformulation targets are currently defined. Importantly, Dr Pepper Snapple should disclose clear, SMART product reformulation targets that cover all products and relevant nutrients to increase or decrease. It should report annually on progress in achieving these targets in the United States. The company should commit and publicly disclose to align its approach to reformulating to the U.S. Dietary Guidelines.

C Accessibility

- No evidence was found that Dr Pepper Snapple has adopted a strategy to improve the accessibility and affordability of its healthy products in the United States, with specific consideration for priority populations whose access to healthy food is constrained by low income or geographic factors. The company should adopt and publicly disclose this commitment.
- The company's approach could include targets such as narrowing down the price differential on healthy versus less healthy products, achieving a particular price point for healthy products, defining the number of priority populations to reach with healthy products through improved distribution in urban low-income areas. These targets should be based on analysis on appropriate pricing and distribution methods of healthy products for priority populations in the United States.
- No evidence was found that Dr Pepper Snapple commits to donate a high percentage of healthy products to programs that address food insecurity in the United States. The company should make this commitment and provide a public commentary on any donations of healthy products it makes.

D Marketing

- Dr Pepper Snapple publishes limited information about its approach to responsible marketing to children and/or other consumers; only a brief statement on its website regarding responsible marketing to children is disclosed publicly.
- It is recommended that the company develops and implements a responsible marketing policy for all consumers, which fully encompasses the International Chamber of Commerce (ICC) Code of Advertising and Marketing commitments and explicitly covers all relevant media channels.
- The company did not provide evidence of a commitment to developing and delivering marketing strategies for healthy products tailored to reaching priority populations in the United States. The company should make this commitment

and take steps to understand and reach priority populations, e.g. by generating consumer and marketing insights related to priority populations in the United States.

- Dr Pepper Snapple is the only company assessed in the Index that does not pledge to follow the two main sets of industry self-regulation commitments by being a Children's Food and Beverage Advertising Initiative (CFBAI) member or supporting the Children's Advertising Review Unit Guidelines, administered by the U.S. Council of Better Business Bureaus (CBBB). Its concrete marketing commitment is to not market its beverage brands in print, broadcast or online media if more than 35% of the audience consists of children under 12, with some exceptions. The company should step up its commitments related to responsible marketing to children, starting by committing to follow CFBAI and CARU guidelines. In addition, it should adopt a range of commitments and tools, e.g. to ensure it does not exploit children's credulity, it does not undermine the role of parents and its online marketing activities deters children under 12. It should also lower its audience threshold to the industry-leading cut-off 25% or less.
- The company mentions on the section of its website on responsible marketing to children that it has removed full-calorie sodas in schools and replaced them with a range of low- and no-calorie, smaller-portion choices. It commits not to market in elementary and middle schools through its commitment expressed via the American Beverage Association, although high schools are not covered. The company should extend its commitment not to market its products in high schools or other places popular with children, or near any of these places, and it should specify which types of marketing i.e. related to signs, scoreboards, school equipment, corporate incentive programs, fundraisers, school publications, etc., are covered by this commitment.
- No evidence was found that Dr Pepper Snapple audits (or commissions audits) of its compliance with any responsible marketing commitments. It is recommended to commission independent, third-party auditing, which should cover compliance monitoring regarding responsible marketing to children, as well as to other consumers. Dr Pepper Snapple should also commit to taking corrective actions when non-compliance is identified, and to report on this.

E Lifestyles

- Dr Pepper Snapple reports that it has an employee program called 'Take Action for Your Health.' In the company's most recent Sustainability Report, which was published after the conclusion of the research phase and therefore not included in the company score, it discloses that the program comprises specific nutrition, diet and active lifestyle components, including a program focused on weight-loss. The company should report more information about its health and wellness program and ensure it is available to all employees and their family members. In addition, Dr Pepper Snapple should define expected health and business outcomes, commission independent evaluations of the effectiveness of its staff health and wellness programs, and report on the results.
- A commitment to providing breastfeeding mothers with appropriate working conditions and facilities at work, beyond U.S. legal requirements is not evident. The company should improve by publicly disclosing its policy, which should at least meet the recommended minimum of 14-weeks of paid leave by the International Labour Organization (ILO), and offering suitable and well-equipped facilities to express and store breastmilk in all locations.
- Dr Pepper Snapple publishes a brief commentary on the programs it sponsors through its philanthropic giving, which includes United Way (although it is not clear whether any of these funds are directed to public health and nutrition programs) and the Boys & Girls Clubs of America, as well as its support of the physical activity program aimed at children called Let's Play, in partnership with KaBoom! and Good Sports. However, a policy guiding its funding of healthy eating and nutrition education, physical activity or food access and food insecurity programs is not evident.
- The company should commit to align its healthy eating programs to the 2015-2020 Dietary Guidelines for Americans (DGA) and exclude brand-level sponsorship for all of its public health and nutrition programs. Further, these programs should be underpinned by a sound evidence base, be designed with expert advice and draw on stakeholder inputs. The company could also set out

specific health outcomes participants in the program should benefit from for all its programs and commission independent evaluations in all cases. The company should publicly disclose information about the setup, design and evaluations of all programs it supports.

F Labeling

- As part of the 'Clear on Calories Initiative' of the American Beverages Association the company joined with other beverage companies, Dr Pepper Snapple commits to place caloric information on the front of its containers and company-controlled vending machines and fountains. No commitment to showing percentages of recommended daily intake was found. The company could improve by communicating the nutritional value of its products by using interpretive front-of-pack (FOP) labels that are easy to understand for all consumers by using graphics, symbols or colors.
- The company does not report on its nutrition labeling performance, regarding the percentage of products that comply with its commitments. It should increase its transparency and report on progress regarding its FOP labeling progress.
- Dr Pepper Snapple provides nutrition panel information online through dedicated web pages, which appears to cover all its U.S. products.
- Dr Pepper Snapple reports that it has already started implementing the U.S. Food and Drug Administration (FDA) update of the Nutrition Facts Panel, which includes a requirement for labeling of added sugars and will go into effect on January 1, 2020. Although this aspect of the assessment is not scored and provided for information purposes only, all companies are recommended to implement the update to the Nutrition Facts Panel as soon as possible for all relevant products.

