

# PepsiCo, Inc.



CORPORATE PROFILE



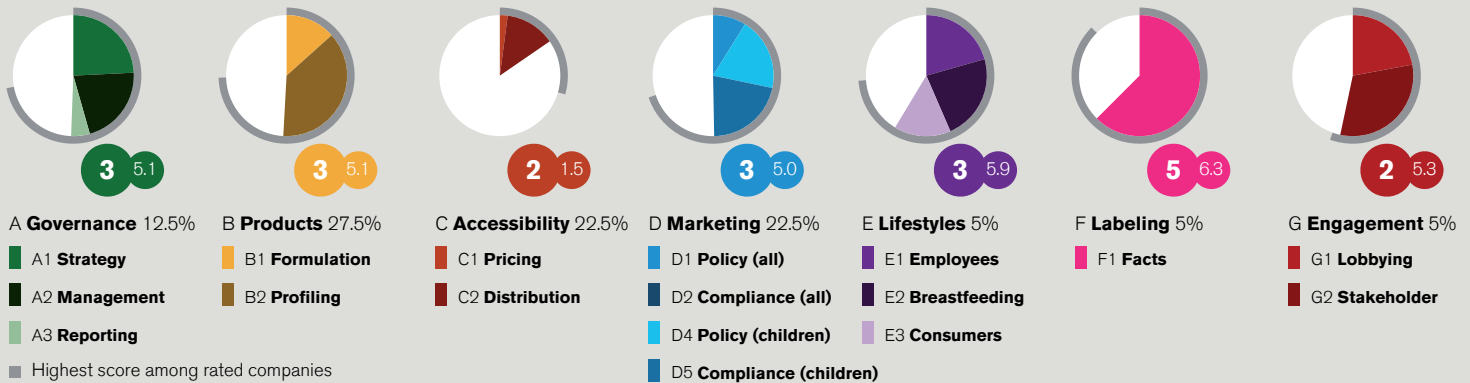
PRODUCT PROFILE

<b>Company type</b>	Publicly traded
<b>Headquarters</b>	U.S.
<b>No. of U.S. employees</b>	113,000
<b>U.S. revenue range*</b>	USD 40-45 billion

\* Source: Euromonitor International, 2017.

<b>Product Profile**</b>	<b>Revenue range</b>	<b>Mean HSR rating</b>
Bottled water	0-10%	2.1
Carbonates	20-30%	2.2
Juice	0-10%	3.8
Sports and Energy Drinks	10-20%	1.5
Savory Snacks	40-50%	2.7

## Corporate Profile



## Main areas of strength

- PepsiCo ranks third in the U.S. Index Corporate Profile with a score of 4.4 out of 10.
- PepsiCo's strategy 'Performance with Purpose', and its goal to transform its portfolio to meet consumers' changing taste preferences and make healthier foods and beverages, is central to its growth strategy. This global strategy applies to the United States with formal accountability and day-to-day responsibility arrangements being in place.
- The progress on PepsiCo's nutrition commitments in the United States was independently verified by the Partnership for a Healthier America (PHA) for the year 2016 and this arrangement will be continued until 2025. This is considered a leading practice among companies assessed.
- PepsiCo based its approach to added sugar reformulation on U.S. Food and Drug Administration (FDA) recommendations and commits to increase 'positive nutrients' such as whole grains, fruits and vegetables in its products.
- The company commits to improve the accessibility and affordability of its healthy products. This commitment is supported by commercial and non-commercial programs and includes a focus, especially within non-commercial programs, on priority populations in the United States whose access to healthy food is constrained by low income or geographic factors. Further, PepsiCo commits that products donated through its Food for Good program meet or exceed governmental standards, and include fresh fruits and vegetables, whole grains, low-fat milk and high-quality snacks.
- PepsiCo makes relatively strong commitments on responsible marketing to children in the United States, including the commitment not to perform marketing activities in elementary and middle or high schools.
- PepsiCo provides online nutrition information for more than 90% of its U.S. products through various websites and the Grocery Manufacturers Association (GMA) SmartLabel system.
- PepsiCo is one of two companies that expressed a commitment to engage with governments and policymakers to support measures that prevent and address obesity and diet-related chronic diseases. PepsiCo also provides information about its lobbying positions related to nutrition.

