

# PepsiCo Statement on Modern Slavery and Human Trafficking

June 2017

This statement addresses the California Transparency in Supply Chains Act and the UK Modern Slavery Act and sets out the steps we have taken to ensure that slavery and human trafficking are not taking place in our supply chain or in any part of our business. This statement constitutes our disclosure for the fiscal year ending December 31, 2016.

## Our Business

We are a leading global food and beverage company with a complementary portfolio of enjoyable brands, including Frito-Lay, Gatorade, Pepsi-Cola, Quaker, and Tropicana. Through a complex value chain of our operations, authorized bottlers, contract manufacturers and other third parties, we make, market, distribute, and sell a wide variety of convenient and enjoyable beverages, foods and snacks, serving customers and consumers in more than 200 countries and territories. As one of the largest food and beverage companies in the world, we operate approximately 300 manufacturing facilities and employ roughly 264,000 people worldwide.

For additional information please see our [2016 Annual Report](#).

## Our Approach

We are committed to respecting human rights in our operations, supply chain, and in the communities where we operate. Our approach is guided by the [United Nations Guiding Principles on Business and Human Rights](#), and we are committed to respecting all of the human rights described in [the International Bill of Human Rights](#) and the [International Labor Organization Declaration on Fundamental Principles and Rights at Work](#). We are also a signatory to the [United Nations Global Compact](#) and follow the [Organization for Economic Cooperation and Development Guidelines for Multinational Enterprises](#).

Our Human Rights Operating Council (HROC) annually reviews our business activities, risk assessment findings, and feedback from internal and external human rights experts to determine the most salient issues to rights holders in our value chain. In its last review, the HROC identified vulnerable workers as a salient human rights issue. In particular, they identified migrant workers, women, young workers, and temporary/contract workers as populations with a greater risk of potentially facing adverse human rights impacts, including forced labor and human trafficking. To address this risk, we are building capability in the business to better identify and manage potential human rights violations common to these vulnerable populations in each of our geographies. We are also participating in industry groups and collaborating with other companies to strengthen the respect for human rights across our value chain.

## Our Policies

Consistent with principles embedded in our [Global Code of Conduct](#), [Global Supplier Code of Conduct](#), [Human Rights Policy](#), and [Global Human Rights and Salient Issues Statements](#), we prohibit all forms of slavery in our operations and supply chain, including forced labor and human trafficking.

- Our [Global Code of Conduct](#) (“our Code”) serves as our roadmap for acting ethically and in compliance with all applicable laws, wherever we do business. Our Code recognizes the importance of maintaining and promoting fundamental human rights in our operations and explicitly prohibits forced labor (modern slavery and human trafficking) and child labor. Our Code applies to every employee and governs all of our decisions and actions at PepsiCo.
- Our [Supplier Code of Conduct](#) (SCoC) sets out the expectations we have of our suppliers in the areas of business integrity, labor practices, health and safety, and environmental management. It is based on recognized international human rights standards and explicitly prohibits all forms of forced labor and child labor. Compliance is a condition of our supplier contracts at PepsiCo.
- Our [Human Rights Policy](#) sets out the expectations we have of all our employees in the area of human rights. It is based on recognized international human rights standards and explicitly prohibits all forms of forced labor, human trafficking, and child labor.

- Our [Global Human Rights Statement](#) outlines our approach to respecting human rights in our own operations and in our relationships with suppliers and other business partners throughout our value chain. It houses our commitment to respecting all of the human rights described in the International Bill of Human Rights and the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, which explicitly prohibit all forms of forced labor and human trafficking.

In addition, our [Speak Up hotline](#) provides employees, as well as consumers, suppliers, business partners, and others with a means to report potential violations of our Code, SCoC, other policies, or applicable law. This hotline is an important part of our culture of ethics and compliance at PepsiCo. All employees have an obligation to report suspected violations, and to ask questions, raise issues and seek guidance when a course of action is unclear.

## Human Rights Due Diligence

We manage our human rights risks by assessing adverse human rights risks in our value chain; integrating these findings into our controls and processes; tracking the effectiveness of our actions; and communicating the results. Our initial focus has been on our own operations, first-tier suppliers, and agricultural partners. These areas were identified through internal assessments and feedback from external human rights experts as the points in our value chain where we have the greatest leverage (i.e., our operations) to prevent and respond to human rights impacts and where the risks to rights holders is highest (i.e., supply chain and agricultural partners). We have programs in place to assess adverse human rights risks, independently audit sites, and remediate issues found along our value chain, with a focus on the issues identified in our [Statement on Salient Human Rights Issues](#).

