

May 17, 2000

The Iams Company
Quality Review Board Report and Findings

Quality Review Board consensus statement:

“Iams’ commitment to quality remains a primary and enduring focus. Information presented indicates that Iams is well within its long-established quality standards and, based on observations, the quality has been maintained, if not enhanced. Employee morale is high, and employee dedication to company quality standards is impressive.”

Quality Review Board overview:

The Iams Company Quality Review Board is a seven-person panel of third-party, independent experts. The Board -- representing pet specialty retailers; research nutritionists; veterinarians; animal welfare organizations (ASPCA); dog and cat breeders and pet enthusiasts -- draws on the varied perspectives of these industry professionals who are active in promoting the well-being of dogs and cats.

The Quality Review Board was established to observe and report on The Iams Company’s quality assurance programs and procedures. Following the acquisition of The Iams Company by Procter & Gamble in September 1999, and the more recent expansion of the Iams brand into grocery and mass distribution channels, some parties have questioned whether or not the quality of Eukanuba and Iams Dog & Cat Foods will be maintained. The Company stands by the quality of its products, and invited third-party experts to validate this commitment.

Objective:

The purpose of the Quality Review Board is to evaluate The Iams Company’s manufacturing and formulation processes to assess the overall quality of the Company’s pet foods.

Board Members:

Bios for each Board member, and for the group’s professional facilitator, are attached as Appendix A. The Board members are:

- Jim Corbin, PhD, research nutritionist and Professor Emeritus in Animal Science, University of Illinois, Champaign-Urbana, IL
- Steven Hansen, DVM, Senior Vice President, ASPCA, Urbana, IL
- Alice Jeromin, DVM, board certified pet dermatologist, Richfield, OH
- Jim Measday, owner of New Jersey Pet Supply, East Hanover, NJ
- Vicki Seiler, dog breeder, professional handler, kennel owner, Vandalia, OH
- Dick Waugh, owner of Pets n’ Stuff, Lakewood, CO
- Don Williams, cat breeder, show judge, president of Cat Fanciers’ Association, Ocala, FL

Quality Review Board Proceedings:

The Board met on April 19, 2000 at the Iams manufacturing plant in Leipsic, Ohio, to review and report on the quality of Eukanuba and Iams products. The Board toured the Leipsic plant, including laboratory and warehouse facilities.

Third-party facilitator, James Poole of OBI, Inc. of Boston, MA, moderated the Quality Review Board meeting. Dan Carey, DVM, director of technical communications, Iams Research & Development, provided an overview of Iams R&D. Dave Bechtel, Iams director of quality assurance, presented the Company's quality control processes and audits, including detailed information regarding:

- Quality assurance procedures and reports in place at all Iams plants
- Auditing/sanitation survey results
- Iams information systems and protocols which support quality data and documentation
- Eukanuba and Iams product enhancements since 1993.

Mr. Bechtel's presentation included a comprehensive look at three key elements of the Iams product line – chicken protein, lipid or fat, and carbohydrates – broken into the time periods January-August 1999 and September-December 1999. There has been no statistically significant change in these three areas since the acquisition by P&G.

After the presentations by Dr. Carey and Mr. Bechtel, the Board toured the Leipsic plant facility. Key areas included the quality control laboratory; purchasing/raw materials storage; grinding & mixing; batching & extrusion; drying & cooling; enrobing (application of liquid digest for palatability); packaging; warehousing; and shipping. During this time, Board members had an opportunity to freely interact with plant employees.

Consensus Process:

The Quality Review Board then developed conclusions based on the members' individual areas of expertise and the information they reviewed and critiqued during and after the presentations and plant tour.

Following is a summary of the Board's conclusions:

1. Quality Review Board conclusion: Iams commitment to quality has not changed.

- Based on the quality assurance information presented, as well as comparisons of current products to previously formulated products, the Board concluded that Iams has *not* lessened its product quality, nor compromised its commitment to researching and producing top-quality premium pet foods. In addition, the Board members collectively defined quality based on six attributes: uniformity, acceptance by dogs and cats, freshness, consistency, nutritional value and digestibility.