G Engagement

- Dr Pepper Snapple discloses limited information about its U.S. lobbying activities beyond legal requirements. It publishes its policy on political donations and its public policy, but no commitment was found to only engage with governments, political parties, policymakers and policymaking bodies in support of measures to prevent and address obesity and diet-related chronic diseases. The company should make this commitment.
- Beyond required disclosure of financial contributions to associations or other organizations that lobby on its behalf, Dr Pepper Snapple does not disclose potential governance conflicts of interest and board seats at influential organizations. The company should disclose this information and its positions used in lobbying, as these relate to nutrition. Further, it should provide a commentary on its lobbying activities in the United States to prevent and address obesity and diet-related chronic diseases.
- Although the company reports on its general approach to stakeholder engagement in its Sustainability Report, there is no publicly available evidence that Dr Pepper Snapple makes a commitment to engage with stakeholders to improve its nutrition related policies and practices in the United States, or about its performance and activities in this area. The company should improve by committing to undertake structured and comprehensive engagement with key nutrition stakeholders in the United States. In addition, it should publish information about how that engagement shapes its commercial and non-commercial nutrition-related policies and practices.

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Product Profile*

Portfolio-level results

Average HSR score (sales-weighted; out of 5 maximum)	Healthy products (HSR)				Products suitable to market to children (WHO Euro)				% total U.S. F&B sales included
	No. assessed	% sales generated from healthy	No. healthy	% of healthy products	No. assessed	% sales generated from suitable	No. suitable	% of suitable products	
1.7	236	9%	52	22%	250	7%	10	4%	100%

• Dr Pepper Snapple’s average sales-weighted HSR is 1.7, and 2.3 when not weighted by sales, generating a Product Profile score of 3.4 out of 10, and a ranking of tied eighth. The results are based on analysis of 100% of its 2016 sales from categories eligible for inclusion.

• 22% of the products assessed (52) were found to meet the healthy threshold and were estimated to generate 9% of 2016 sales.
 • 4% of the products assessed (ten) were found to be suitable for marketing to children, which were estimated to generate 7% of 2016 sales.


Category results

Category	Carbonates	Juice	RTD Tea	Processed Fruit and Vegetables
Mean HSR	1.4	2.8	1.6	3.4
% products healthy	1%	40%	0%	72%
% products suitable to market to children	8%	0%	3%	0%

None of Dr Pepper Snapple’s categories achieve a mean HSR of 3.5 or more, i.e. none can be considered to be healthy. Its processed fruit and vegetables (such as Mott’s applesauce) have the highest mean HSR of 3.4; its juices rate only 2.8 on average, RTD tea achieves a HSR of only 1.6 and carbonates of only 1.4. While 72% of its processed fruit and vegetables

meet the healthy threshold, only 40% of its juices do so; that figure is only 1% for carbonates and 0% for RTD tea. The WHO Euro model precludes the marketing of any juices to children due to their high inherent free sugar content. About 8% of the company’s carbonates and 3% of its RTD teas are suitable for marketing to children.

* The mean HSR is calculated per category and multiplied by the percentage of 2016 sales per category. These figures are totalled and doubled to give a maximum Product Profile score of 10.

 Did not provide information to ATNF.

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Relative nutritional quality of Dr Pepper Snapple's products by category

Mean HSR	Carbonates	Juice	RTD Tea	Processed Fruit and Vegetables
Dr Pepper Snapple	1.4	2.8	1.6	3.4
Coca-Cola	1.4	2.5	1.8	
PepsiCo	2.2	3.8		
Unilever			1.7	
ConAgra				4.1

Dr Pepper Snapple competes with other companies in four categories. Its carbonates have the same low mean HSR as those of Coca-Cola; PepsiCo's products have a significantly higher mean HSR of 2.2, indicating that Dr Pepper Snapple has some way to go to improve the nutritional quality of its products in this category. Its juices have a higher mean HSR at 2.8 than those of Coca-Cola, but considerably lower than PepsiCo's. Its

RTD tea has the lowest nutritional quality among the three companies, with a mean HSR of 1.6. Dr Pepper's processed fruit and vegetables category also achieves a lower mean HSR (3.4) than those of the only other company in this category, ConAgra, with a mean HSR of 4.1. It is nevertheless the category in which the company performs the best, despite not reaching the healthy threshold of 3.5.

Conclusion

As Dr Pepper Snapple does not disclose the percentage of healthy products in its U.S. portfolio, or the sales derived from them, it is not possible to compare those figures with those of the Product Profile. The company should improve its transparency in this area to enable stakeholders to understand the nutritional profile of its portfolio and track its improvements over time.

For the four product categories in which Dr Pepper Snapple competes, it has a low mean HSR, in all cases below at least one other company in the category. This makes it clear that the company needs to urgently improve its

product reformulation, focus more on serving sizes, invest more in new healthy product development and/or make acquisitions to improve the healthiness of its U.S. product portfolio overall.

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Note

The George Institute for Global Health (TGI) is responsible for the data collection for the Product Profile assessment, using data from available databases that was supplemented with data provided by companies to ATNF. TGI is also responsible for the analysis of the data related to the Product Profile and the TGI Product Profile final report, the results of which have been incorporated by ATNF into the Global Access to Nutrition 2018 report and the U.S. Spotlight Index report.

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