These programs include:

- Our [Global Labor Human Rights Assessment Program \(GLHR\)](#) assesses potential human rights impacts at all of our nearly 300 company-owned manufacturing sites. GLHR assessments are conducted by third-party auditors and conform to the SMETA (Sedex Member Ethical Trade Associate) audit protocol requirements. The program takes steps to identify and address the root cause of each issue found, including through the introduction of on-site corrective action plans to remediate non-compliances. We conducted audits at 77 sites in 2016, finding no instances of modern slavery or human trafficking.
- Our [Sustainable Sourcing Program \(SSP\)](#) assesses risk and monitors supplier compliance with our Supplier Code of Conduct through third-party auditing of our most business-critical direct suppliers and contract manufacturing and co-packing locations. In 2016, 794 on-site audits were conducted or recognized with first-tier suppliers. During 2016, we received two alerts of potential forced labor issues from our on-site auditors. Upon further examination and follow-up, both cases were found not to be forced labor situations. The internal management processes at each site were tested by our auditors, and these locations will undergo additional assessments in 2017 to further verify and confirm no non-compliances have been found.
- Our [Sustainable Farming Initiative \(SFI\)](#) helps us assess our direct growers, identify potential non-compliances, and implement corrective action plans to address human rights issues and improve agricultural practices at the farm level. In 2016, the SFI continued to expand its coverage globally and was implemented across 18 countries, representing 5 crop types (cassava, corn, oats, plantain, and potato) and engaging over 2,500 farmers. As of the end of 2016, we have implemented SFI across 33 countries since its launch, with active programs representing 36,000 growers in our supply chain.

## Training and Awareness

To ensure ethical and legal compliance, PepsiCo conducts an annual worldwide Code of Conduct Training and Awareness Program to ensure our employees understand their obligation to comply with our Code and the behaviors that are expected under the Code. In our 2016 training program, more than 69,000 salaried employees completed a web-based Code of Conduct training and certification course. Our custom-written, scenario-based training Code course featured the theme of “Make Ethics Part of Your Daily Routine” and was designed to help employees make ethical business decisions. It was available in 24 languages and mandatory for all salaried employees who met our eligibility criteria. In addition, more than 179,000 frontline employees in our plants and warehouses received in-person training on the principles of our Code and our Values through training workshops.

We use our Sustainable Sourcing Program to communicate our Supplier Code of Conduct to suppliers, evaluate compliance, and facilitate continuous improvements within our supply chain. In 2016, approximately 95% of our targeted key suppliers completed our SCoC training. This training helps to ensure suppliers understand and comply with the principles of our SCoC and support our goal of long-term sustainable supply by addressing known social risks and building capability in their operations.

## External Engagement

We regularly consult with external stakeholders on our overall approach to human rights, specific allegations, and our salient issues. We also participate in conferences and business group initiatives to improve our knowledge of specific issues and management approaches and to encourage industry-wide progress, where needed. For example, following feedback from several stakeholders, including the Interfaith Center on Corporate Responsibility (ICCR) and the UN Global Compact, we are taking an active role in the Consumer Goods Forum's initiative to fight forced labor through the Social Sustainability Committee. With the release of the Priority Industry Principles on Forced Labor, the Social Sustainability Committee aims to drive global collaboration in identifying and tackling key social sustainability issues for the industry with a focus on ensuring every worker has freedom of movement, should not pay for a job, and should not be indebted or coerced to work.

We are also a founding member of the industry initiative called AIM-PROGRESS and an active member on its Leadership Team. Through AIM-PROGRESS, we collaborate with other companies in the "Fast Moving Consumer Goods Industry" to develop and strengthen sustainability initiatives within our supply chains, streamline common methods of evaluating supplier sustainability performance, and improve the human rights and environmental impacts within our supply chains.

## Next Steps

A decade ago, we launched Performance with Purpose — PepsiCo's vision to deliver top-tier financial performance over the long term by integrating sustainability into our business strategy. Since then, we have been on an important journey as a company, transforming the way we do business so we can deliver strong long-term financial returns in a way that is sensitive to the needs of the world around us. Over the next decade, we will continue to direct our Performance with Purpose efforts toward creating a healthier relationship between people and food while continuing to grow our business. As part of this agenda, we are committed to advancing respect for human rights in our operations and value chain by:

- Continuing to promote the application of the UN Guiding Principles on Business and Human Rights across our operations, third-party suppliers, and with all franchisees and joint venture partners;
- Extending the principles of our Supplier Code to all franchisees and joint venture partners by 2025; and
- Expanding our Sustainable Farming Initiative to include growers of an additional 11 key crops, comprising 75% of PepsiCo's current agricultural-based spend, across approximately 7 million acres by 2025.

We will track and publicly report on our progress against these commitments and other efforts to respect human rights in our value chain on an annual basis. For additional information please see our [2015 Sustainability Report & 2025 Agenda](#) and [2015 GRI Report](#).



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