

## KnowTheChain 2023 Food & Beverage Benchmark

### Additional Disclosure

Company Name: PepsiCo

Date: 3/31/23

Guidance:

- Please add any additional information you wish to provide under the relevant indicator elements below.
- We welcome examples of leading practices.
- Unless you are sharing leading practices, please limit the information to indicators for which KnowTheChain could not yet identify sufficient information on your website.
- Note **KnowTheChain has already undertaken a review of your website**. Should you wish to include links to existing disclosure, please specify the page number / section you are referring to.

#### INDICATOR 1: SUPPLIER CODE OF CONDUCT AND CAPACITY BUILDING

1.1 has a supplier code of conduct that requires suppliers to respect the ILO core labour standards, which include the elimination of forced labour; and requires suppliers to cascade/implement standards that are in line with the company's supplier code of conduct; and

1.2 engages in capacity building to enable its suppliers to cascade its supply chain policies that address forced labour to their own supply chains and/or trains suppliers below the first tier on such policies, and measures the effectiveness of capacity building.

PepsiCo's Supplier Code of Conduct training helps suppliers understand and implement our standards of business conduct, including the prohibition of forced labor, in their own operations and supply chains. The training covers 16 Principles ranging from legal compliance and labor standards to care for the environment and management and assessment processes. The training specifies that, "In addition to [the supplier's] own compliance to these principles, we expect [the supplier] to communicate and apply the Supplier Code and all relevant policies throughout [their] supply chain" (SCOC training, Course Introduction).

[https://cdn.pepsico.com/alt/SCOC\\_Assets/PepsiCo\\_SCoC\\_EN/story\\_html5.html](https://cdn.pepsico.com/alt/SCOC_Assets/PepsiCo_SCoC_EN/story_html5.html)

PepsiCo's human rights due diligence program "assesses potential human rights impacts in our value chain, integrates its findings into our internal systems, tracks the effectiveness of our actions, and regularly communicates our progress," including related to capacity building efforts.

<https://www.pepsico.com/our-impact/esg-topics-a-z/human-rights>

#### INDICATOR 2: MANAGEMENT AND ACCOUNTABILITY

2.1 has a committee, team, program, or officer responsible for the implementation of its supply chain policies that address forced labour; and discloses how incentives for staff (e.g. bonuses, part of employee performance reviews) are tied to improvements in working conditions in supply chains;

2.2 discloses how it trains relevant decision-makers within the company on risks and policies that address forced labour; and

PepsiCo regularly trains associates across our markets on key human rights risks and policies. In addition to our annual Code of Conduct training, in 2022 "we launched an introductory human rights training course available to all global associates highlighting recent updates to our Global Human Rights Policy, details on the most salient human rights risks across our own operations and supply chain, and providing employees with guidance on how to leverage our due diligence programs and grievance mechanisms."

<https://www.pepsico.com/our-impact/esg-topics-a-z/human-rights>

2.3 has tasked a board member or board committee with oversight of its supply chain policies that address forced labour, and describes how the experiences of affected workers or relevant stakeholders (such as civil society, unions, and workers or their representatives) informed board discussions.

Our Board of Directors is actively engaged in oversight of our human rights strategy across the value chain, including Supplier Code of Conduct standards such as the prohibition of forced labor. "The Board plays an essential role in determining our strategic priorities and considers sustainability issues (e.g., human rights) as an integral part of its business oversight. To this end, the Board established a Sustainability, Diversity and Public Policy Committee to assist the Board in providing more focused oversight of key sustainability, diversity, equity and inclusion, and public policy matters across our value chain."

<https://www.pepsico.com/our-impact/esg-topics-a-z/human-rights>

#### INDICATOR 3: TRACEABILITY AND SUPPLY CHAIN TRANSPARENCY

3.1 the names and addresses of first-tier suppliers;

3.2 the names and locations of below-first-tier suppliers (this does not include raw material suppliers); and

3.3 the sourcing countries of at least three raw materials at high risk of forced labour.

#### INDICATOR 4: RISK ASSESSMENT

4.1 details on how it conducts human rights supply chain risk or impact assessments that include forced labour risks or assessments that focus specifically on forced labour risks, including through

engaging with relevant stakeholders (such as civil society, unions, and workers or their representatives) in countries in which its suppliers operate;

PepsiCo is continually expanding the scope of our human rights due diligence programs. "Insights from country and commodity risk assessments and our due diligence programs have been used to identify our target supply chain segments (i.e., contract labor providers, transportation and logistics providers), raw materials (i.e., palm oil, cane sugar), and priority geographies (e.g., Southeast Asia, Latin America). Over the past few years, we have continued to expand our due diligence programs to cover these areas of our supply chain, strengthen our ongoing sustainable sourcing initiatives for palm oil and cane sugar, and deepen our engagement in regional and local collaborative initiative to address systemic forced labor challenges at a country level."

