

Sugar

Overview, Rationale and Goal

The U.S. Food and Drug Administration's (FDA) guidelines on added sugars intake recommend adults and children limit their daily intake of added sugars to less than 10 percent of their total energy intake. This would equate to a maximum of 50g of added sugars per day based on a daily intake of approximately 2,000 Calories (where 1g sugar = 4 Calories).

Informed by the guidelines on added sugars intake provided by the FDA, we have set a goal to help consumers reduce the amount of added sugars in their diets. This also fits within WHO and other authorities guidelines on "free sugars." Our goal, as part of our sustainability agenda, is that **by 2025, at least two thirds of our global beverage portfolio volume will have 100 Calories or fewer from added sugars per 12 ounce serving.**

Our goal is designed to shift a significant portion of our beverage portfolio towards lower calorie levels that make it easier for consumers to follow the FDA's recommendations. We will do this by expanding our portfolio of zero- and lower-calorie beverages and reducing added sugars in our overall beverage portfolio.

Approach

As we look across our total beverage portfolio, there are a number of ways we intend to make progress on our added sugars reduction goal – including reformulating our existing beverages and innovating new products that meet the criteria we have set with our goal.

For some of our core global brands, we are actively looking to expand the scale of our zero- and lower calorie beverage options. Pepsi Zero Sugar (known as Pepsi Black or Pepsi MAX in international markets), with zero sugar and zero calories, was sold in 82 markets as of the end of 2018, up from 28 markets in 2015. In addition, we have rolled out 7UP and Mirinda recipes with at least 30-50 percent less added sugars in more than 80 markets, replacing the full-sugar versions.

In addition, new beverage products are being developed to conform to our added sugars goal, an effort that is evident in recent launches in the United States, including Bubly, a line of flavored sparkling water with zero sugar. Our portfolio of zero- and lower-calorie beverage options stretches across product categories, and includes unsweetened Pure Leaf Iced Teas; Starbucks Iced Coffees; LIFEWTR, our premium water brand that will continue its international expansion through 2019; and KeVita, our probiotic-based beverage brand. In 2018, we continued to build our water portfolio, with the acquisition of SodaStream.

The exact approach we take will vary from market-to-market and brand-to-brand. There is no one-size-fits-all approach, so we will tailor our strategy to meet the changing needs of local markets and local consumers.

Performance & External Validation

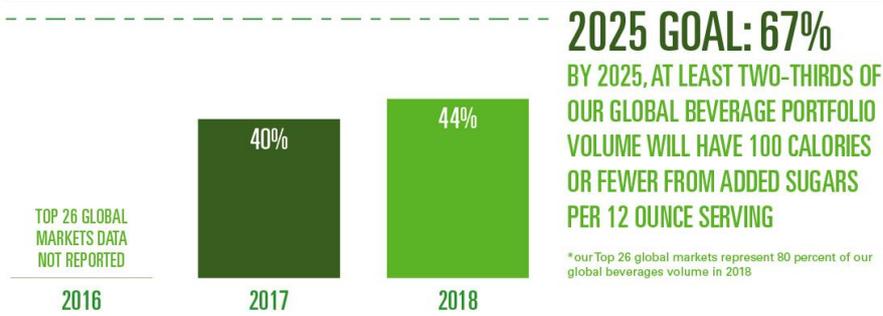
By the end of 2018, 44 percent of our beverages volume in our Top 26 global markets (representing 80 percent of our global beverages volume), was in line with our goal of 100 calories or fewer from added sugars per 12 ounce serving, an improvement from 40 percent at the end of 2017. Within our Top 10 global markets, (representing 61 percent of our global beverages volume), 47 percent of our beverages volume was in line with our goal, an improvement from 43 percent as of the end of 2017.

We have also formed an agreement with Partnership for a Healthier America (PHA), an organization that works with the private sector to help improve the health of youth in the United States by addressing childhood obesity, to conduct an independent review of our progress against our added sugars goal. The first year of this review was conducted in relation to 2016 data. Most recently, this review looked at 2017 SKU level data of products in our both our Top 26 and Top 10 global markets, and confirmed the accuracy of our calculations and the reliability of the methodology we use to make those calculations. Further detail about the review is published within PHA's annual report. We plan to continue conducting independent reviews of the data and methodology, in order to continue to drive transparency around this important goal.

¹ The definition of "free sugars" and "added sugars" are similar, but differ on how they treat juices and juice concentrates.

Our Progress

OUR PROGRESS: ADDED SUGAR TOP 26* GLOBAL MARKETS



OUR PROGRESS: ADDED SUGAR TOP 10* GLOBAL MARKETS

