

PepsiCo

Product categories assessed
Breakfast Cereals|Carbonates|Savoury Snacks|Energy Drinks|Sports Drinks

Percentage of company US sales covered by Product Profile assessment
80-90%

Headquarters
Purchase, New York, U.S.

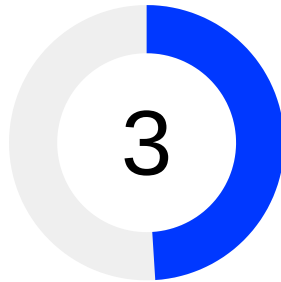
Number of US employees
-

Type of ownership
Public

Sales revenue (range) of packaged foods and beverages
USD 47-52 Billion

US share in global packaged food and beverage sales
42-47%

Euromonitor International Limited [2021]
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Rank 3 / Score 4.9

Rank 3 (2018)



Product Profile 1¹

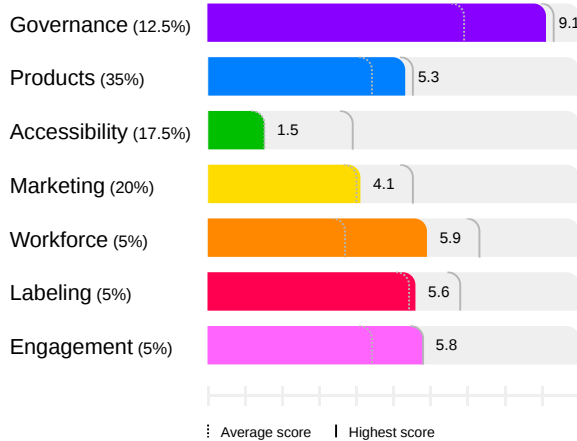
Rank 7 / HSR 2.2 1²

Rank 6 (2018) 1³

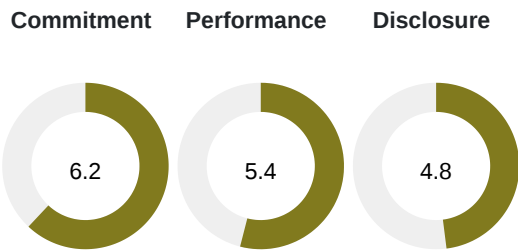
Important:

The findings of this Index regarding companies' performance rely to a large extent on information shared by companies, in addition to information that is available in the public domain. Several factors beyond the companies' control may impact the availability of information. Therefore, in the case of limited or no engagement by such companies, this Index may not represent the full extent of their efforts.

SCORING OVERVIEW



(%) Figure in brackets is the weighting of the category
All category and criteria scores are out of 10



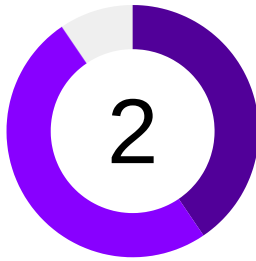
The bar graph to the left shows company performance across the seven Index categories, which are key topic areas of assessment, and scores are shown for each category. The circles above provide an alternate view on the company's overall results, showing the score per indicator type.

CATEGORIES

The US Index 2022 assesses companies' nutrition-related commitments and policies, practices and disclosure across seven categories. A product profiling exercise, assessing the healthiness of companies' product portfolios using the Health Star Rating model is also part of the Corporate Profile.



GOVERNANCE
12.5% OF OVERALL SCORE



Rank 2 / Score 9.1

Rank 3 (2018)

Highest score 9.3

Average score 6.9

A1 Nutrition strategy

A2 Nutrition management

- In 2021, PepsiCo, announced 'Pep+ (PepsiCo Positive)', the company's new framework for strategic end-to-end transformation, which places sustainability at the center of their business. While this new strategy is global and not US-specific, it builds upon the company's ongoing efforts to help establish a more sustainable food system – from sourcing ingredients and making and selling products in a more sustainable way to inspiring consumers through their brands to make better choices for themselves and the planet. This strategy includes two commitments focused on nutrition: (1) Advance Food Security: By 2030, the company aspires to partner with communities to advance food security and make nutritious food accessible to 50 million people; and (2) Positive Choices: PepsiCo continues to evolve its portfolio of food and beverage products including (a) incorporating more diverse ingredients in both new and existing food products that are better for the planet and/or deliver nutritional benefits, prioritizing chickpeas, plant-based proteins, and wholegrains; (b) expanding the company's position in the nuts and seeds category, where it is already the global branded leader; and (c) accelerating reduction of added sugars, sodium, and saturated fat within its portfolio through the use of science-based targets and cooking its foods with healthier oils.

