



OUR COMMITMENT TO HUMAN RIGHTS

PEPSICO, INC.
HUMAN RIGHTS REPORT 2019



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A LETTER FROM RAMON



RAMON LAGUARTA
*PepsiCo Chairman of the Board of Directors
and Chief Executive Officer*

Welcome to PepsiCo’s first ever Human Rights Report – a milestone in our effort to become a better company by helping to build a more sustainable food system.

With COVID-19 profoundly reshaping our lives, it is important to acknowledge the heroic medical professionals and first responders keeping us steady during these turbulent times. At the same time, there is important work being done in other sectors, including our own, to protect workers and help maintain the supply of food and beverages around the world. Today, the global food system is facing significant pressure that threatens its future ability to meet the needs of a growing global population. As we navigate this unprecedented crisis, our commitment to helping build a more sustainable food system is more important than ever.

At PepsiCo, we believe there is an opportunity to change how the world produces, distributes, consumes and disposes of foods and beverages. We are aiming to use our scale, reach, and expertise to help build a more sustainable food system; one that can meet human needs for nutrition and enjoyment, and continue to drive economic growth and social development, while protecting and restoring the planet.

On top of being the right thing to do, building a more sustainable food system is also good for our business. At PepsiCo, we recognize that our success can only be achieved when all of our stakeholders—including farmers and growers, factory workers, and community partners—are treated with dignity and respect. This belief is woven into everything we do, and it is the foundation of our vision: to Be the Global Leader in Convenient Foods and Beverages by Winning with Purpose.

Winning with Purpose is about many things, but among the most vital is our commitment to human rights. With political and economic volatility rising around the world, the principles of the Universal Declaration of Human Rights are as relevant today as they were when the Declaration was adopted over 70 years ago. Human rights abuses of any kind are unacceptable. As one of the world’s leading food and beverage companies, we recognize that we have a clear responsibility to advance respect for human rights, not only in our own business but also in our value chain.

Our aim has long been to ensure that all people throughout our value chain can fully enjoy the freedoms described in the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. As part of our approach, we are committed to implementing the United Nations Guiding Principles on Business and Human Rights throughout our organization, while also taking action to address the most pressing human rights issues in our value chain.

This report provides an overview of our approach and an update on our most recent programs and initiatives. I hope you find the pages that follow insightful and compelling, and on behalf of our entire company, I look forward to working collaboratively to move us closer to a world where all people are treated with the dignity and respect they deserve.

RAMON LAGUARTA
PepsiCo Chairman of the Board of Directors
and Chief Executive Officer



ABOUT THIS REPORT



MICHELE THATCHER
*PepsiCo Chief Human Rights Officer,
Senior Vice President, and Chief Counsel
Global Human Resources*

As PepsiCo's Chief Human Rights Officer, I am excited to share our first standalone Human Rights Report at the start of a new decade.

PepsiCo has a longstanding commitment to respect human rights, and over the past decade, we have continued to evolve and deepen our understanding of the role we can play in advancing respect for human rights throughout our value chain. Most recently, this commitment has underpinned our response to the unprecedented spread of COVID-19, guiding our actions to protect our associates, care for their families, and support our communities around the world.

Our global approach is informed by the United Nations Guiding Principles on Business and Human Rights and is centered around four core pillars: (i) embedding respect for human rights throughout our value chain; (ii) conducting ongoing human rights due diligence; (iii) engaging our stakeholders and driving collaborative action; and (iv) providing effective grievance mechanisms and access to remedies. Using this approach as our foundation, we have strengthened our policies, enhanced our due diligence systems, and taken targeted action to

address our salient human rights issues across our value chain.

While we are proud of what we have accomplished to date, we recognize that it is merely a signpost along our journey. We know there is still much work ahead of us to ensure that human rights are fully respected throughout our value chain, and we are committed to regularly reporting our progress and bringing greater transparency to our work.

That's what this report is all about – tracing our human rights journey, highlighting our progress and learnings to date, and outlining the work we see ahead. Thank you for your ongoing support and dialogue, and we look forward to continuing our collective efforts to advance respect for human rights throughout our value chain.

