

# PEPSICO STATEMENT ON MODERN SLAVERY AND HUMAN TRAFFICKING

*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 modern 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 30, 2017.*

## 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.

We operate approximately 300 manufacturing facilities across the world, with our largest operations being in North America, Mexico, Russia, the United Kingdom, and Brazil. As of December 30, 2017, we and our consolidated subsidiaries employed approximately 263,000 people worldwide. In addition to our own operations, we leverage hundreds of franchise bottlers, joint ventures, co-manufacturers, co-packers, and thousands of suppliers to make, distribute, and sell our products around the world.

Please see our [2017 Annual Report](#) for more information on our business and organizational structure.

300   
MANUFACTURING FACILITIES



263,000  
EMPLOYEES WORLDWIDE



## OUR APPROACH

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. PepsiCo is committed to respecting the human rights of workers and local communities throughout our operations and value chain. Our aim is to ensure that all rights holders that

might be affected by PepsiCo directly or through our value chain can enjoy the human rights described in the [International Bill of Human Rights](#) and the [ILO Declaration on Fundamental Principles and Rights at Work](#). Our approach is guided by the [UN Guiding Principles on Business and Human Rights](#) and centered on:

- Embedding respect for human rights throughout our business practices;
- Conducting due diligence to proactively identify, address, and track potential 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.

This approach helps to ensure that we have the appropriate policies and management systems in place to prevent, identify, and address potential human rights risks in our value chain. This statement highlights elements of our management approach and details our work to address risks related to modern slavery and human trafficking. Additional information on our human rights program and initiatives can be found on our [Human Rights Webpage](#).

## GOVERNANCE

We have established a formal governance structure to oversee and manage human rights at various levels throughout our business.

- Our **Board of Directors** plays an essential role in determining strategic priorities and considers sustainability issues an integral part of its business oversight, with its Public Policy and Sustainability Committee providing more-focused oversight of these issues.
- The **PepsiCo Executive Committee (PEC)**, comprised of our Chairman & CEO, Sector CEOs, and top functional leaders, has direct oversight of human rights and regularly reviews our strategy and progress against our goals and salient issues.
- Our **Chief Human Rights Officer (CHRO)** has day-to-day responsibility for human rights, leads our Human Rights Office, and chairs our Human Rights Operating Council.
- Our **Human Rights Operating Council (HROC)**, a cross-functional group of corporate and sector representatives, supports our CHRO and advises on initiatives to address human rights risks.
- Our **Human Rights Office**, established in 2017, drives our human rights strategy, facilitates performance against our goals, and manages our salient human rights issues.



## OUR POLICIES

Our policies play an important role in our ongoing work to embed respect for human rights throughout our business activities and address potential modern slavery and human trafficking risks in our value chain. They help us set clear expectations for our employees, suppliers, and other business partners, and they also establish a framework for monitoring compliance with our standards. Our [Global Human Rights & Salient Issues Statement](#) outlines our overall approach to respecting human rights and details our salient human rights issues. We have additional policies that apply to specific segments of our value chain and others that cover issues such as forced labor, child labor, and human trafficking. We regularly review our policies for alignment with stakeholder feedback, emerging regulatory developments, and internationally-recognized best practices.



### OUR OPERATIONS

All PepsiCo employees and joint venture employees over which we have management control are required to comply with our [Global Code of Conduct \(Code\)](#) and [Human Rights Workplace Policy](#). Both documents recognize the importance of maintaining and promoting fundamental human rights and explicitly prohibit the use of forced labor, child labor, and human trafficking.



### OUR SUPPLIERS

All suppliers, vendors, contractors, consultants, agents and other providers of goods and services who do business with or on behalf of PepsiCo (“suppliers”) are required to comply with our [Supplier Code of Conduct \(SCoC\)](#). Our SCoC sets out the expectations we have of our suppliers in a variety of areas, including labor practices. The SCoC is based on recognized international human rights standards and explicitly prohibits the use of forced labor, child labor, and human trafficking.

During a review of our policies in 2017, we identified the need to update our SCoC to clarify our expectations of suppliers in several key areas, including forced labor risks. As part of this process, we aligned our SCoC with the Consumer Goods Forum Priority Industry Principles and the Employer Pays Principle to help ensure that:

- Every worker has freedom of movement,
- No worker has to pay for a job, and
- No worker is indebted or coerced to work

We will continue working with our suppliers and exploring industry partnerships and other collaborative efforts to help address potential forced labor risks in our supply chain and to help ensure these goals are realized. For example, in 2017 we co-sponsored an AIM-PROGRESS supplier capability building event in Kuala Lumpur, Malaysia for over 150 participants that focused on strengthening grievance mechanisms and reducing forced labor-related risks.