- In addition, PepsiCo is part of the American Beverage Association's Balance Calories Initiative (BCI), together with Coca-Cola and KDP. The BCI has committed to decrease beverage calories in the American diet by 20% by 2025. Through this association, PepsiCo makes an implicit commitment to improving the nutritional quality of its products.

- Through its association with BCI, PepsiCo also commits to addressing the needs of priority populations in the US. BCI tracks calorie reduction efforts in five US communities where health disparities have led to higher obesity rates compared to national average, and where reducing beverage calories is expected to be most challenging. The most recent evaluation concluded that beverage calories per person fell in all five selected communities.

- PepsiCo adopts a multi-faceted approach to addressing obesity, which includes product innovation and reformulation to reduce added sugars, sodium and saturated fat; increasing nutritious offerings; transparent labeling about product ingredients; adhering to responsible marketing policies; and meeting food quality and safety standards. PepsiCo is also a member of the Portion Balance Coalition in the US, which is central to the company's efforts to address the prevalence of obesity and overweight by focusing on the volume (size), proportionality (variety), and quality (nutrient density) of food, drinks, and meals, by activating consumers to create demand and acceptance for balanced food portions. This thereby enables the industry to respond to the demand.

- PepsiCo's global reformulation strategy includes time-bound targets, grounded in public health authorities' dietary recommendations to reduce the incidence of various diet-related diseases. PepsiCo has also developed PepsiCo Nutrition Criteria, which guide product innovation and reformulation and set standards for nutrients to limit. They also inform the nutrients and food groups to encourage that are based on the latest science and country specific dietary guidelines, including the US Department of Agriculture and National Academy of Medicine.

- PepsiCo's senior leadership team – made up of the Chairman, CEO, Sector CEOs, and top functional leaders – assume direct oversight of the sustainability agenda, strategic decisions, and performance management. This includes the company's product-

related sustainability goals, which focus on improving the nutritional profile of product portfolio. The company also discloses that the CEO's remuneration is tied to nutrition-related objectives.

- Progress against the company's Environmental, Social, and Governance goals is overseen by the full senior leadership team on an annual basis. PepsiCo assesses and reports on progress toward its reformulation goals annually. Since 2017, PepsiCo has partnered with Partnership for a Healthier America (PHA) to independently verify the company's reported progress delivering on these goals. In addition, progress on the BCI annual reporting is audited through a third party.

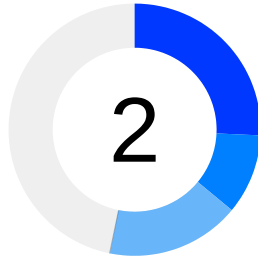
Areas of improvement

- While the company's association with the BCI illustrates a commitment to address the needs of priority populations, details of this work are only mentioned briefly in the company's own report. PepsiCo is encouraged to report on the progress against the work conducted with the BCI.



PRODUCTS

35% OF OVERALL SCORE



Rank 2 / Score 5.3

Rank 3 (2018)

Highest score 5.5

Average score 4.4

- B1** Product Profile
- B2** Product formulation
- B3** Defining healthy products

- As part of its Pep+ strategy, PepsiCo has the goal of expanding its portfolio to provide more consumer choice with products that are better for planet and people. The company has committed to reducing added sugars in its beverage portfolio, and sodium and saturated fat in its foods, by 2025. The company has been working with PHA, to use their third-party verification process to verify PepsiCo's 2025 nutrient reduction goals. However, a US-specific report against these targets was not disclosed.
- In 2019, the company updated its nutrient profiling model (NPM), the PepsiCo Nutrition Criteria (PNC). The PNC generates scores based on more than one nutritional attribute, enabling products to be ranked on their overall nutritional value. PepsiCo is one of the two Index companies found to have such a model. The PNC were designed to be inclusive of its relevant portfolio, comprising both nutrients of concern and positive nutrients. Furthermore, the PNC has been published, with the rationale behind it, in a peer-reviewed journal, explaining how the PNC is used to guide innovation and the reformulation of products by applying a progressive system.
- PepsiCo offers a variety of food and beverage products that are compliant with United States Department of Agriculture standards to be sold in K-12 Schools and High Schools. The company commits to formulate all products sold through retail and other outlets, which have the same 'look and feel' as products sold under the Smart Snacks in School regulation, with the same nutritional standards. To improve performance, the company is encouraged to continue reviewing its current schools portfolio to reformulate products to be healthier.
- The company has committed to using more diverse ingredients (legumes, wholegrains, plant-based proteins, fruits and vegetables, and nuts and seeds) that are better for the planet or deliver nutritional benefits. However, no US-specific time-bound targets and/or report on progress was found.

