

PepsiCo Inc.

TICKER
 NYSE:PEP

MARKET CAPITALIZATION
 US\$171 billion

HEADQUARTERS
 United States

COMPLIANCE
 UK Modern Slavery Act: [Disclosure available, but not compliant](#)
 California Transparency in Supply Chains Act: [Yes](#)
COMMITMENTS
[Yes](#)
OVERALL RANKING
7 out of 38

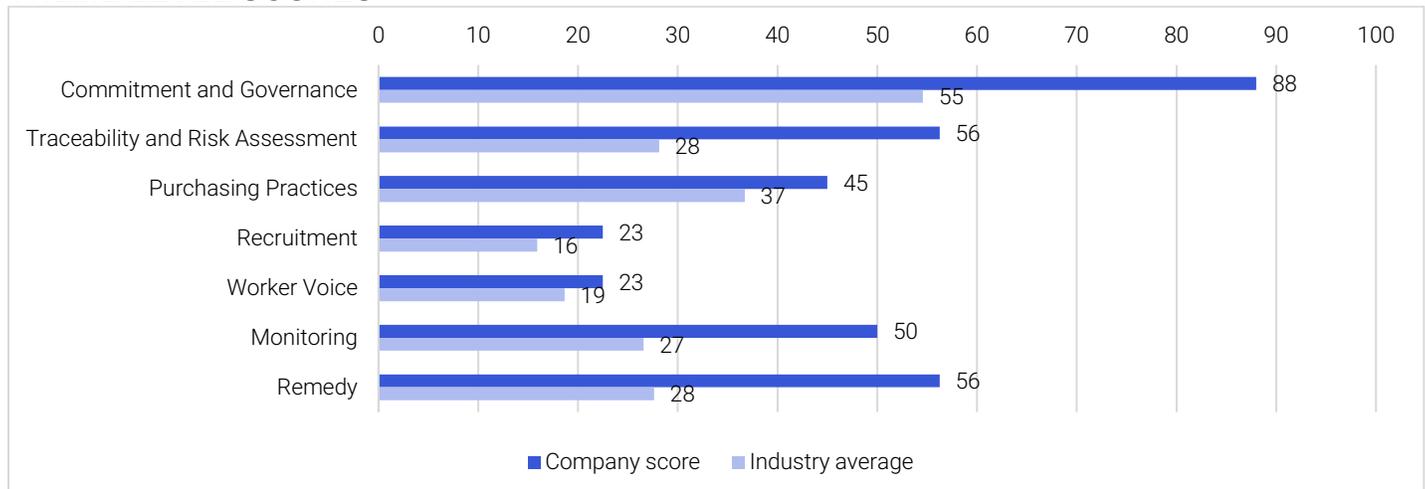
(2016: 4 out of 20)

OVERALL SCORE
49 out of 100

SUMMARY

PepsiCo Inc. (PepsiCo), a beverage, snack, and food company headquartered in the United States, ranks seventh out of 38 companies, disclosing more information on its forced labor policies and practices than its peers across all themes. Compared to 2016, the company improved its score by three points by disclosing a revised version of its supplier code of conduct, which prohibits worker-paid recruitment fees and requires suppliers to cascade standards. The company also discloses undertaking a human rights risk assessment that includes its supply chains and developing a grievance mechanism for its commodity supply chains. Further, the company commits to providing supplier training on its revised code, and additional guidance on forced labor-related risks, particularly recruitment fees and freedom of movement. Additional steps the company could take to address forced labor risks in its supply chains include strengthening its disclosure and practices on the themes of purchasing practices, recruitment, and worker voice.

THEME LEVEL SCORES



LEADING PRACTICES

Risk Assessment: PepsiCo discloses that its Chief Human Rights Officer monitors and assesses human rights risks in its business and the Human Rights Operating Council then identifies the most salient issues on an annual basis. PepsiCo also discloses that it collaborated with Shift in mapping the potential impacts its business had, assuming the perspective of rights holders in its value chain and subsequently identifying salient issues. The process integrated learnings from past assessment and audit findings, and input from internal and external experts, including industry groups, NGOs, human rights bodies, and socially responsible investors.

Grievance Mechanism: In addition to operating an ethics complaint mechanism, PepsiCo discloses that it has developed a grievance mechanism specifically for third parties in its agricultural commodity supply chain to raise social and environmental concerns. It states that the system aims to "achieve outcomes that help people whose rights may have been affected in a way that is satisfactory to all parties of the complaint," and therefore operates under the "principles of transparency, neutrality, and consistency." It further discloses that it "regularly engage[s] a wide range of external stakeholders and human rights experts on [its] approach, salient issues, and specific concerns."

NOTABLE FINDINGS

Supplier training: PepsiCo discloses that, in 2017, 100% of its "targeted key suppliers" completed training on the supplier code of conduct. It further discloses an example of a supplier capacity building in cooperation with AIM-PROGRESS in Malaysia that aimed at "strengthening internal and external grievance mechanisms and reducing forced labor-related risks." The company reports that over 215 suppliers participated in this event in 2017.

Recruitment Fees: PepsiCo discloses that it is a signatory to the Consumer Goods Forum Priority Industry Principles on Forced Labor, and it recently included the Employer Pays Principle into its supplier code of conduct, which now states "workers must not be required to pay recruitment or other similar fees to obtain or retain their employment and suppliers shall ensure that any third-party recruitment agencies comply with these principles."

Process to Respond to Grievances: Regarding the grievance mechanism for its agricultural supply chains, PepsiCo discloses that, where a grievance refers to a lower-tier supplier, first-tier suppliers will be involved in contributing to the investigation and ensuring corrective actions are undertaken. The company notes that "where appropriate" it will communicate to the complainant the receipt of the grievance, as well as actions or remediation undertaken. The company notes that "an internal PepsiCo resource" will oversee the process, with advice provided by a grievance working group which includes representatives from its procurement, human rights, sustainable agriculture, and public policy teams. It further explains that a grievance committee, comprising senior management from the departments represented at the working group level will review the operation of the mechanism and individual cases on a quarterly basis.

OPPORTUNITIES FOR IMPROVEMENT

Purchasing Practices: The company is encouraged to adopt responsible purchasing practices (such as improving forecasting alignment or sharing purchasing plans with suppliers) and provide procurement incentives (such as increased orders or longer-term contracts) to first-tier suppliers to encourage or reward good labor practices. Further, the company is encouraged to disclose how it assesses risks of forced labor at potential suppliers before entering into contracts with them.

Recruitment: To avoid the exploitation of migrant workers in its supply chains, the company is encouraged to ensure that employment and/or recruitment agencies used in its supply chains are monitored, and to provide details of how it supports ethical recruitment in its supply chains (for example, by using ethical recruitment agencies or supporting the development of ethical recruitment schemes).

Worker Voice: To support collective worker empowerment, the company is encouraged to work with suppliers to improve their practices in relation to freedom of association and collective bargaining, and to work with local or global trade unions to support freedom of association in its supply chains. Where there are regulatory constraints on freedom of association, the company may consider ensuring workplace environments in which workers in its supply chains are able to pursue alternative forms of organizing.

COMPANY PROVIDED ADDITIONAL DISCLOSURE

[Yes.](#)