### OUR BUSINESS PARTNERS

To further advance respect for human rights among our business partners, we have established a goal to extend the principles of our Code to all franchisees and joint venture partners by 2025. Compliance with our Code and all other applicable PepsiCo policies is already required for all joint ventures where we have management control. In 2017, we initiated work to develop a formal engagement program around this goal for all of our other joint venture partners and franchisees. We have met with a number of our partners and franchisees over the past several months to discuss our human rights agenda and gather input on the engagement program. Our aim is to finalize and launch the program later this year.

## TRAINING AND AWARENESS

Training also plays an important role in our work to embed respect for human rights throughout our business activities. It not only allows us to communicate our policies, standards, and expectations to our employees and suppliers, but it also allows us to raise awareness of potential human rights risks across our value chain and strengthen our ability to identify and prevent potential impacts. We have formal training programs for our employees and direct third-party suppliers that include guidance on forced labor, child labor, and human trafficking risks.

**4,200**  
**EMPLOYEES**  
completed **TARGETED**  
human rights training

### TRAINING OUR EMPLOYEES

In 2017, over 4,200 employees across our core functions (i.e., Human Resources, Global Procurement, Law Department, and Compliance) completed targeted human rights training on modern slavery and human trafficking. These functions were selected because they serve as critical touchpoints for our employees, suppliers, and other business partners. This training was designed to raise awareness of potential forced labor risks and to strengthen employee ability to identify and prevent potential impacts across our value chain. We plan to launch additional human rights training in 2018 to reinforce these learnings.

**72,000**  
**EMPLOYEES WORLDWIDE**  
completed online Code training  
in **24 languages**

We also require associates at all levels in the organization to complete annual Code training so they understand their obligation to comply with our Code and the behaviors that are expected under the Code. In 2017, over 72,000 employees worldwide completed an online Code training course available in 24 languages. Also in 2017, over 184,000 frontline employees in our plants and warehouses received Code and Values training through in-person training workshops.

**184,000**  
**FRONTLINE EMPLOYEES**  
received Code & Values training

### TRAINING OUR DIRECT SUPPLIERS

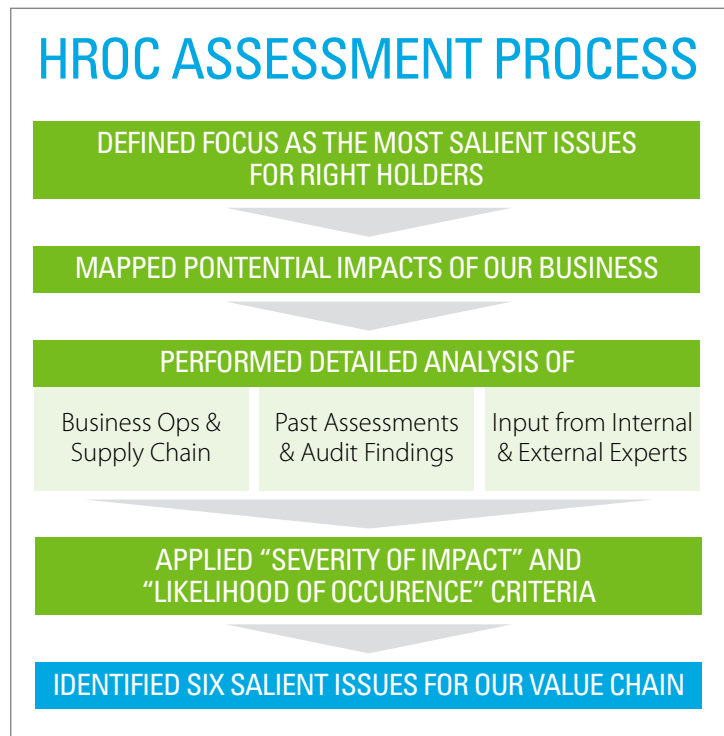
We use our Sustainable Sourcing Program to communicate our Supplier Code of Conduct to suppliers, evaluate their compliance, and facilitate continuous improvements within our supply chain. In 2017, 100% of our targeted key suppliers completed our SCoC training. This training helps to ensure suppliers 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. We are currently revising our SCoC training to provide additional guidance on forced labor-related risks, particularly recruitment fees, freedom of movement, and clear worker contracts. Our aim is to launch the revised training later this year. Our current SCoC training can be viewed [here](#).