Gratefully,

MICHELE THATCHER
PepsiCo Chief Human Rights Officer,
Senior Vice President, and Chief Counsel Global Human Resources



COVID-19



As COVID-19 continues to spread throughout the world, we are taking proactive steps to protect the safety of our products, care for our more than 260,000 associates and their families, and support our communities around the world.

As a global company, we are taking extensive precautions across our supply chain and continue to work closely with authorities around the world to ensure the continued safety of our products and manufacturing locations everywhere we do business. As a company, we are practicing social distancing at all of our facilities around the world. We have asked all PepsiCo associates, who have the option, to work from home. Those who do not have the option are adhering to social distancing guidelines from local and federal governments. We have also increased the cleaning frequency at all facilities globally and re-emphasized the importance of good hygiene and proper handwashing. Additionally, we are expanding the availability of hand sanitizer in our facilities, separating workstations, and providing masks and other personal protective equipment for all of our frontline employees.

We take the health and safety of our associates very seriously, especially with regards to our frontline associates who are

continuing to make, move, and sell our products and keep supermarket and grocery shelves stocked during this critical time. With that in mind, in our largest market, the United States, we are providing our associates impacted by COVID-19 with additional benefits (e.g., paid sick leave) to help manage through this difficult time.

As COVID-19 reduces access to food and other essential goods for communities around the world, PepsiCo and The PepsiCo Foundation are investing more than \$50 million globally to bring food and other vital resources to the most affected communities. As part of this effort, we are providing funding for protective gear for healthcare workers and testing and screening services, and we are in the process of distributing more than 50 million nutritious meals to at-risk populations. In addition to our direct response, we are also working closely with our peers, suppliers, customers and other leading foundations to identify joint impact investing programs that can expand and sustain access to critical nutrition resources for families affected by COVID-19.

For detailed information on our COVID-19 relief efforts, please visit our [COVID-19 webpage](#).

PEPSICO AT A GLANCE



In 1965, Donald Kendall, the CEO of Pepsi-Cola, and Herman Lay, the CEO of Frito-Lay, recognized what they called “a marriage made in heaven,” a single company delivering perfectly-salty snacks served alongside the best cola on Earth. Their vision led to what quickly became one of the world’s leading food and beverage companies: PepsiCo.

For more than 50 years, as tastes, trends, and lifestyles have changed, PepsiCo has evolved with them. Our willingness to adapt and grow has transformed our snack and soda company into a collection of global brands including Pepsi, Quaker, Gatorade, Tropicana, Frito-Lay, and beyond. Today, PepsiCo is the world’s second largest food and beverage company with products sold in more than 200 countries and territories and a portfolio of 23 brands that each generate more than \$1 billion in estimated annual retail sales.

In October 2018, Ramon Laguarta assumed the role of Chief Executive Officer for PepsiCo. Under his leadership, a diverse group of senior leaders from across the company embarked on a journey to develop a new mission and vision for our company. They emerged from the process

filled with optimism and united behind a new mission: to Create More Smiles with Every Sip and Every Bite. This serves as our call to action to run our business in a way that simultaneously satisfies and advances the interests of our consumers, customers, associates and communities, planet, and shareholders.

We also emerged from this process united around a new vision that captures our competitive spirit, intense focus, and shared values: to Be the Global Leader in Convenient Foods and Beverages by Winning with Purpose. Winning with Purpose is an evolution of our previous vision - Performance with Purpose. It is the next step on PepsiCo’s journey, building on everything that we have achieved over the past 12 years with Performance with Purpose while propelling our company forward into a new era of growth and prosperity. It reflects our ambition to win sustainably in the marketplace and accelerate our top-line growth, while keeping our commitment to do good for the planet and our communities.

To meet these aims, we have committed to becoming: **Faster, Stronger, and Better.**

We will become **Faster** by being more consumer centric and accelerating investment for topline growth and winning in the marketplace. Becoming faster means:

- Broadening our product portfolio and packaging formats to win locally;
- Fortifying our North American business by investing in Frito-Lay North America and PepsiCo Beverages North America; and
- Accelerating our international expansion with a disciplined focus on “right-to-win” markets.

We will become **Stronger** by transforming our capabilities and culture.

- Driving savings through holistic cost management to reinvest in the marketplace;
- Developing and scaling the core capabilities necessary to better understand and meet new consumer needs, strengthen our brands, and improve customer service; and
- Building a differentiated organization, talent base, and culture.

