

# 2018 MODERN SLAVERY AND HUMAN TRAFFICKING STATEMENT



*This statement addresses the 2010 California Transparency in Supply Chains Act and the UK Modern Slavery Act 2015 and sets out the actions PepsiCo, Inc. and its subsidiaries have taken to prevent modern slavery and human trafficking in our business and supply chain. This statement constitutes our disclosure for the fiscal year ending December 29, 2018.*

## INTRODUCTION

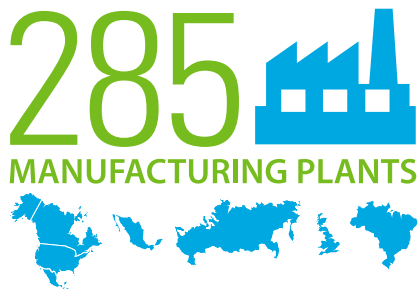
At PepsiCo, we believe acting ethically and responsibly is not only the right thing to do, but also the right thing to do for our business. This principle underpins our long-standing commitment to respect human rights as well as our aim that all rights holders in our value chain can enjoy the rights described in the [International Bill of Human Rights](#) and the [ILO Declaration on Fundamental Principles and Rights at Work](#). Modern slavery is one of the most severe global human rights challenges facing our society. The International Labour Organization estimates that 40.3 million people are currently trapped in modern slavery worldwide, including 24.9 million people trapped in forced labor situations. Of those 24.9 million, an estimated 16 million people are being exploited through the use of forced labor in the private sector. There is no place for forced labor in the world and, as one of the leading global food and beverage companies, we have a responsibility to help ensure that it is not taking place in our business or supply chain.

This statement outlines the actions we have taken to prevent, identify, and address potential modern slavery risks throughout our business and supply chain.

## BUSINESS AND SUPPLY CHAIN

PepsiCo is a leading global food and beverage company with a complementary portfolio of brands, including Frito-Lay, Gatorade, Pepsi-Cola, Quaker, and Tropicana. Through our operations, authorized bottlers, contract manufacturers and other third parties, we make, market, distribute, and sell a wide variety of convenient beverages, foods and snacks, serving customers and consumers in more than 200 countries and territories.

We operate approximately 285 manufacturing plants and over 3,400 other facilities across the world, with our largest operations being in North America, Mexico, Russia, the United Kingdom, and Brazil. As of December 29, 2018, we and our consolidated subsidiaries employed approximately 267,000 people worldwide. In addition to our company-owned operations, we leverage hundreds of franchise bottlers, joint ventures, co-manufacturers and co-packers to make, distribute, and sell our products around the world. Please see our [2018 Annual Report](#) for more information on our business structure.





## APPROACH

PepsiCo is committed to respecting the human rights of all workers and local communities throughout our operations and value chain. As part of our approach, we are committed to implementing the [UN Guiding Principles on Business and Human Rights \(UNGPs\)](#) throughout our business and publicly reporting on our progress in line with the [UN Guiding Principles Reporting Framework](#). Guided by the UNGPs, our approach for advancing respect for human rights throughout our value chain is centered on:

- Embedding respect for human rights throughout our business practices;
- Conducting due diligence to proactively identify, address, and track potential and actual human rights impacts in our value chain;
- Engaging with stakeholders, including rights holders, to inform our programs and approach; and
- Providing effective grievance mechanisms and access to remedy where we have caused or contributed to adverse human rights impacts, and using our leverage to encourage our suppliers or partners to provide remedy where we find impacts directly linked to our business operations, goods, or services.

With this approach as our foundation, we prioritize our efforts by focusing our attention on our salient human rights issues – the human rights at risk of the most severe negative impact through our company activities and business relationships. This process helps to ensure that we have the appropriate policies and management systems in place to prevent, identify, and address potential human rights risks across our value chain, including forced labor. Additional information on our approach can be found on our [Human Rights Webpage](#).