## Priority areas for improvement

- PepsiCo ranks sixth on the U.S. Index Product Profile with a relatively low score of 4.8 out of 10. About 21% of sales were estimated to be derived from healthy products (defined as a Health Star Rating (HSR) of 3.5 or more) and 4% from products that meet World Health Organization (WHO) EURO criteria for marketing to children. PepsiCo does not disclose the percentage of healthy products in the United States, or the sales derived from them. It should improve its transparency in this area and step up its product reformulation, portion control, new product development and/or make acquisitions to improve the healthiness of its U.S. product portfolio.
- The company's nutrition strategy in the United States should be strengthened by defining more nutrition objectives and by explicitly referencing priority populations in its commercial strategy and focus on nutrition and health, disclosing how it intends to reach these populations with healthy products in its commercial programs.
- PepsiCo's product reformulation targets are not fully defined and do not cover all relevant products. PepsiCo should improve on this and it should report publicly what percentage of products already meet the company's targets in the U.S. market. In addition, it should commit to formulate all products sold under the Smart Snacks in School regulation in the same way as equivalent products, with a similar look and feel, are sold through other channels.
- The company publishes annual reports that cover global operations but provides limited specific information about the United States. PepsiCo should step up to industry-leading practice by reporting formally and regularly on its approach and progress to tackling nutrition issues in the United States.
- The company does not exclude brand-level sponsorship in relation to all public health and nutrition programs it funds. The company should commit that all public health and nutrition programs it funds are underpinned by a sound evidence base, are designed with expert advice and draw on stakeholder inputs.

\*\* 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.



# PepsiCo, Inc.

## Category analysis - Nutrition

### A Governance

- PepsiCo's vision 'Performance with Purpose' (PwP) guides PepsiCo's business in the United States and globally. The company recognizes the changing consumer preferences and a growing shift toward a healthier lifestyle in the United States and around the world. PepsiCo has committed to transform its product portfolio with more nutritious options, creating a healthy workplace and culture for its associates and promoting healthier communities where the company operates.
- PepsiCo's approach to reaching priority populations in the United States, whose access to healthy food is constrained by low income or geographic factors, is mostly philanthropic in nature. PepsiCo could improve by making clear how it intends to reach priority populations with healthy products as part of its commercial strategy.
- 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. This approach includes a 'test and learn' process to address communities with high levels of obesity. However, no evidence was found that the company has set out how this joint initiative translates into objectives for its individual business.
- The strategic commitment to grow through a focus on health and nutrition is made concrete in various ways. For example, PepsiCo recently made acquisitions to expand its Everyday Nutrition Portfolio. It also performs regular comprehensive nutrition-related risk assessments and it has implemented a governance structure to support and lead the company's transformation, although U.S. arrangements are not disclosed publicly. To improve, the company should be more transparent.
- PepsiCo's global nutrition strategy, as applied in the United States, covers a broad range of nutrition-related topics. However, its goals and targets are mostly focused on product reformulation. The company should develop a broader range of measurable objectives and report on progress in a similar manner as it does for product reformulation.
- PepsiCo has a non-commercial Global Citizenship strategy focused on delivering more, healthier foods to underserved populations and promoting healthy lifestyles. The aim of its 'Food for Good' program is to make healthy food physically and financially accessible for low income families in the United States, in collaboration with NGOs and other stakeholders. In addition, PepsiCo funds non-commercial public health and nutrition programs through its Foundation.
- The company regularly publishes its progress on implementing its nutrition strategy for its global operations but provides limited information about its activities and performance in the U.S. market. The company should work towards industry leading practice by formally, regularly and comprehensively reporting on its nutrition strategy, objectives and progress in the U.S. market, covering both commercial and non-commercial programs.
- The 2016 progress in the United States against PepsiCo's Performance with Purpose goals related to reducing added sugars, sodium and saturated fat was independently verified by the PHA. This arrangement, which the company is commended for, will be continued until 2025.