We will become **Better** by continuing to integrate our purpose agenda into our business strategy and doing even more for the planet and our people. As part of our vision to Be the Global Leader in Convenient Foods and Beverages by Winning with Purpose, we are refocusing our Sustainability Agenda on helping to build a more sustainable food system; one that can meet human needs for nutrition and enjoyment and continue to drive economic growth and social development without exceeding the planet’s natural boundaries. To do this, we have sharpened PepsiCo’s sustainability focus to six overlapping priorities within our food system:

- Agriculture
- Water
- Packaging
- Products
- Climate Action
- People

For more information on our business, please see our latest [Annual Report](#).

PEPSICO HAS A PORTFOLIO OF 23 BILLION-DOLLAR BRANDS

that generated more than \$1 billion each in estimated annual retail sales in 2019.

Our products are enjoyed by consumers more than **ONE BILLION** times a day in **200+** countries and territories around the world.

THERE ARE APPROXIMATELY **267,000** PEPSICO EMPLOYEES WORLDWIDE.

266 MANUFACTURING PLANTS

3,300+ FACILITIES



PEPSICO'S COMMITMENT TO HUMAN RIGHTS



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 the PepsiCo Way, seven leadership behaviors that define our shared culture, and our belief that success can only be achieved when everyone is treated with dignity and respect. Human rights abuses of any kind are unacceptable, and as one of the world's leading food and beverage companies, we have a clear responsibility to respect human rights throughout our business and broader value chain.

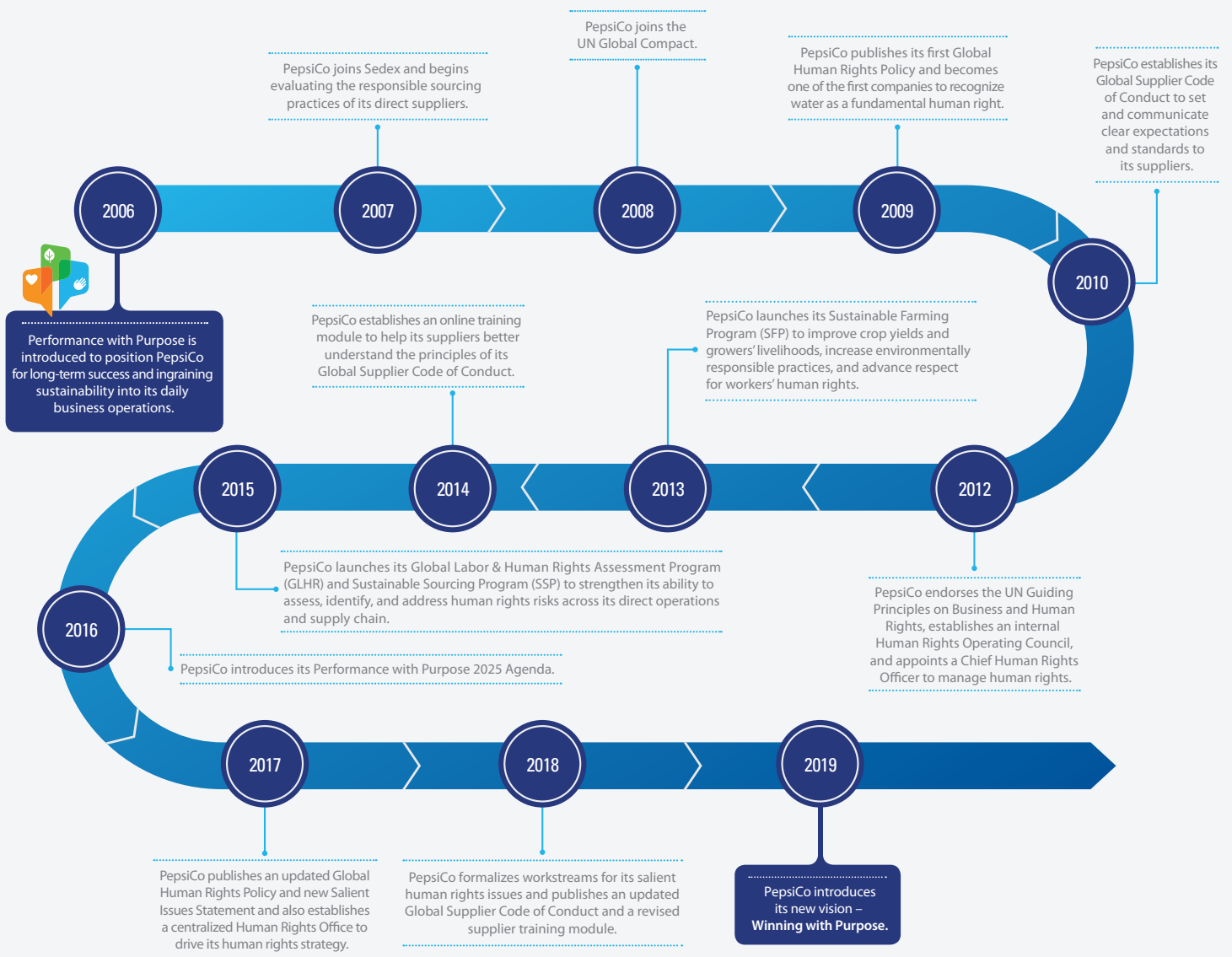
We are committed to respecting all of the rights described in the [International Bill of Human Rights](#) and the [ILO Declaration on Fundamental Principles and Rights at Work](#), and our aim is to ensure that all rights holders throughout our value chain can fully enjoy the rights described in these documents. This can be a challenge for a global company with a complex value chain that spans multiple tiers and hundreds of countries and territories. Nevertheless, we recognize there are a variety of ways that our business