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## GOVERNANCE

We believe that strong governance is essential to successfully embed respect for human rights throughout our business. We have established a global governance structure that is responsible for overseeing and managing human rights at various levels throughout our business, with our Board of Directors, Executive Committee, and Chief Human Rights Officer serving central oversight and management roles.

Our **Board of Directors** considers sustainability issues, including human rights, as an integral part of its business oversight role, and its Public Policy and Sustainability Committee provides more-focused oversight of these issues through its direct engagement with our management team. In 2018, the Committee reviewed the progress of our human rights program, including a deep-dive session where they discussed our human rights strategy as well as emerging human rights trends and risks. As part of this dedicated session, the Committee received a detailed update from our Chief Human Rights Officer on our ongoing work to address our salient human rights issues and other key risks, including excessive working hours in our direct operations and forced labor risks in our supply chain.

The **PepsiCo Executive Committee (PEC)**, comprised of our Chairman & CEO, Sector CEOs, and top functional leaders, has direct oversight of human rights at PepsiCo and regularly reviews our progress. In 2018, the PEC discussed our human rights strategy and performance at several of its meetings. The PEC also received a detailed update from our Chief Human Rights Officer during their November session, where they focused their attention on a review of our human rights strategy, our annual due diligence findings, and our ongoing work to address key risks, including excessive working hours and forced labor.



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Our **Chief Human Rights Officer (CHRO)** has day-to-day responsibility for human rights at PepsiCo, chairs our Human Rights Operating Council, and leads our Human Rights Office. The **Human Rights Operating Council (HROC)** is a cross-functional group of senior corporate and sector leaders that support our CHRO and advise our Human Rights Office on actions to address human rights risks in our value chain. In 2018, our CHRO led the HROC's annual review of our due diligence findings and salient issue work streams, with insights and recommendations from those sessions being shared with the PEC and Board.

Our **Human Rights Office** is a dedicated team within our Law Department that is responsible for driving our global human rights strategy, facilitating performance against our goals, and managing our salient human rights issues. The team coordinates our Human Rights Operating Council and works closely with the heads of our due diligence programs and other internal stakeholders (e.g., Human Resources, Global Sustainability, Global Procurement, and Public Policy).

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## POLICIES

As reported in our previous [Modern Slavery and Human Trafficking Statements](#), our policies play an integral role in our work to embed respect for human rights throughout our business. They help us set clear expectations for our employees, suppliers, and other business partners, and they also establish a framework that helps us monitor compliance with our standards. We have a series of core policies that explicitly prohibit the use of forced labor, child labor, and human trafficking.

For instance, all PepsiCo employees and joint ventures over which we have management control are required to comply with our [Global Code of Conduct](#) and [Global Human Rights Workplace Policy](#). Similarly, as a condition of doing business with PepsiCo, all of our suppliers are required to comply with our [Global Supplier Code of Conduct \(SCoC\)](#). It is also an expectation that our direct suppliers cascade the principles of our SCoC throughout their respective supply chains. Each of these core policies prohibit the use of forced labor, child labor, and human trafficking. In 2018, we revised our SCoC to clarify and strengthen our expectations around several key issues, including forced labor and migrant worker protections. As part of this process, we aligned our standards and expectations with the [Consumer Goods Forum Priority Industry Principles](#) and the [Employer Pays Principle](#).

As part of our commitment to advance respect for human rights throughout our broader value chain, we established a goal to extend the principles of our Supplier Code of Conduct to all of our franchisees and joint ventures by 2025. As part of this process, we have updated our contractual requirements for new partners to help clarify our expectations going forward and initiated a formal program to engage our franchisees and joint ventures on our human rights agenda.

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## TRAINING AND CAPACITY BUILDING

Training also plays an important role in our work to embed respect for human rights, and we have established formal training programs for our employees and direct third-party suppliers. These programs help us raise awareness of potential issues, communicate our policies and standards, and provide our employees and suppliers with guidance on various human rights issues, including forced labor, child, labor, and human trafficking.