### B Products

- PepsiCo has a global commitment to invest in R&D activities, aiming to meet changing consumer demands and preferences and accelerate sustainable growth. PepsiCo's R&D efforts focus around product reformulation, improvement of product quality and identifying opportunities to improve its product portfolio. To strengthen its commitment, the company should publish targets with respect to its R&D spending or efforts on nutrition in the coming years.
- The company's efforts on product reformulation are informed by dietary guidelines of the WHO. Its approach to reducing added sugar is based on the FDA recommendation to limit the daily intake of added sugars to less than 10%

of total energy intake in adults and children.

- PepsiCo defines global reformulation targets related to sodium, sugar and saturated fat; and positive nutrients such as whole grains, fruits & vegetables. However, the targets are not fully defined and do not cover all relevant products. PepsiCo should improve on this and could strengthen its reporting by publicly disclosing what percentage of products already meet the company's targets in the U.S. market. It discloses this information, to some extent, on a global level.
- PepsiCo discloses information about examples of new healthy products launched. To improve its reporting, the company should publish consolidated data on new healthy products launched.
- No evidence was found that PepsiCo commits 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 make this commitment.
- Although the company reports sales derived from healthy products globally, it does not disclose this information for the U.S. market. In the Product Profile, 21% of 2016 U.S. sales were estimated to be derived from healthy products (which comprise 32% of the product portfolio), based on an HSR of 3.5 or more. PepsiCo needs to step up its efforts to improve the nutritional quality of its products in the United States, which should be driven by a clear and publicly disclosed definition of healthy products, as well as a strategy to increase the sales of these products.
- PepsiCo's Nutrient Profiling System (NPS) guides its product formulation and innovation. It provides metrics to define healthy products, applies globally, covers all products and product categories and is based on international and local dietary guidelines. The PepsiCo Nutrition Criteria is published online on the company's website.
- The company uses nutrition criteria embedded in its NPS to define which products meet its healthy standard. However, in public reporting it provides data for 'Everyday Nutrition' products as healthy products. This is confusing, as not all 'Everyday Nutrition' products meet the company's healthy standard, making its approach to healthy products unclear. The company should use one clear definition of healthy products consistently.

### C Accessibility

- PepsiCo discloses a clear commitment as part of its commercial PwP strategy that applies to the United States. Within the 'Products' stream of its strategy, one of five central goals is to, "Provide access to healthier options for underserved communities and consumers." Although this commercial commitment is in place, the concrete application in the United States appears to be mostly related to programs and activities that are philanthropic in nature, such as its 'Food for Good' program, currently. The company should extend this commitment to address the affordability and accessibility of healthy foods commercially and in relation to priority populations in the United States, whose access to healthy food is constrained by low income or geographic factors.
- Globally, the company has developed affordability and accessibility guidelines for some of its markets but a U.S. policy on these issues is not evident. The company should develop and disclose such a policy for the U.S. with specific reference to addressing priority populations. The policy should contain targets such as narrowing down the price differential on healthy versus other products, achieving a particular price point for healthy products and defining the number of priority populations to reach with healthy products through improved distribution in urban deserts. These targets and policies should be based on analysis of appropriate pricing and distribution methods of healthy products for priority populations in the United States.
- PepsiCo shared several examples of programs which aim to contribute to tackling food insecurity in the United States. In 2017, PepsiCo participated in the Consumer Goods Forum's Collaboration for Healthier Lives program. This program aims to incentivize shoppers to make healthier choices and drive growth in nutrition categories by leveraging grocery and drug stores as hubs for community health and wellness. This program launched a pilot in collaboration

with the local public health initiative, Healthy Washington County.