Areas of improvement

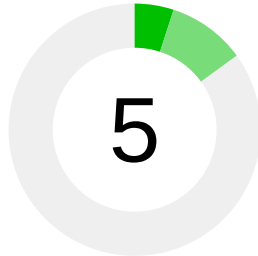
- PepsiCo could improve its performance by adopting a time-bound and US-specific target to increase overall sales from healthier foods and beverages (compliant at minimum with PNC). Similar to its Pep+ strategy, the company is encouraged to report progress against this target on an annual basis.
- The company shows how its PNC is aligned with government guidelines. However, there is no information about overall portfolio performance of the PNC against external standards (i.e., from comparing against an externally validated, government-endorsed NPM). The company is encouraged to publicly disclose how its PNC aligns with relevant US benchmarks – for example the United States Food and Drug Administration's voluntary sodium guidelines and updated definition of "healthy."
- PepsiCo is encouraged to continue reviewing its current schools portfolio to reformulate products to be healthier.





ACCESSIBILITY

17.5% OF OVERALL SCORE



Rank 5 / Score 1.5

Rank 2 (2018)

Highest score 3.9

Average score 1.5



Product pricing



Product distribution

- On a global level, PepsiCo developed the 'Pep+ sustainability strategy', launched in September 2021, which seeks to "advance food security and make nutritious food accessible to 50 million people by 2030" through both commercial and philanthropic activities. The commercial aspect involves products that meet nutritional criteria, affordability metrics, and a focus on "lower-income consumers at risk for undernutrition, as determined at the market level and informed by local socioeconomic indicators and externally available data." However, the extent to which this strategy will be rolled out in the US is unclear.
- That said, PepsiCo showed evidence of a US-specific affordability strategy for its healthier snack options (which include legumes, fruits, vegetables, and wholegrains), which includes a focus on reaching consumers of color and low-income groups. The strategy involves developing a range of pack sizes to meet all price points, as well as working across mainstream retail and online channels to ensure its healthier products reach consumers across the income spectrum.
- PepsiCo also partners with E-commerce partners to offer free delivery for zero sugar and better-for-you snack products, to help reach those without proximate access to convenience stores. The company also uses digital tools to prioritize its 'better-for-you' options in online search results to nudge consumers towards these healthier alternatives.
- PepsiCo primarily addresses accessibility and food insecurity in the US through its philanthropic partnership with Feeding America, as well as through its 'Food for Good' program. The latter sees the company manufacture, distribute, and sell (at cost) "nutritious meals" to non-profit organizations in the US, who then distribute them through non-commercial programs like summer and afterschool programs.



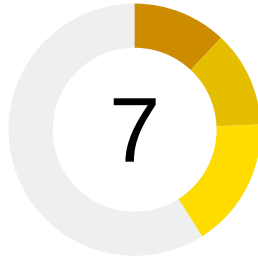
Areas of improvement

- PepsiCo is encouraged to ensure that the commercial aspect of its 'Pep+ sustainability strategy' is also implemented in the US. In doing so, it is advised to set targets on reaching low-income consumers with the products that meet its affordable nutrition criteria.
- PepsiCo is encouraged to disclose information about its affordability strategy for its 'better-for-you' snack options, including working with retailers, as well as its activities as part of the BCI with zero sugar beverages. It is also advised to track the relative prices per serving of these options compared to its broader snacking and/or beverage portfolios, and work to improve the price differentials between them.
- PepsiCo is recommended to be more transparent about how it defines 'nutritious meals' as part of its Food for Good program. It is also encouraged to develop a policy to ensure that its product donations are made responsibly, consisting predominantly of healthy nutritious products, so they do not unintentionally exacerbate public health issues. For example, PepsiCo could commit to responsible donation guidelines, such as the Healthy Eating Research (HER) Nutrition Guidelines. In addition, it is recommended to track the nutritional profile of its product donations for philanthropic programs.