### TRAINING OUR EMPLOYEES

We require employees at all levels in the company to complete annual Global Code of Conduct (Code) training, which is designed to ensure that our employees understand their obligation to comply with our Code and the behaviors expected under it. In 2018, over 70,000 employees worldwide completed an online Code training course, with an additional 179,000 frontline employees in our plants and warehouses receiving Code and Values training through in-person workshops.

 **100%**  
of our **BUSINESS-CRITICAL**  
**DIRECT SUPPLIERS**  
**TRAINED**

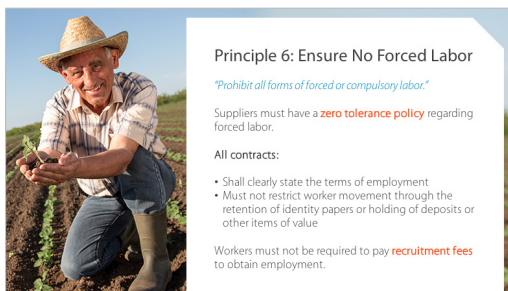
**OVER 70,000**  
**EMPLOYEES TRAINED**  
**ON HUMAN RIGHTS**  


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In 2017, we conducted modern slavery and human trafficking training with over 4,200 employees across our core functions (i.e., Human Resources, Global Procurement, Legal, and Compliance). To build on learnings from that training, we launched an additional human rights training module to our employees in 2018 that was completed by over 70,000 employees worldwide. This training was designed to raise awareness and provide employees with a detailed understanding of how human rights are relevant for businesses, PepsiCo’s salient human rights issues and key risks, such as forced labor, and the role they can play in helping advance respect for human rights throughout our value chain. Moving forward, we plan to explore additional function-specific training to provide more targeted guidance to our employees on how they can help address key human rights issues, such as forced labor.

## TRAINING OUR DIRECT SUPPLIERS



We use our Sustainable Sourcing Program to communicate our Supplier Code of Conduct to our direct third-party suppliers and to conduct our annual SCoC Training. This training helps to ensure that our suppliers understand and comply with the principles of our SCoC and support our goal of a sustainable supply chain by building capability in their operations and addressing known social risks. In 2018, we revised our SCoC Training to clarify our expectations in several areas, including forced labor and migrant worker protections. As part of this process, we strengthened guidance to our suppliers on key issues such as recruitment fees, freedom

of movement, and clear worker contracts. In 2018, 100% of our business-critical direct suppliers completed our SCoC Training. Our online SCoC Training can be viewed [here](#).

## RISK ASSESSMENT AND MANAGEMENT

### OUR SALIENT HUMAN RIGHTS ISSUES

We recognize there are a variety of ways that our business activities might directly or indirectly impact human rights, and we take steps to assess and address all potential risks throughout our value chain. We use the concept of saliency to inform our strategy and help us prioritize the human rights at risk of the most severe negative impact through our company activities and business relationships. Our most recent assessment of our salient human rights issues is described in detail on our [Human Rights Webpage](#).

FREEDOM OF ASSOCIATION	HUMAN RIGHT TO WATER	LAND RIGHTS
VULNERABLE WORKERS <i>(Migrant Workers, Young Workers, Contract/Temporary Workers, and Women)</i>	WORKING HOURS AND WAGES	WORKPLACE SAFETY

### Forced Labor

Our work on forced labor has focused on addressing potential impacts on the most vulnerable workers in our value chain. Migrant workers, contract workers, women, and children were identified during our last assessment as being among the groups with the highest risk of facing forced labor impacts in our supply chain. We have and are continuing to strengthen our policies and trainings to provide our employees and suppliers with additional guidance on how to prevent, identify, and respond to forced labor impacts commonly faced by these groups, such as recruitment fees and document retention. We are also deepening our understanding of the geographies in our supply chain that have a higher risk of forced labor.