- PepsiCo's accessibility and affordability program 'Food for Good Program' delivers meals that all meet or exceed U.S. Department of Agriculture (USDA) standards, and include fresh fruits and vegetables, whole grains, low-fat milk and high-quality snacks. The program has the goal to contribute to solving the accessibility and logistics challenge of getting nutritious meals to children at need and risk. In 2017, PepsiCo announced that the 'Food for Good Program' will increasingly become an innovation incubator for low cost access to nutrition, with products that are designed specifically to meet the needs of underserved children. The company reports that these products could be launched into the PepsiCo business as affordable nutrition products sold to underserved consumers.
- PepsiCo's philanthropic activities of addressing accessibility and affordability of healthy products include the Urban Food Initiative targeted at underserved urban communities. Daily Table obtains near-date or slightly blemished perishables and packaged grocery goods for free or at a discount, and makes more healthy options available for sale to consumers in an attractive retail environment, at pricing competitive with fast food chains.

## D Marketing

- PepsiCo commits globally to follow the International Chamber of Commerce Code of Advertising and Marketing Communication Practice. However, the company does not specify to which media these commitments apply, which it should clarify. The company could improve its performance on the Index by appointing an independent external auditor to assess compliance on a regular basis and publish the results of these assessments.
- Despite some evidence of relevant activities, for example by working with behavioral specialists, 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. This is an area which the company should focus on more and take a more comprehensive approach to understand and reach this specific consumer group.
- The company has a number of global and U.S.-specific policies related to responsible marketing to children. It pledges to follow the two main sets of industry self-regulation commitments by being a Children's Food and Beverage Advertising Initiative (CFBAI) member and supporting the Children's Advertising Review Unit Guidelines, administered by the U.S. Council of Better Business Bureaus (CBBB).
- The company's policy covers a broad range of media (the company only omits in-store marketing and sponsorship) and commits to only marketing healthy products to children aged six-12; it also commits not to market any products to children younger than six on the media covered by its commitment and when they make up 35% or more of the audience. In the United States, the company does not advertise in elementary schools and middle schools, which is a stronger commitment than on a global level. Further, PepsiCo has committed to restrict marketing primarily directed at children under 12 outdoors or out-of-home and is the only company specifying to cover bulletins, digital billboards, spectacles, posters, wall murals, bicycle racks, bus shelters, kiosks, newsstands and news racks and projection.
- PepsiCo could strengthen its policy in a number of areas. The company should extend its commitments related to use of celebrities, its own fantasy and animated characters and to promotional toys, games, vouchers and competitions. The company could also adopt the industry leading audience threshold of <25% and extend its commitment not to market any products to children aged up to 12. PepsiCo should extend its commitments related to marketing in schools to areas near these institutions, and to cover other places popular with children.
- In the United States, PepsiCo's compliance with its commitments on marketing to children is annually audited by the CBBB. PepsiCo's compliance level for TV and digital marketing was over 90%, which is also reported publicly. To strengthen its performance in this area, the company could also make a clear commitment to take corrective action in case of compliance issues with its marketing policy to children.