MARKETING

20% OF OVERALL SCORE



Rank 7 / Score 4.1

Rank 3 (2018)

Highest score 5.5

Average score 4

- D1** Marketing policy
- D2** Marketing to children
- D3** Auditing and compliance

- PepsiCo has a detailed marketing policy for all audiences, including a specific policy section for children, which includes information on the forms of marketing it entails, and gives an extensive list of commitments regarding a fair representation of their products. Furthermore, it has an ad hoc or unstructured process in place when a case of non-compliance is detected.
- PepsiCo is one of the two Index companies who make a commitment for some of its non-commercial US programs relating to nutrition education (GenYouth) to exclude product branding.

Areas of improvement

- Where the PepsiCo's policy for children indicates no marketing or advertising in primary schools, no such commitment is made for secondary schools or other places where children gather. The company is recommended to extend its policy of no marketing to children to the aforementioned places.
- PepsiCo undergoes Children's Food and Beverage Advertising Initiative auditing and is encouraged to make the marketing compliance levels public. No information on auditing the compliance of marketing for the general audience was found. This is therefore recommended to ensure annual independent external auditing of the company's compliance with its general marketing policy (applicable to the US), covering all media specified in the policy.
- Although PepsiCo made a commitment to increase spending of marketing for healthier products, it is recommended PepsiCo publishes a commentary outlining the changes to the company's marketing spending in support of healthier eating, relative to their overall marketing budget.



WORKFORCE 5% OF OVERALL SCORE



Rank 3 / Score 5.9

Rank 3 (2018)

Highest score 7.3

Average score 3.7

E1 Employee health

E2 Breastfeeding support

- PepsiCo's Healthy Living program has a focus on nutrition and includes quantitative information on the outcomes of the program.
- PepsiCo provides some nutrition education to employees through its Kurbo Health Coaching program, which is a weight management program "that offers one on one coaching to help users eat better, exercise more, and lose weight."
- PepsiCo is one of two companies assessed in this Index to provide information on the health impact of its nutrition programs in the US.
- PepsiCo has a public paid parental leave policy in the US of six to 14 weeks.

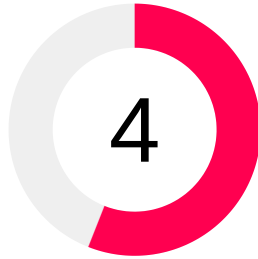
Areas of improvement

- PepsiCo should consider a commitment to making its workforce nutrition program available to all employees and all family members, and continue to publish information on the percentage of employees that participate. PepsiCo has various workforce programs but extensive information was not found in the public domain for all of these. Eligibility varies by program but can include either all employees or benefits eligible employees (including covered spouses/partners/dependents).
- PepsiCo could commit to improve the health and nutrition of groups across the food value chains it is involved in, that are not directly employed by the company (supply chain partners in the US), through programs focused on nutrition.
- PepsiCo is encouraged to extend its current paid parental leave policies to ideally six months or more.
- PepsiCo is advised to develop and publish a US policy on supporting maternal health and breastfeeding mothers at work, which applies equally in all facilities. The company should extend its current support of providing private, hygienic, safe rooms to express breastmilk with a refrigerator, along with other flexible working arrangements to support breastfeeding mothers, by ensuring this is available in all locations. Currently, this only occurs in locations with more than 500 employees.



LABELING

5% OF OVERALL SCORE



Rank 4 / Score 5.6

Rank 5 (2018)

Highest score 6.8

Average score 5.4

F1 Product labeling

- PepsiCo uses the Facts up Front (FuF) labeling icons to display front-of-pack (FOP) information which shows the calories, saturated fat, sodium, and total sugar contained in each serving of a food or beverage product.
- Nutrition information is displayed online via SmartLabel for all of PepsiCo's US product portfolio.
- PepsiCo provides some filters on direct-to-consumer channels, including 'good or excellent sources of protein, fiber, or wholegrains' and 'low in sodium'.