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For instance, we have enlisted Verisk Maplecroft, a global research firm and risk consultancy, to conduct a comprehensive risk assessment of 25 of our top agricultural raw materials and sourcing origins to better understand the supply chains and geographic regions where we should prioritize our efforts. The assessment includes an evaluation of several dimensions of human rights risks, including modern slavery. The results of this assessment will help inform the next phase of our forced labor strategy as part of our continued focus on sustainable agriculture.

Similarly, we are currently working with Proforest to conduct a social risk assessment of the countries where we source palm oil and cane sugar, focusing our attention on South East Asia and South America. The purpose of the assessment is to gain a better understanding of the systemic challenges present at the jurisdictional level in these markets. Information from this assessment will be integrated into our human rights and sustainable sourcing strategies, helping us prioritize efforts at the local level for palm oil and cane sugar. Additional information on our work on palm oil and cane sugar can be found [here](#).

## OUR DUE DILIGENCE PROGRAMS

We have established a due diligence process that 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. Our initial focus has been on our own operations, direct suppliers, and agricultural partners, as these areas were identified as being the points along our value chain where we have the greatest ability to prevent and respond to human rights impacts (i.e., our operations) and where the risks to rights holders are highest (i.e., supply chain and agricultural partners).

We have established due diligence programs for these areas that assess potential risks and remediate identified impacts. Our Global Labor Human Rights Assessment Program (GLHR) assesses potential impacts across our company-owned manufacturing operations. Our Sustainable Sourcing Program (SSP) assesses potential impacts amongst our most business-critical direct suppliers and contract manufacturing and co-packing locations. Similarly, our Sustainable Farming Program (SFP) engages the farmers that we directly source from and helps us assess and remediate potential impacts at the farm level. Additional information on each of these programs can be found in our previous Modern Slavery & Human Trafficking Statements as well as on our [Human Rights Webpage](#), [Sustainable Sourcing Webpage](#), and [Sustainable Agriculture Webpage](#).

While our initial focus has been on these areas, we recognize that potential human rights impacts can occur at any point along our value chain, and we are continuing to expand our due diligence programs to cover additional areas, using a risk-based approach. For instance, we are continuing the expansion of our Sustainable Sourcing Program to our third-party labor providers, promotional material suppliers, and additional suppliers in high-risk markets. We have also established a new program for our franchisees and joint ventures that will help us assess potential impacts in those areas of our value chain. We piloted this program in late 2017 and held a series of consultations with our franchise partners and joint ventures in 2018 to discuss our shared priorities and elicit their feedback. We finalized the program's methodology in late 2018 and anticipate its initial rollout in 2019.

Learnings and insights from our due diligence programs are regularly integrated into our internal processes to help ensure that we have the appropriate policies and management systems in place to prevent, identify, and address potential human rights risks across our value chain.



**90%**  
of our **DIRECT MANUFACTURING OPERATIONS**  
HAVE BEEN ASSESSED THROUGH OUR **GLHR PROGRAM**



**94%**  
of our **BUSINESS CRITICAL DIRECT SUPPLIERS**  
HAVE BEEN ASSESSED THROUGH OUR **SUSTAINABLE SOURCING PROGRAM**



**OVER 40,000 GROWERS**  
HAVE BEEN ENGAGED  
through our **SUSTAINABLE FARMING PROGRAM**



## ADDRESSING NON-COMPLIANCES

Top 5 Non-Compliance Categories in 2018
1. Health, Safety, and Hygiene
2. Working Hours
3. Wages and Benefits
4. Environment
5. Regular Employment

In 2018, our Global Labor Human Rights Assessment Program conducted 88 on-site audits of our company-owned manufacturing operations across 28 countries, and our Sustainable Sourcing Program conducted or recognized over 960 on-site audits of our first-tier suppliers across 56 countries. The following diagram illustrates the top 5 non-compliance categories identified through the audits of our own manufacturing operations and direct third-party suppliers in 2018.