activities might directly or indirectly impact human rights. We have the ability to contribute to positive human rights impacts, such as through the creation of jobs or by providing local communities with access to clean water. We also have a responsibility to prevent and address adverse human rights impacts that we may cause or contribute to through our operations and, where we are directly linked to potential impacts, a responsibility to use our leverage to encourage our suppliers and business partners to respect human rights throughout our broader value chain.

In fulfilling our responsibility to respect human rights, we are committed to implementing the [United Nations Guiding Principles on Business and Human Rights](#) throughout our business and reporting on our progress in line with the [UN Guiding Principles Reporting Framework](#). We also follow the [OECD Guidelines for Multinational Enterprises](#) and are a signatory to the [UN Global Compact](#).

PEPSICO'S HUMAN RIGHTS JOURNEY

KEY MILESTONES IN OUR HUMAN RIGHTS JOURNEY



PEPSICO'S HUMAN RIGHTS APPROACH

PepsiCo is committed to respecting the rights of all workers and local communities throughout its operations and value chain. To help ensure that we are in the best position to prevent, identify, and address potential impacts across our value chain, we have established a global human rights management approach that is guided by the UN Guiding Principles on Business and Human Rights.

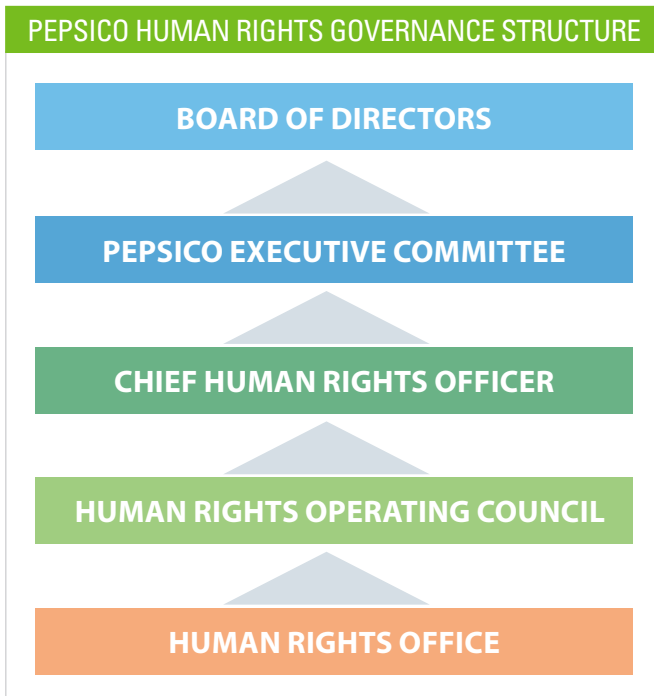
HUMAN RIGHTS APPROACH	
 <p>EMBEDDING RESPECT FOR HUMAN RIGHTS</p>	<ul style="list-style-type: none"> • Taking action to embed respect for human rights throughout our business practices and promote respect for human rights throughout our value chain.
 <p>CONDUCTING ONGOING DUE DILIGENCE</p>	<ul style="list-style-type: none"> • Conducting ongoing due diligence to proactively identify, address, and track potential and actual human rights impacts in our value chain.
 <p>ENGAGING OUR STAKEHOLDERS AND DRIVING COLLABORATIVE ACTION</p>	<ul style="list-style-type: none"> • Engaging with stakeholders, including rights holders, to inform our approach, programs, and processes; and • Helping drive global collaborative action focused on addressing the systemic nature of human rights challenges.
 <p>PROVIDING EFFECTIVE GRIEVANCE MECHANISMS AND ACCESS TO REMEDY</p>	<ul style="list-style-type: none"> • Providing remedy where we have caused or contributed to adverse human rights impacts and using our leverage to encourage our suppliers and partners to provide remedy where we find impacts directly linked to our business operations, goods, or services; and • Establishing effective mechanisms that allow our employees, stakeholders, and other potentially affected individuals to raise grievances and seek remedy.