2. Quality Review Board conclusion: The Company has thorough documentation of its quality assurance procedures and improvements.

- Iams has identified and implemented 56 procedures broken into six stages of the product lifecycle, each with a set of individual quality standards and minimum testing requirements. In addition, according to the Company's scientific quality assurance testing and analysis, Iams improved its overall evaluation scores by 16.5% in January-March 2000, compared to the same period in 1999.

3. Quality Review Board conclusion: Any product changes that occurred were designed to enhance the products.

- In May 1999, Iams enhanced the amount and quality of chicken protein in its Iams brand dog and cat food formulations. More recently, the Company introduced a patented carbohydrate blend that further boosts the nutritional value of Iams' products. All product changes were documented and shown to be enhancements to the products.

4. Quality Review Board conclusion: The Iams Company has demonstrated a clear focus on quality and continuous improvement.

- The Board took notice of Iams' rigorous quality review program, including unannounced audits by the American Institute of Baking (AIB), quarterly retail audits and monthly product evaluation by Iams staff to ensure quality in nutritional content, color, odor, size, shape, visual appearance and bag/can integrity. In 1999, this commitment to quality earned Iams a "superior" rating at all five of its North American manufacturing facilities. "Superior" is the highest rating assigned by the AIB, and is attained by 37% of the human and pet food manufacturing facilities inspected by AIB.

5. Quality Review Board conclusion: Product innovations and improvements are based on comprehensive scientific data that is peer-reviewed and published.

- Iams has more than 55 scientists on the R&D staff with research alliances in six countries and more than 34 pet nutrition research sites. Iams researchers work with leading universities throughout the world to conduct independent studies. Iams dedicates a large percentage of sales to R&D, and has increased that percentage for 2000.

6. Quality Review Board conclusion: Pet owner acceptance of Eukanuba and Iams products remains high and product performance complaints remain low.

- Pet owner complaints have declined over the past two years. Complaints were down 22% in 1999. For first quarter 2000, complaints were down 13%.

7. Quality Review Board conclusion: Employee commitment to the Company's mission (*to enhance the well being of dogs and cats by providing world class quality foods*) and management's dedication to product quality was impressive.

- The Board was impressed with employee attitudes toward Iams as a company, which supports findings from a 1999 Iams employee survey in which 93 percent of respondents said they were "proud to work at Iams." Additionally, Iams scored in the 90th-plus percentile, among national averages of a variety of categories including "my work is satisfying" and "I know what is expected of me in my work." Since the 1999 survey, Iams management has actively followed-up on employee suggestions for further enhancing job satisfaction. Employee attitude surveys are conducted every two years.

Summary

After coming to the above conclusions, the Quality Review Board worked with the facilitator to summarize its conclusions in the single consensus statement cited on the first page of this report:

"Iams' commitment to quality remains a primary and enduring focus. Information presented indicates that Iams is well within its long-established quality standards and, based on observations, the quality has been maintained, if not enhanced. Employee morale is high, and employee dedication to company quality standards is impressive."

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**Quality Review Board
Appendix A
Board Member Bios**

JAMES E. CORBIN, PhD

PROFESSOR EMERITUS, DEPARTMENT OF ANIMAL SCIENCES
UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN – URBANA, IL

Jim has had a life-long interest in the area of canine and feline nutrition. Professor of Animal Science at the University of Illinois for more than 25 years, he established the University's Companion Animal Biology program. Prior to joining the University, Jim was in charge of pet nutrition at Ralston-Purina for almost 19 years. Jim is a member of the Food & Drug Administration Association of Animal Feed Control Officials (AAFCO)'s Canine Nutrition Experts (CNE) and Feline Nutrition Experts (FNE) committees.