**100%** of targeted  
**KEY SUPPLIERS**  
completed SCoC training

## ASSESSING AND MANAGING RISKS

As one of the largest food and beverage companies in the world, we recognize there are a variety of ways that our business activities might directly or indirectly impact human rights. To help us prioritize our efforts, our HROC conducted a detailed assessment in 2017 to identify our salient human rights issues - those human rights at risk of the most severe negative impact through our company activities and business relationships.

In partnership with [Shift](#), we started by defining our focus as the most salient issues for rights holders in our value chain. We then mapped the potential impacts that our business activities might have on rights holders in our value chain, which involved detail analysis of our business operations and supply chain, past assessment and audit findings, and input from internal and external experts, including industry groups, NGOs, human rights bodies, and socially responsible investors. After identifying a list of potential impacts, we determined our salient issues by applying the “severity of impact” and “likelihood of occurrence” criteria outlined in the [UNGP Reporting Framework](#). Through this process, the HROC identified six salient issues for our value chain.



## SALIENT ISSUES

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

While we take steps to address all potential risks in our value chain, saliency informs our strategy and helps us prioritize where we should focus our work. We regularly review our salient issues to determine whether other human rights have become greater priorities over time. We set out the initial framing for our salient issues in our [Global Human Rights & Salient Issues Statement](#), and we are currently establishing detailed roadmaps for each of them.

Our work on forced labor risks intersects with several of our salient issues, particularly vulnerable workers. Below are some examples of our recent work related to forced labor.

- We recently revised our SCoC to align with the Consumer Goods Forum Priority Industry Principles and the Employer Pays Principle.
- We are revising our SCoC training to provide additional guidance to our direct suppliers on forced labor-related risks.
- We are expanding our Sustainable Sourcing Program to include third-party labor providers to better assess, prevent, and address risks specific to contract and migrant workers, such as recruitment fees.
- We are using 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 risk, including forced labor and land use practices.
- We are addressing risks and impacts to vulnerable workers, including temporary workers and women, in our palm oil supply chain and the industry more broadly. This means working with peers, suppliers, civil society, and others to identify and address systemic issues as well as to address non-compliances in our own supply chain.

## OUR DUE DILIGENCE PROGRAMS

We manage our human rights risks, including forced labor, by assessing adverse human rights impacts in our value chain; integrating these findings into our internal systems, controls, and processes; tracking the effectiveness of our actions and influence; and communicating with our external stakeholders.

We recognize that potential human rights impacts can occur at any point along our value chain, and our aim is to identify and address these risks wherever they occur. Our initial focus has been on our own operations, direct suppliers, and agricultural partners. These areas were identified through internal analysis and external stakeholder feedback as the points along our value chain where we have the greatest ability (i.e., our operations) to prevent and respond to human rights impacts and where the risks to rights holders are high (i.e., supply chain and agricultural partners). We have established programs to assess potential risks, independently audit sites, and identify and remediate impacts found along these areas of our value chain.

### 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 protocol. Approximately 80% of our direct operations have completed GLHR assessments, and we anticipate achieving 100% completion by the end of 2018.

### SUSTAINABLE SOURCING PROGRAM (SSP)

Assesses risk and monitors supplier compliance with our Supplier Code of Conduct through scored self-assessments and third-party auditing of our most business-critical direct suppliers and contract manufacturing and co-packing locations across 68 countries. SSP audits also leverage [SMETA 4-Pillar requirements](#). To date, roughly 83% of our total business critical direct suppliers have been assessed through the SSP.

### SUSTAINABLE FARMING PROGRAM (SFP)

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. From 2013 to 2017, we have implemented the SFP across 38 countries, with active programs representing over 40,000 growers in our supply chain.

To better understand the risks along other points in our value chain, we are continuing to expand our due diligence programs. For example, we are expanding our Sustainable Sourcing Program to include indirect suppliers, such as third-party labor providers, and establishing a new program to engage our franchisees and joint venture partners.

## ADDRESSING NON-COMPLIANCES

In 2017, we conducted 80 GLHR on-site audits of our company-owned manufacturing operations and conducted or recognized over 1,000 on-site audits of our first-tier suppliers through our Sustainable Sourcing Program. The following represent the categories where we found the most frequent non-compliances from these audits of our own manufacturing operations and our direct third-party suppliers in 2017.