With this approach as our foundation, we prioritize our efforts by focusing 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 ensure that we have the appropriate policies and procedures in place to prevent and address potential human rights risks across our value chain. We also work on a variety of additional issues (e.g., Climate Change, Privacy, Nutrition, and Added Sugar and Sodium Reduction) through our broader [Sustainability Agenda](#). We closely monitor emerging issues and regularly review our salient issues to determine whether other human rights have become greater priorities over time.

SALIENT ISSUES		
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



EMBEDDING RESPECT FOR HUMAN RIGHTS: *GOVERNANCE AND ACCOUNTABILITY*



We believe that strong governance is essential to successfully embedding 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.

PEPSICO BOARD OF DIRECTORS

As stewards of PepsiCo, our Board of Directors (Board) plays an essential role in determining our strategic priorities and considers sustainability issues as an integral part of its business oversight. In early 2017, our Board redefined the roles of its committees and created a Public Policy and Sustainability Committee (PPSC), positioning us as one of a limited number of public companies with a committee dedicated to this topic.

The PPSC assists the Board in providing more focused oversight of our policies, programs, and risks concerning key public policy and sustainability matters, including human rights. The PPSC is comprised entirely of independent directors and reflects a mix of skills, qualifications, and experience that are valuable to the PPSC's oversight of key sustainability and public policy matters.

In 2019, the PPSC reviewed the progress of our human rights program, including through a deep-dive session where they discussed our human rights approach as well as emerging human rights trends and risks. As part of this dedicated session, the PPSC 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.

PEPSICO EXECUTIVE COMMITTEE

The PepsiCo Executive Committee (PEC) has direct oversight of the Sustainability Agenda at PepsiCo, including human rights. The PEC is made up of our Chairman and CEO, Sector CEOs and top functional leaders, ensuring that sustainability is a key accountability for every member of our senior leadership team. Strategy and progress against our sustainability agenda is discussed during meetings of the full PEC on a quarterly basis, providing opportunities for our senior leadership to align on major strategic issues relating to sustainability. Between these quarterly meetings, PEC members remain actively engaged, driving the agenda with their respective teams.

In 2019, the PEC discussed our human rights approach and performance at several of its meetings. The PEC also received a detailed update from our Chief Human Rights Officer during its November session, where it focused its attention on a review of our human rights strategy, annual due diligence findings, and ongoing work to address key risks, including excessive working hours and forced labor.

In late 2019, PepsiCo also appointed our first Chief Sustainability Officer (CSO). Our CSO leads PepsiCo's Sustainability Office, including the Global Sustainable Plastics team and the Global Sustainable Operations team, and is responsible for accelerating PepsiCo's efforts to integrate purpose into our business strategy and brands.

CHIEF HUMAN RIGHTS OFFICER

In 2012, we appointed a Chief Human Rights Officer (CHRO) to be responsible for the day-to-day management of human rights at PepsiCo. The CHRO chairs our Human Rights Operating Council and leads our Human Rights Office in its management of our human rights program. Our CHRO also serves as Senior Vice President and Chief Counsel for Global Human Resources at PepsiCo, reporting directly to our Executive Vice President of Government Affairs, General Counsel and Corporate Secretary – a PEC member.