Our due diligence programs address identified non-compliances through the implementation of corrective action plans, which have a set timeframe depending on the type and severity of the non-

compliance. Once in place, progress against a corrective action plan is tracked through our programs, which may require an additional on-site audit to verify that remediation has been completed. Business relationships can be impacted when a serious non-compliance is found and there is a failure to meaningfully engage in its remediation.

In 2018, we identified two forced labor-related non-compliances in the 960 on-site supplier audits conducted or recognized by our Sustainable Sourcing Program. The first instance involved a third-party supplier site in the United Arab Emirates, where our third-party auditors identified that select worker identification documents were being held by management. This was immediately escalated to the head of our Sustainable Sourcing Program, and we began working with the supplier to better understand the situation and to ensure that the workers had free access to their documentation. Upon further review and validation from the on-site auditors, it was confirmed that the documents were being held for safekeeping at the wishes of select employees. The process for returning the documents was tested and validated by the auditors while on site, and the site conducted a further review of its policy and process for handling these types of employee requests in the future. The second instance involved a third-party supplier site in Singapore, where our third-party auditors determined that several of the site's temporary foreign workers had paid excessive recruitment fees to obtain their jobs. We immediately engaged the supplier, who was unaware that recruitment fees had been paid, and they engaged with their temporary labor provider to address the issue directly with these employees. This resulted in a formal change to the supplier's recruitment policy to ensure that its labor providers do not charge recruitment fees moving forward.

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## STAKEHOLDER ENGAGEMENT AND COLLABORATIVE ACTION

We understand the importance of integrating the voice of rights holders into our programs, and we are committed to engaging with potentially and actually affected rights holders, including our employees, supply chain workers, and the local communities in which we operate. In 2019, we will conduct a detailed review of our approach for engaging rights holders and integrating their interest and concerns into our grievance management systems and overall approach.

We regularly engage with a wide range of external stakeholders and independent experts to gain global and local perspectives on our program, salient issues, and overall performance. We also participate in a variety of multi-stakeholder groups and business initiatives to enhance our knowledge of specific issues, drive industry-wide progress, and help address the systemic challenges facing our industry. For instance, we have used our leadership position within AIM-PROGRESS and the Sedex Stakeholder Forum to help evolve the current auditing protocol used by PepsiCo and other companies to better reflect changes in our understanding of specific risks, including forced labor. We are actively engaged in the Sedex Stakeholder Forum's Forced Labor Working Group, which is working to enhance Sedex assessments and improve the training, tools, and resources available to help suppliers remediate potential forced labor impacts. In addition, we are an active member of the Consumer Goods Forum Social Sustainability Committee, which drives global collaboration on key sustainability challenges,



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including the eradication of forced labor. We are also an active member of the Steering Committee for the Consumer Goods Forum Sustainable Supply Chain Initiative, which promotes good social and environmental practices in global supply chains by benchmarking and recognizing third-party auditing and certification programs.

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## GRIEVANCES PROCESS AND ACCESS TO REMEDY

We recognize that our policies and programs may not prevent all adverse impacts in our value chain, and we aim to provide effective remedy where we have caused or contributed to those impacts and to use our leverage to encourage our suppliers or partners to provide remedy where we find impacts directly linked to our business operations, goods, or services. Accordingly, we have established a variety of mechanisms that allow our employees, stakeholders, and other potentially affected individuals to raise grievances and seek remedy.

### PEPSICO SPEAK UP HOTLINE

All PepsiCo employees have an obligation to report suspected violations of our Values, Code of Conduct, policies or applicable law. Our employees have several avenues for reporting issues and seeking advice, including their manager, Human Resources, the Law Department, the Global Compliance and Ethics Department, and our [Speak Up hotline](#). The Speak Up hotline is an important component of our culture of ethics and integrity. We encourage our suppliers and business partners to develop and use their own effective grievance mechanisms, and we make the PepsiCo Speak Up hotline available for their use through our SCoC Training.