STEVEN R. HANSEN, DVM, MS, DABT, DABVT

SENIOR VICE PRESIDENT
ASPCA – URBANA, IL

Steve is responsible for the operations of the ASPCA's National Animal Poison Control Center and Animal Product Safety Service. He received his BS and DVM degrees from Iowa State University. Dr. Hansen completed a residency program in Clinical Veterinary Toxicology and received an MS in Veterinary Medical Science (toxicology) from the University of Illinois. Steve was Director of Veterinary Research & Support for Wellmark International (formally, Sandoz Agro Animal Health Division). He also practiced clinical medicine in Houston and Chicago. Steve is board certified by the American Board of Toxicology (DABT) and the American Board of Veterinary Toxicology (DABVT) and holds an adjunct appointment with the University of Illinois College of Veterinary Medicine.

ALICE M. JEROMIN, DVM, ACVD

VETERINARY DERMATOLOGIST
RICHFIELD, OH

Dr. Jeromin is a board certified veterinary dermatologist in a private referral practice in the Cleveland area. She earned her degree in pharmacy from the University of Toledo and her DVM degree from The Ohio State University College of Veterinary Medicine. She is past president of the Cleveland Academy of Veterinary Medicine and an adjunct professor at Case Western Reserve College of Medicine.

JIM MEASDAY

OWNER, NEW JERSEY PETS
EAST HANOVER, NJ

Jim has owned New Jersey Pets together with his brother for 14 years. New Jersey Pets is a three-store pet specialty chain with more than 60 employees. Jim supervised the expansion of the New Jersey Pets store in East Hanover store, and helped manage store openings at South Orange and Verona locations. He has carried Iams and Eukanuba products since the East Hanover store opened in 1986. Jim has been a board member, panelist and speaker at national pet specialty trade shows including WWPSA and H.H. Backer. Jim received his BS in Finance from Seton Hall University and spent 4 years in the US Air Force. His family includes his wife, two daughters and multiple cats.

VICKI SEILER

CERTIFIED PROFESSIONAL DOG HANDLER
VANDALIA, OH

Vicki has been showing dogs professionally for 22 years and is a member of the Professional Handlers Association. In 1992, her peers named her Female Handler of the year. In 1987, she was voted Top Professional Handler. Vicki has shown dogs in Canada, Japan, Mexico, as well as across the U.S. She has won over 100 Best in Shows, won the Working group at Westminster Kennel Club and the American Kennel Club's bicentennial Dog Show. Vicki has finished over 1,000 champions. Vicki has judged many sweepstakes and the Doberman Pinscher Club of America's National Futurity. She lectures frequently to kennel clubs about how to win in the sport of show dogs.

DICK WAUGH

OWNER, PETS N' STUFF
LAKEWOOD, CO

Dick has more than 35 years of retail and wholesale experience in the pet industry. He has owned Pets N' Stuff, a two-store pet specialty retail outfit with 20 employees, for six years. Prior to purchasing and expanding Pets N' Stuff in the Denver area, Dick gained valuable experience as a wholesaler serving the needs of large mass merchandiser chains as well as small independent pet specialty stores. Dick is a big believer in building strong relationships with loyal customers, and his commitment to customer service has resulted in impressive growth at Pets N' Stuff over the past six years. He has two children and two grandchildren. As a successful entrepreneur with a vision for retirement down the road, Dick is currently working with his daughter to take on additional responsibilities in the family business.

DON WILLIAMS
CAT BREEDER & SHOW JUDGE
PRESIDENT, CAT FANCIERS' ASSOCIATION
OCALA, FL

Don has been involved in cat breeding and the feline show industry for more than 45 years. He began showing cats in 1954, and has been a cat show judge since 1962. He has been on the board of the American Cat Association since the 1960s, and has been on the board of directors for the Cat Fanciers Association (CFA) since 1977. He has served as president of CFA for ten years. Don frequently contributes articles and commentary to the Cat Fanciers' Almanac and other cat enthusiast publications. Don and his wife, Leta Williams, also a cat show judge and cat breeder, maintain two catteries: Skyway for their longhaired breeds and Squire for their shorthaired breeds. The Williams' raise Singapura cats and have also bred Persians, Siamese and many others.

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