

PepsiCo Inc.

TICKER:
NYSE:PEP

MARKET CAPITALIZATION:
US\$ 138 billion

HEADQUARTERS:
United States

4 OUT OF 20

Company’s Overall Ranking

45 OUT OF 100

Company’s Overall Score

PepsiCo Inc. (PepsiCo) provides stronger disclosure of its policies and practices aimed at addressing forced labor risks in its supply chain relative to its peers, ranking fourth on the benchmark overall. Its relatively high rank is driven by its commitment and governance to address human trafficking and forced labor, its processes to trace its supply chain, and its remedy practices. To improve its benchmark performance, the company is encouraged to strengthen its purchasing practices and its approach to responsible recruitment, and to disclose evidence that it ensures supply chain workers’ voices are heard.

THEME LEVEL SCORE

Commitment and Governance	72 out of 100
Traceability and Risk Assessment	50 out of 100
Purchasing Practices	25 out of 100
Recruitment	0 out of 100
Worker Voice	28 out of 100
Monitoring	80 out of 100
Remedy	63 out of 100

LEADING PRACTICES

None.

NOTABLE FINDINGS

Commitment and Governance
PepsiCo prohibits forced labor in its Global Code of Conduct and addresses all four fundamental rights and freedoms, including forced labor, in its Supply Chain Standards. PepsiCo has clear managerial responsibility and accountability for these policies and standards: its chairperson and CEO, and Executive Committee are updated on matters related to the company’s corporate sustainability strategy by its Sustainability Task Force, which is chaired by the Vice Chairman. In addition, its Human Rights Operating Council aims to ensure that the company meets expectations outlined in the UN Guiding Principles on Business and Human Rights. Further, PepsiCo discloses that it conducts annual online Code of Conduct training for salaried employees and launched a Supplier Code of Conduct training program for nearly 100 strategic suppliers.



Traceability

PepsiCo discloses a process for tracing its supply chain with a focus on sugar, palm oil and soy. The company discloses the top three countries from which it sources sugar (Brazil, India and Thailand) and palm oil (Indonesia, Malaysia and Mexico), as well as the names of the top three suppliers for both commodities. PepsiCo further discloses it only sources soy from Brazil, from its supplier Bunge. PepsiCo has a target to source 100% sustainable cane sugar by 2020 with this effort to begin in Brazil and Thailand, as well as to have 100% of its palm oil traceable to the mill of origin by 2016 (up from currently 65%).

Remedy

The company has a process to create corrective action plans with suppliers found to be in violation of the company's policies and reserves the right to terminate its contracts with uncooperative suppliers. PepsiCo also has a process to provide remedy to workers in its supply chain through an independent, third-party managed hotline. Complaints are reviewed by its Global Compliance and Ethics office, which maintains confidentiality, investigates the issue and takes remedial steps when necessary.

OPPORTUNITIES FOR IMPROVEMENT

Purchasing Practices

Though the company has processes to assess risks of forced labor at potential suppliers, it may improve its performance by disclosing evidence that it takes steps to mitigate the risk of human trafficking and forced labor caused by certain purchasing practices, such as short-term contracts or sudden changes of workload. Additionally, it may also consider cascading standards down its supply chain by requiring its suppliers to ensure standards are implemented by their own first-tier and beyond first-tier suppliers.

Recruitment

PepsiCo may consider adopting and disclosing policies that address the risk of exploitation of migrant workers in its supply chain. This may include a policy that requires direct employment for workers in its supply chain, prohibits the use of recruitment fees, requires recruitment agencies in its supply chain to uphold workers' rights, and requires suppliers to disclose a list of recruiters that they use. Furthermore, PepsiCo may consider auditing recruiters in its supply chain for forced labor risks.

Worker Voice

Although PepsiCo has translated its Supplier Code of Conduct into 25 different languages, it may consider disclosing whether it communicates forced labor related policies and standards to workers in its supply chain. Further, the company is encouraged to engage workers outside of the context of the factories in which they work on their workplace rights. To strengthen its grievance mechanism, PepsiCo may consider proactively communicating the existence of this mechanism to suppliers' workers.

COMPANY PROVIDED ADDITIONAL DISCLOSURE

[Provided links.](#)