[https://www.pepsico.com/docs/default-source/sustainability-and-esg-topics/2021-pepsico-modern-slavery-and-human-trafficking-statement.pdf?sfvrsn=e21d9563\\_6](https://www.pepsico.com/docs/default-source/sustainability-and-esg-topics/2021-pepsico-modern-slavery-and-human-trafficking-statement.pdf?sfvrsn=e21d9563_6)

We regularly review our salient human rights risks and "in early 2022, PepsiCo's Global Human Rights Office initiated a formal assessment to examine whether other human rights issues have become greater priorities over time and to establish new action plans going forward. The assessment process was led by an external organization that helped us: (i) evaluate our progress since 2017, (ii) re-examine the potential impacts our business activities might have on rights holders, and (iii) assess the potential severity and likelihood of those impacts across our value chain in line with the criteria outlined in the UNGP Reporting Framework. This process involved a detailed review of our business models, direct operations, and supply chains, including analysis of relevant risk indices, past assessment findings, and feedback from internal experts (e.g., Sustainability, Public Policy, Health and Safety, etc.) and external stakeholders (e.g., industry groups, NGOs, human rights experts, and investors)." For more information on our stakeholder engagement and integration of stakeholder feedback in risk assessments and due diligence, review page 3 of our 2022 Salient Human Rights Issues Update: [https://www.pepsico.com/docs/default-source/sustainability-and-esg-topics/2022-pepsico-salient-human-rights-issues-update.pdf?sfvrsn=43ad8aaa\\_6](https://www.pepsico.com/docs/default-source/sustainability-and-esg-topics/2022-pepsico-salient-human-rights-issues-update.pdf?sfvrsn=43ad8aaa_6)

4.2 details on forced labour risks identified in different tiers of its supply chains; and

4.3 how it has consulted with relevant stakeholders (such as civil society, unions, and workers or their representatives) in steps taken to address the risks identified.

"We believe that an open and continuous dialogue with our stakeholders is critical to informing and strengthening our human rights program. We engaged with a variety of stakeholders (e.g., workers, NGOs, investors, etc.) as part of our assessment process to gain feedback on our approach as well as the identification of our salient human rights issues and overall performance of our program. Learning and insights from these engagements have helped inform our salient human rights issues." For additional information on our consultations with stakeholders to address human rights risks, please see page 3 of our 2022 Salient Human Rights Issues Update: [https://www.pepsico.com/docs/default-source/sustainability-and-esg-topics/2022-pepsico-salient-human-rights-issues-update.pdf?sfvrsn=43ad8aaa\\_6](https://www.pepsico.com/docs/default-source/sustainability-and-esg-topics/2022-pepsico-salient-human-rights-issues-update.pdf?sfvrsn=43ad8aaa_6)

#### INDICATOR 5: DATA ON SUPPLY CHAIN RISKS

5.1 the percentage or number of supply chain workers who are women;

5.2 the percentage or number of supply chain workers who are migrant workers' and

5.3 the percentage or number of supply chain workers that are being paid a living wage.

#### INDICATOR 6: PURCHASING PRACTICES

6.1 commits to responsible buying practices in its contracts with suppliers;

6.2 describes how it has adopted responsible purchasing practices in the first tier of its supply chains, which includes planning and forecasting, and how it ring-fences labour costs; and

6.3 discloses two quantitative data points demonstrating that it has responsible purchasing practices in place that address the risk of forced labour.

#### INDICATOR 7: RECRUITMENT-RELATED FEES

7.1 requires that no worker in its supply chains should pay for a job—the costs of recruitment-related fees should be borne not by the worker but by the employer ("Employer Pays Principle");

PepsiCo's Global Human Rights Policy details our expectation of adherence to the Employer Pays Principle. "All workers have freedom of movement, and the conditions of employment must not restrict their movement through the retention of identity papers, holding of deposits, accommodation requirements, or any other action aimed at restricting worker mobility. Furthermore, in line with the Employer Pays Principle, no worker should be required to pay recruitment or other similar fees to secure or retain their employment. The cost of recruitment should be borne by the employer."