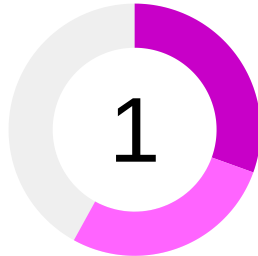
Areas of improvement

- PepsiCo is advised to adopt an interpretive FOP labeling system and apply this to all products in its portfolio. Information on the type of FOP labeling used by the company should be disclosed publicly.
- PepsiCo is encouraged to further track the percentage of its portfolio that is compliant with its approach to FOP labelling and publicly report on this.
- PepsiCo is encouraged to use an externally recognized NPM to underpin FOP labeling information in the US.
- PepsiCo could provide the percentage of wholegrain relative to all grain or refined grains on all relevant products, to assist consumers in making informed decisions on the healthiness of products. Currently, some PepsiCo products carry the Whole Grain Stamp.
- PepsiCo is encouraged to commit to providing fruit and vegetable content information on all relevant products.
- PepsiCo is encouraged to use a healthy filter aligned with FOP information, or a filter that allows a selection of at least three nutrients on direct-to-consumer channels.



ENGAGEMENT

5% OF OVERALL SCORE



Rank 1 / Score 5.8

Rank 2 (2018)

Highest score 5.8

Average score 4.4

- G1** Influencing policymakers
- G2** Stakeholder engagement

- The Board's Sustainability, Diversity, and Public Policy Committee is responsible for reviewing PepsiCo's political activities and expenditures. PepsiCo also annually reviews its trade association membership, providing details about its engagement process.
- PepsiCo has lobbied with the American Beverage Association (ABA) and state-level trade associations in support of legislation in Chicago, New York City, and Ohio to support healthier 'default' beverage options for children's meals at restaurants in an effort to reduce child obesity.
- However, the company provides no examples of lobbying in support of World Health Organization (WHO)-endorsed government policies to address malnutrition (including obesity and diet-related non-communicable diseases (NCDs)) in the US, at federal, state, or local level.
- PepsiCo discloses all trade associations to which it pays membership dues over \$25,000, and indicates the dues used for lobbying (as a percentage) for those it pays over \$100,000 in total contributions only.
- PepsiCo comprehensively discloses its political contributions made directly from the company treasury at state and local levels and via political action committees (PACs), as well as those made by its employee-funded PAC, the Concerned Citizens Fund PAC.
- PepsiCo demonstrates leading practice in terms of disclosure regarding lobbying spending – disclosing the total amount spent in the US annually, a link to its Lobbying Disclosure Act reports, a list of the names of its lobbyists and lobbying firms, and indicating the states it is actively lobbying in.
- PepsiCo publishes a range of its policy positions on important WHO-endorsed measures. For example, it indicates that it would not support fiscal measures relating to nutrition or marketing restrictions, indicating that self-regulation are "more effective ways" of improving public health. It also indicates support for FOP labeling "to help consumers make informed choices about what they're eating."
- PepsiCo provided evidence of engaging with several recognized public health-oriented civil society organizations regarding its nutrition strategy and practices, discussing their marketing policies, product goals, performance and challenges, sugar reduction, and advocacy priorities in the US. Meanwhile, its research and development team frequently meet with academics to discuss PepsiCo's nutrition strategy, amongst other topics – for example, the Tufts University Food & Nutrition Innovation and Personalized Nutrition Initiative at University of Illinois.
- PepsiCo engages in consumer education via the ABA's BCI, which partners with a range of organizations – including Barrio Action Youth & Family Center, The Campaign Against Hunger, Washington Literacy Center, Positive Atmosphere Reaches Kids, and Casa Familiar – to implement nutrition education, particularly concerning reducing sugar consumption. It is not clear the extent to which the industry initiative is involved in designing these programs.

Areas of improvement

- PepsiCo is encouraged to undertake audits of the company's lobbying activities, disclosure, and compliance with its lobbying policies.
- PepsiCo is encouraged to actively support (or commit to not lobby against) key WHO-endorsed public policy measures to address obesity and diet-related NCDs, such as fiscal measures to address obesity, regulatory restrictions on marketing/advertising unhealthy products (to children), or increased FOP labeling requirements, whether at federal, state, or local level. Publishing links to specific documents used in government engagements is also encouraged.
- PepsiCo is encouraged to disclose a more comprehensive list of trade association memberships, reducing the threshold for disclosure to \$10,000 in membership dues, for example. Moreover, it could indicate on which Boards it holds seats, if any.
- PepsiCo could improve its disclosure regarding its lobbying positions on key public health policies, such as those recommended by WHO, by making them as specific and unambiguous as possible.
- PepsiCo is strongly encouraged to improve its transparency regarding the stakeholder organizations it engages with for feedback on its nutrition-related topics, strategy and practices, as well as indicating the degree of financial compensation for these engagements (if any).
- PepsiCo is encouraged to improve its public reporting of the content of discussions during stakeholder engagements, and which aspects of the company's nutrition-related activities are being discussed. Importantly, the company should also be clear about the outcomes of the engagements, and how they were used to change its practices or plans.