### Top 5 Non-Compliance Categories in 2017

<b>1. Health, Safety, and Hygiene</b>
<b>2. Working Hours</b>
<b>3. Wages and Benefits</b>
<b>4. Regular Employment</b>
<b>5. No Rest Day Provided</b>

When non-compliances are identified through our due diligence programs, they are addressed through the implementation of corrective action plans. Each corrective action plan has a set timeframe, depending on the type of non-compliance and its severity. Once in place, corrective action plans are tracked through our respective programs, which may require an additional on-site audit to verify remediation of non-compliances. We also take additional steps to identify and better understand the root cause(s) of the non-compliances we find.

In 2017, we identified two forced labor-related non-compliances in the over 1,000 on-site supplier audits conducted or recognized by our Sustainable Sourcing Program. Both instances involved supplier sites in the UK and concerned the compulsory overtime provisions in their human resources policies. In both instances, the sites reviewed our non-compliance findings, identified the root cause of the issue within their operations, and submitted Corrective Action Plans to PepsiCo outlining the actions they would take to remediate the issue within a set timeframe. In both cases, the policies were revised within the set timeframe and verified to be in place during our follow up audit. Learnings from both instances have been integrated into our updated Supplier Code of Conduct and revised Supplier Code of Conduct training to provide additional guidance to suppliers on forced labor-related risks.

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## STAKEHOLDER ENGAGEMENT

We understand the importance of capturing the voice of rights holders, and we are committed to engaging with potentially and actually affected stakeholders, including our employees, supply chain workers, and the local communities in which we operate. We regularly engage a wide range of external stakeholders and human rights experts on our approach, salient issues, and specific concerns. For example, following feedback from several stakeholders including the Interfaith Center on Corporate Responsibility (ICCR), we are taking an active role in the Consumer Goods Forum's initiative to fight

forced labor through the [Priority Industry Principles](#). The initiative seeks to establish common standards amongst its large retail and consumer goods company members to tackle forced labor through key issues such as ensuring freedom of movement for workers, no document retention, and no fees paid by workers for our own operations and our value chains.

## 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 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. We have established a variety of mechanisms that allow our employees, stakeholders, and other potentially affected individuals to raise grievances and seek remedy.



**Speak Up!**

If you see or hear something you believe is illegal or a violation of our Values or our Code of Conduct...  
**Speak Up!**

Report your concerns to your supervisor, Human Resources manager or Speak Up

With Speak Up, you may choose to remain anonymous, where permitted by law

You should report:\*\*

- Inaccuracy of financial records
- Accounting and auditing irregularities
- Bribery, corruption or illegal payments
- Criminal conduct and violations of law
- Safety and environmental hazards
- Discrimination and harassment
- Product quality issues
- Conflicts of interest
- Theft or fraud
- Workplace violence

Contact Speak Up by web or by phone  
[www.tnwgrc.com/PepsiCoSpeakUp](http://www.tnwgrc.com/PepsiCoSpeakUp)

For the phone number in your country, see next page for our **International Phone List**  
Confidential. Toll Free. 24 hours a day.

PepsiCo policy protects employees who raise concerns in good faith against retaliation

\*\* Due to local privacy laws in certain countries and the European Union region, the Speak Up line may permit only specific types of calls, such as accounting, financial, auditing and bribery matters. In those countries, contact your Human Resources manager to report issues.

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

In July 2017, we launched an enhanced grievance mechanism for agricultural commodities that is complementary to our existing Speak Up! Process. 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. Further details on the

grievance mechanism can be found [here](#). In addition to these formal grievance mechanisms, we also actively engage with external stakeholders to address issues they raise on behalf of individuals in our value chain.



## NEXT STEPS

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

- » Launching additional human rights training to our employees in 2018 to raise awareness of potential forced labor risks and to strengthen their ability to identify and prevent potential impacts across our value chain.

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- » Publishing our updated Supplier Code of Conduct to provide additional guidance to our suppliers on our expectations.

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- » Revising our Supplier Code of Conduct training to provide additional guidance to our suppliers on forced labor-related risks.

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- » Working with our direct suppliers to implement our updated Supplier Code of Conduct, with a particular focus on recruitment fees, freedom of movement, and clear worker contracts.

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- » Expanding our Sustainable Sourcing Program to include third-party labor providers to better assess, prevent, and address potential risks specific to contract and migrant workers, such as recruitment fees.

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- » Continuing to work within industry partnerships and other collaborative efforts to help address potential forced labor issues in our supply chain and contribute to tackling the systemic issues that cause forced labor where the risks are highest.

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

Signed,



**Indra K. Nooyi**  
PepsiCo Chairman of the Board of  
Directors and Chief Executive Officer