[https://www.pepsico.com/docs/default-source/sustainability-and-esg-topics/pepsico-global-human-rights-policy.pdf?sfvrsn=812963a8\\_6](https://www.pepsico.com/docs/default-source/sustainability-and-esg-topics/pepsico-global-human-rights-policy.pdf?sfvrsn=812963a8_6)

7.2 provides detail on the implementation of the Employer Pays Principle in its supply chains by demonstrating how it works to prevent the charging of fees to supply chain workers in different supply chain contexts; and

7.3 in the event that it discovers that fees have been paid by workers in its supply chains, provides evidence of re-payment of recruitment-related fees to workers. The company describes how it engages with affected workers in the remediation process.

#### INDICATOR 8: RESPONSIBLE RECRUITMENT

8.1 discloses information on the recruitment agencies used by its suppliers; and

8.2 provides details of how it supports responsible recruitment in its supply chains (e.g. by collaborating with relevant stakeholders to engage policy makers to strengthen recruitment standards).

PepsiCo maintains an ongoing dialogue with key stakeholders and policymakers to strengthen our understanding of key human rights risks and collaborative methods to address them. For example, "We often engage with governments through direct engagement and collaborative initiatives to discuss our shared challenges and explore how we can help address systemic challenges. Key themes from recent engagements include: the U.S. National Action Plan on Responsible Business Conduct, emerging regulatory developments, and opportunities to proactively address forced labor risks."

[https://www.pepsico.com/docs/default-source/sustainability-and-esg-topics/2022-pepsico-salient-human-rights-issues-update.pdf?sfvrsn=43ad8aaa\\_6](https://www.pepsico.com/docs/default-source/sustainability-and-esg-topics/2022-pepsico-salient-human-rights-issues-update.pdf?sfvrsn=43ad8aaa_6)

#### INDICATOR 9: FREEDOM OF ASSOCIATION

9.1 works with independent local or global trade unions and/or other legitimate worker representatives to improve freedom of association in its supply chains;

9.2 discloses that it is party to a global framework agreement that covers its supply chains and/or an enforceable supply chain labour rights agreement with trade unions or worker organisations; and

9.3 discloses the percentage of supply chains covered by collective bargaining agreements.

#### INDICATOR 10: GRIEVANCE MECHANISM

10.1 takes steps to ensure a formal mechanism to report a grievance to an impartial entity regarding labour conditions in the company's supply chains is available to its suppliers' workers and their legitimate representatives across supply chain tiers; and

10.2 discloses data about the practical operation of the mechanism, such as the number of grievances filed, addressed, and resolved; and

We regularly publish information on the usage of our Speak Up hotline, including the total number of reports and their categorical distribution. Our latest report can be viewed here: <https://www.pepsico.com/docs/default-source/global-code-of-conduct/speak-up-usage.pdf>

We also provide information on our approach and updates on the usage of our Agricultural Grievance Mechanism here: <https://www.pepsico.com/our-impact/esg-topics-a-z/palm-oil#grievance-management-and-remedy>

10.3 takes steps to ensure that its suppliers' workers or their legitimate representatives are involved in the design and/or performance of the mechanism, to ensure that the workers trust the mechanism.

PepsiCo regularly reviews the effectiveness of our grievance mechanisms and engages with stakeholders for feedback on their use. In 2020, our Agricultural Grievance Mechanism underwent a review led by an organization with expertise in the UNGPs and grievance mechanisms, and it was completed in 2021. "The review examined (1) the best role for PepsiCo to play when grievances are presented; (2) how we can further encourage systematic grievance management and resolution throughout our supply chain and with peers; and (3) how we can best support the improvement of external grievance systems, such as the RSPO complaints mechanism. External stakeholder input, including from affected parties and civil society organizations, played an important part of the review."

<https://www.pepsico.com/our-impact/esg-topics-a-z/palm-oil#grievance-management-and-remedy>

"We intend to engage regularly with suppliers, impacted communities, civil society and others on individual cases raised by users of the mechanism and on the grievance process itself." For more information about our approach to the Agricultural Grievance Mechanism, see our summary here:

<https://www.pepsico.com/docs/default-source/policies/agricultural-supply-chain-grievance-mechanism-summary.pdf>

#### INDICATOR 11: MONITORING

11.1 its methodology for monitoring the implementation of its supply chain policies addressing forced labour;

PepsiCo's Sustainable Sourcing Program (SSP) is a supplier engagement program for our most business-critical first-tier suppliers and business partners that includes formal risk assessments, third-party audits, corrective action and capability building. Participants in the program are responsible for demonstrating compliance with our SCoC through activities including an initial risk assessment, SCoC training, a graded site-level Self-Assessment Questionnaire, and participation in on-site audits as requested. "We engage and include worker input in monitoring our programs, including through worker interview data during third-party on-site audits."