PRODUCT PROFILE ^{i 4}



7

Rank 7/11 / Score 2.2/5

The Product Profile is an independent assessment of the nutritional quality of companies' product portfolios. For this purpose, ATNI uses the Health Star Rating (HSR) model, which rates foods from 0.5 to 5.0 based on their nutritional quality. The underlying nutrient profile model assesses nutrients of concern (sodium, total sugar, saturated fat, and overall energy) and positive food components/ nutrients (fruit and vegetable content, protein, fiber, and, in some cases, calcium) to score products on the basis of nutritional composition per 100g or 100mL. ATNI uses the threshold of 3.5 stars or more to classify products as generally healthier. Product Profile results account for 20% of the total Index score.

Portfolio-level Results

Average HSR (out of 5 stars) (sales-weighted)	Products meeting the 'healthy' threshold (HSR of (3.5 stars or more))			Range of total 2021 US sales covered ^{i 5}
	Total no. products assessed	% of distinct healthier products	% sales from healthier products*	
2.2	1671	28%	25%	80-90%

ATNI estimates this value by taking the proportion of 'healthy' products within each category assessed and multiplying that figure by the corresponding category US retail sales-values in 2021. The values are then aggregated to generate an estimate of the overall US healthy sales.

- PepsiCo's average sales-weighted HSR is 2.2 (stars) out of 5 (2.4 unweighted), ranking seventh out of the 11 companies assessed in the Product Profile. A total of 1671 products across the company's five best-selling product categories were assessed using the HSR system.
- 28% of distinct products analyzed for PepsiCo met the 'healthy' threshold (3.5 stars or more in the HSR). When taking category sales values into account, the company was estimated to derive 25% of its 2021 US retail sales from healthier products. These results are largely influenced by the fact that the company derives majority of its US sales from the Savoury Snacks and Carbonates categories.



Mean Health Star Rating by category for PepsiCo

	No. of products assessed	Mean HSR
Breakfast Cereals	124	3.2
Carbonates	217	1.1
Energy Drinks	187	2.3
Savoury Snacks	943	2.7
Sports Drinks	200	2.1

• Among categories assessed, PepsiCo's products in the Breakfast Cereal category (Quaker brand) had the highest mean HSR (3.2 out of 5). A total of 124 products from the Breakfast Cereal category were analyzed, and 59 (48%) met the 'healthy' threshold. The category with the largest number of products assessed was Savoury Snacks (major brands include Lay's and Doritos). 268 (or 28%) of the unique 943 Savoury Snacks products analyzed met the 'healthy' threshold.

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US INDEX 2022

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Footnotes

1. The Product Profile corresponds to criterion B1, assessing the nutritional quality of companies' portfolios, relative product quality within categories compared to peers and changes in portfolio healthiness over time.
2. The current Product Profile score accounts for 20% of the total Index score. It corresponds to criterion B1 of the Index.
3. In the US Index 2018, the Product Profile Assessment was conducted as a separate assessment. The results were based on scores generated by applying the Health Star Rating (HSR) nutrient profiling system, which analyzes the level of several positive nutrients (e.g. fruits, vegetables and fibers) and several negative nutrients (e.g. salt, sugar and saturated fat) in products.
4. The Product Profile is an independent assessment of the nutritional quality of companies' product portfolios. For this purpose, ATNI uses the Health Star Rating (HSR) model, which rates foods from 0.5 to 5.0 based on their nutritional quality. The underlying nutrient profile model assesses nutrients of concern (sodium, total sugar, saturated fat, and overall energy) and positive food components/ nutrients (fruit and vegetable content, protein, fiber, and, in some cases, calcium) to score products on the basis of nutritional composition per 100g or 100mL. ATNI uses the threshold of 3.5 stars or more to classify products as generally healthier. Product Profile results account for 20% of the total Index score.
5. Retail sales data derived from Euromonitor International.