## E Lifestyles

- PepsiCo's global wellbeing program, Healthy Living, offers a broad range of health and wellness programs to all benefits-eligible employees in the United States, as well as spouses who are covered under the PepsiCo medical plan. In addition, it offers the Kurbo program to the children of employees, a mobile-based coaching program that aims to help them learn better eating habits and healthier lifestyles. The company could improve by offering its program to all U.S. employees without exception.
- PepsiCo has publicly committed to provide support for nursing mothers but no evidence of a formal policy on its commitments and arrangements was found. In some of its U.S. locations, PepsiCo offers dedicated mother's rooms, wellness rooms, or alternate space available for nursing mothers to express and store breast-milk. The company discloses that it is expanding the number of locations offering these facilities. The company offers a limited length of paid parental and maternal leave without disclosing the details publicly. PepsiCo could improve by formalizing its commitments in a formal policy, by publicly disclosing it and by extending paid maternity leave arrangements to at least meeting the recommended minimum of 14-weeks of paid leave by the International Labour Organization (ILO).
- The PepsiCo Global Citizenship strategy focuses on internal and external programs to create a positive impact for the communities in which the company operates. The company promotes healthy lifestyles and raises awareness about nutrition and the benefits of physical activity by funding a variety of community programs.
- PepsiCo and its Foundation collaborate with NGOs and other organizations on healthy eating, nutrition education and active lifestyle programs. Examples include programs to stimulate healthy eating and physical activity among young people in Latino communities, partly in collaboration with GENYouth Foundation, and a healthy lifestyles project with Save the Children aimed at children in rural communities in the United States. The impact of some of the programs it funds is evaluated independently, but PepsiCo does not disclose this information. The company could improve in several areas. 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 programs it funds or runs. Further, all programs it funds should be underpinned by a sound evidence base, be designed with expert advice and draw on stakeholder inputs. The company should set out expected outcomes that participants in the program should benefit from and commission independent evaluations for programs, with public disclosure of the results.

## F Labeling

- PepsiCo's front-of-pack (FOP) labeling provides numeric information on the levels of key nutrients and the percentage intake based on recommended daily values in the United States. The company commits to the American Beverage Association's Clear on Calories Initiative and to apply the Grocery Manufacturers Association (GMA) Facts Up Front system. Currently, PepsiCo's labeling commitments are not fully implemented on all U.S. products. The company could improve by communicating the nutritional value of its products by using interpretive FOP labels that are easy to understand for all consumers by using graphics, symbols or colors.
- PepsiCo provides nutrition information online for over 90% of its products in the United States. The company has a program in place to develop a single source for PepsiCo's digital product content, including nutrition information, for all consumer using digital devices and platforms. This information will then be available on PepsiCo's brand and consumer affairs websites, retail websites and apps, such as Walmart, Target, Kroger, Amazon, Shop Rite, third-party solutions such as the GMA SmartLabel system and Scan Life, and search engines and social media such as Yahoo, Google, Facebook and Twitter.
- PepsiCo has already begun to roll-out added sugar labeling on its snack foods, in advance of the FDA update of the Nutrition Facts Panel, which includes a requirement for labeling of added sugars, which 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

- PepsiCo is one of two companies that expressed a commitment to engage with governments and policymakers with the intention of supporting public health and measures to prevent and address obesity and diet-related chronic diseases. Despite having stronger commitments than some of its peers, PepsiCo did not make an explicit commitment not to lobby against public health topics. Furthermore, its commitment could be strengthened by explicitly extending it to third-parties that are paid to lobby on PepsiCo's behalf.
- PepsiCo engages with policymakers on nutrition matters such as school nutrition, nutrition labeling, marketing to children, education programs and several federal food assistance programs. The company does not publish a commentary about its lobbying activities in support of government measures to combat obesity and diet-related chronic diseases but should do so.
- Beyond required disclosure of financial contributions to associations or other organizations that lobby on its behalf, PepsiCo discloses potential governance conflicts of interest in its annual Proxy Statement. The company should also disclose a comprehensive list of board seats at industry associations and on advisory bodies related to nutrition issues.
- PepsiCo provided evidence of a commitment and well-structured stakeholder engagement activities aimed to develop its nutrition policies in relation to its business strategy and performance in the United States, as well as globally. The company summarized its global approach in its publicly available 'Health and Wellness Approach and Engagement Policy' and discloses general information about stakeholder views and company actions on its website. The company could strengthen its reporting by disclosing publicly how stakeholder input has been used to adapt policies and to change business practices in the U.S. market as they relate to nutrition and health. In addition, it should provide more evidence of engagement with stakeholders on addressing non-commercial public health and nutrition in the United States.