<https://www.pepsico.com/our-impact/esg-topics-a-z/sustainable-sourcing>

Our Sustainable Farming Program Foundational Principles document goes into detail about metrics measured in our agricultural monitoring program, including those related to forced labor:

[https://www.pepsico.com/docs/default-source/sustainability-and-esg-topics/pepsico-sustainable-farming-program-fundamental-principles.pdf?sfvrsn=526d10b4\\_3](https://www.pepsico.com/docs/default-source/sustainability-and-esg-topics/pepsico-sustainable-farming-program-fundamental-principles.pdf?sfvrsn=526d10b4_3)

11.2 the findings of monitoring reports, including details regarding any violations revealed in relation to forced labour and indicators of forced labour, across supply chain tiers; and

We regularly report on our top non-compliances found through due diligence processes. "The top overall noncompliance findings in 2021 were focused in:

- Health, Safety, and Hygiene (including fire safety, chemical safety, and building/site maintenance)
- Working Hours (including rest days and overtime)
- Wages
- Regular Employment (including contract of employment)
- Environment"

<https://www.pepsico.com/our-impact/esg-topics-a-z/sustainable-sourcing#:~:text=Sustainable%20Sourcing%20Program%20Overview%20Our%20SSP%20builds%20supplier,packaging%2C%20and%20services%3B%20or%20manufacture%20on%20our%20behalf.>

11.3 the use of worker-driven monitoring (i.e., monitoring undertaken by independent organisations that includes worker participation and is guided by workers' rights and priorities).

#### INDICATOR 12: REMEDY AND RESPONSE TO ALLEGATIONS

A(1) a process for responding to potential complaints and/or reported violations of policies that address forced labour and how it engages affected stakeholders as part of this process; and

The grievance management process for Speak Up is summarized [here](https://secure.ethicspoint.com/domain/media/en/gui/52943/faq.html), while additional details can be found on the FAQ page: <https://secure.ethicspoint.com/domain/media/en/gui/52943/faq.html>

All Speak Up reports submitted to the vendor will be initially reviewed and evaluated by the Global Compliance and Ethics Department. Each matter will be assigned to the appropriate party for investigation or follow-up in accordance with internal incident management processes and the PepsiCo Code of Conduct Escalation Policy. Depending upon the nature of the allegation, the investigation may be conducted by a professional from the Human Resources, Control, Security, Audit, Law, or Global Compliance & Ethics Department or by an outside firm. With respect to Code Violations, Global Compliance & Ethics will provide oversight for consistency of the investigative process, discipline and appropriate corrective actions.

The time to review and investigate each call varies depending upon the nature of the allegation. Some situations take longer to investigate than others. Our goal is to close out average routine cases within 60 days.

A(2) at least two examples of outcomes of its remedy process in practice, covering different supply chain contexts, for its suppliers' workers.

In addition, where an allegation is identified in a company's supply chains:

B.1.1 that it engages in a dialogue with the stakeholders reportedly affected in the allegation(s)

B.1.2 outcomes of the remedy process in the case of the allegation(s); and

B.1.3 evidence that remedy(ies) are satisfactory to the victims or groups representing the victims.

Where an allegation is identified in the company's supply chains, but is denied by the company:

B.2.1 a description of what actions it would take to prevent and remediate the alleged impacts; and

B.2.2 as part of this process, it would engage with affected stakeholders and their representatives.

#### NON-SCORED RESEARCH

#### Reporting Legislations

UK Modern Slavery Act: Where applicable, the company discloses at least one statement under the UK Modern Slavery Act.

Yes/No. Please provide link to a publicly available statement.

California Transparency in Supply Chains Act: Where applicable, the company has a disclosure under the California Transparency in Supply Chains Act.

Yes/No. Please provide link to a publicly available statement.

Australia Modern Slavery Act: Where applicable, the company discloses at least one statement under the Australia Modern Slavery Act.

Yes/No. Please provide link to a publicly available statement.

#### High Risk Sourcing

*Please indicate whether your company sources any of the below high-risk commodities. Note where a company does not provide this information, KnowTheChain will review the company's website as well as third party sources to identify relevant information.*

- Beans (green, soy, yellow)
- Brazil Nuts/Chestnuts
- Cattle
- Chile Peppers
- Cocoa
- Coffee
- Corn
- Fish
- Oil (palm)
- Peanuts
- Rice
- Sesame
- Shrimp
- Sugarcane
- Tomatoes



- Wheat