In the spirit of transparency, 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](#).

### PEPSICO AGRICULTURAL GRIEVANCE MECHANISM

In July 2017, we launched an enhanced grievance mechanism for agricultural commodities that is complementary to our existing Speak Up hotline. The agricultural grievance mechanism is open to anyone who has a concern that PepsiCo's policies and goals related to agricultural commodities are not being met.

Additional information on our agriculture grievance mechanism can be found [here](#).

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## REPORTING ON OUR PROGRESS

In our 2017 Statement, we outlined a series of key actions that we would take to advance our work to prevent modern slavery in our business and supply chain. Included below is an update on our progress against each of those priorities.

<b>Launch additional human rights training to our employees</b>	<i>In 2018, we launched additional human rights training that was completed by over 70,000 of our employees worldwide. The training was designed to raise awareness and provide employees with a detailed understanding of how human rights are relevant for businesses, our salient human rights issues and key risks, including forced labor, and the role they can play in helping advance respect for human rights across our value chain.</i>
<b>Publish our updated Supplier Code of Conduct and Supplier Training</b>	<i>In 2018, we revised our Supplier Code of Conduct to clarify our expectations around several key issues, including forced labor and migrant workers protections. As part of this process, we also revised our SCoC Training to strengthen our guidance to suppliers on key issues such as recruitment fees, freedom of movement, and clear worker contracts.</i>

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<p><b>Partner with our direct suppliers on the implementation of our updated Supplier Code of Conduct</b></p>	<p><i>In 2018, our revised Supplier Code of Conduct and SCoC Training were cascaded to all of our direct suppliers. Through engagement with our Sustainable Sourcing Program, 100% of our business-critical direct suppliers completed the new training by the end of the year. We will continue working with our suppliers to help address potential forced labor risks in our supply chain and to help ensure that our standards and expectations are being met.</i></p>
<p><b>Expand our Sustainable Sourcing Program to additional segments of our supply chain</b></p>	<p><i>In 2018, we began the expansion of our Sustainable Sourcing Program to additional segments of our supply chain, including our promotional items suppliers and third-party labor providers. We will continue to expand the program to additional segments of our supply chain in subsequent years, using a risk-based approach.</i></p>
<p><b>Continue our engagement in industry partnerships and other collaborative efforts focused on eradicating forced labor</b></p>	<p><i>We have continued to actively engage in industry partnerships and collaborative efforts focused on eradicating forced labor. These include, the Sedex Stakeholder Forum Working Group on Forced Labor, the CGF Social Sustainability Committee, the CGF Sustainable Supply Chain Initiative, and AIM-PROGRESS.</i></p>

## NEXT STEPS

We will continue our work to address potential modern slavery risks throughout our value chain, and we will focus on:



*Finalizing a comprehensive risk assessment of 25 of our top agricultural raw materials and sourcing origins to better understand the supply chains and geographic regions where we should prioritize our efforts.*



*Conducting a detailed review of our current processes to identify areas where we can strengthen our engagement with rights holders and the integration of their interests and concerns into our management approach.*



*Continuing the expansion of our Sustainable Sourcing Program to our third-party labor providers and other suppliers in high-risk markets to better assess, prevent, and address potential risks specific to contract and migrant workers.*



*Continuing to work within industry partnerships and other collaborative efforts to help monitor and address potential forced labor issues in our supply chain and contribute to tackling the systemic issues that cause forced labor.*

This statement has been reviewed and approved by PepsiCo's Chairman of the Board of Directors and Chief Executive Officer.

Signed,

**Ramon Laguarta**

PepsiCo Chairman of the Board of Directors and Chief Executive Officer