# PepsiCo, Inc.

## 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	
2.4	619	21%	201	32%	622	4%	19	3%	92%

• PepsiCo's average sales-weighted HSR is 2.4, and 2.5 when not weighted by sales, generating a Product Profile score of 4.8 out of 10, and a rank of sixth. The results are based on analysis of 92% of its 2016 sales from categories eligible for inclusion.

• 32% of the products assessed (201) were found to meet the healthy threshold and were estimated to generate 21% of 2016 sales.  
 • 3% of the products assessed (19) were found to be suitable for marketing to children, which were estimated to generate 4% of 2016 sales.

### Category results

Category	Bottled Water	Carbonates	Juice	Sports and Energy Drinks	Savory Snacks
Mean HSR	2.1	2.2	3.8	1.5	2.7
% products healthy	5%	23%	69%	0%	26%
% products suitable to market to children	86%	1%	0%	0%	0%

PepsiCo's healthiest category on average is juice (mean HSR of 3.8), followed by savory snacks (2.7), carbonates (2.2) and bottled water (2.1). Sports and energy drinks (1.5) have the lowest mean HSR. Note that the bottled water category includes products with added sugar and/or other ingredients. Only PepsiCo's juice category achieves a mean HSR of 3.5 or more, i.e. meeting the healthy threshold, but none of these products are considered suitable for marketing to children by the WHO Nutrient Profiling

Model. Around a quarter of the company's carbonates and savory snacks are considered healthy, but unsuitable for marketing to children. While only 5% of the company's bottled water was rated as healthy, most of the products in this category are suitable for marketing to children according to the WHO model. None of PepsiCo's sports and energy drinks were rated healthy.

\* 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.

# PepsiCo, Inc.

## Relative nutritional quality of PepsiCo's products by category

Mean HSR	Bottled Water	Carbonates	Juice	Sports and Energy Drinks	Savory Snacks
<b>PepsiCo</b>	<b>2.1</b>	<b>2.2</b>	<b>3.8</b>	<b>1.5</b>	<b>2.7</b>
Coca-Cola	2.2	1.4	2.5	1.6	
Dr Pepper Snapple		1.4	2.8		
Nestlé	3.0				
ConAgra					2.1
Kellogg					2
Kraft Heinz					4
Mars					0.5

In three of the five categories in which PepsiCo competes it achieves the highest HSR. Its juice category obtains a high mean HSR of 3.8 versus Dr Pepper Snapple's score of 2.8 and Coca-Cola's score of 2.5. PepsiCo's savory snacks also achieve the highest score in the category, though it is still relatively low, at 2.7, as are its carbonates, at 2.2. The company's

bottled water products achieve a similarly low rating of 2.1, slightly below that of Coca-Cola, at 2.2. Nestlé's bottled water products rate the highest, with a mean category score of 3.0. Likewise, PepsiCo's sports and energy drinks score just below those of Coca-Cola, at 1.5 and 1.6 respectively.

### Conclusion

As PepsiCo does not disclose the percentage of its portfolio in the United States which is made up of healthy products, or the sales derived from them, it is not possible to compare those figures with the results of the Product Profile. The company should improve its transparency in this area. This will help investors and other stakeholders to understand the nutritional profile of its portfolio, to track improvements the company makes over time and how it compares to its competitors.

For the five product categories assessed, it has category-leading mean HSRs in three of them, but only in one case is the score higher than the healthy threshold of 3.5. The company should step up its investment in

product reformulation, as well as in new product development and/or make acquisitions to improve the healthiness of its U.S. product portfolio overall. The company should also fully define its product reformulation targets and report publicly what percentage of products already meet these targets in the U.S. market.

# PepsiCo, Inc.

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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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