HUMAN RIGHTS OPERATING COUNCIL

In 2012, we also established our Human Rights Operating Council (HROC) to advise and support our CHRO on actions to prevent, mitigate, and address potential human rights risks across our value chain. The HROC is comprised of senior corporate and sector representatives from core functions (e.g., Human Resources, Global Sustainability, Global Procurement, Global Operations, Legal, Public Policy, Risk Management, and Sales) as well as the heads of our human rights due diligence programs. The HROC's core responsibilities include:

- Annually reviewing our business activities, due diligence findings, and stakeholder feedback to confirm our salient human rights issues;

- Prioritizing initiatives and identifying partnerships to address human rights risks and opportunities;
- Monitoring progress toward our human rights goals and targets;
- Regularly reviewing our human rights policies for alignment with legal and regulatory requirements; and
- Submitting periodic reports and action plans to the PEC and the Board for review and/or approval.

In 2019, our CHRO led the HROC's annual review of our due diligence findings and salient issues workstreams, and the insights and recommendations from those sessions were shared directly with the PEC and the Board.

HUMAN RIGHTS OFFICE

In 2017, we established a dedicated team that is responsible for driving our human rights approach, facilitating performance against our goals, and managing our salient human rights issues. The team, led by our CHRO, coordinates our HROC and works closely with the heads of our due diligence programs and other internal stakeholders (e.g., Human Resources, Global Sustainability, and Global Procurement) in the implementation of our strategy. PepsiCo's CHRO and Human Rights Director, who are tasked with delivering our human rights program and managing our salient issues, have clear annual performance targets that link their compensation with the performance of our program. This includes their responsibility for a wide range of human rights issues, including forced labor and vulnerable worker populations.



EMBEDDING RESPECT FOR HUMAN RIGHTS: *POLICY FRAMEWORK*



Our policies play an important role in our ongoing work to embed respect for human rights throughout our operations and broader value chain. Our policies set and communicate clear expectations for our employees, suppliers, and business partners, establishing a framework that helps us monitor compliance with our standards. We have a number of policies that cover the various segments of our value chain as well as specific human rights issues, such as land rights. We regularly review our policies for alignment with stakeholder feedback, emerging regulatory developments, and internationally recognized best practices.

OUR DIRECT 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 [Global Human Rights Workplace Policy](#). Our Code serves as our roadmap for acting ethically and in compliance with all applicable laws, wherever we do business, and it recognizes the importance of maintaining and promoting fundamental human rights in our operations. Our Human Rights Workplace Policy is embedded within our Code, and it reflects the principles contained in the International Bill of Human Rights and ILO Declaration on Fundamental Principles and Rights at Work. The HROC revised our Global Human Rights Workplace Policy in 2017 to clarify our approach and provide further

guidance to employees on our expectations. The revised policy was socialized with several stakeholder groups (e.g., employees, NGOs, and customers) to solicit their feedback on the proposed changes, and it was subsequently finalized and approved by our Chairman and CEO.

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 [Global Supplier Code of Conduct](#) (SCoC). Our SCoC is based on recognized international human rights standards, and it outlines the expectations we have of our suppliers in the areas of business integrity and anti-corruption, labor practices, health and safety, and environmental management. Compliance with the SCoC is a condition of PepsiCo's supplier contracts, and suppliers are expected to communicate and cascade the SCoC and all other relevant policies throughout their supply chain. 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 land rights, forced labor and migrant labor protections. As part of this process, we aligned our SCoC with the [Consumer Goods Forum Priority Industry Principles](#) and the [Employer Pays Principle](#).



OUR BUSINESS PARTNERS

As part of our commitment to advance respect for human rights throughout our broader value chain, we have established a goal to extend the principles of our SCoC to all of our franchisees and joint ventures by 2025. As part of this process, we have updated the contractual requirements for new partners to help clarify our expectations going forward and have initiated a formal program to engage our franchisees and joint ventures on our human rights agenda. We piloted this program in late 2017 and held a series of consultations with our franchise partners and joint ventures in 2018 to elicit feedback and discuss our shared priorities. We finalized the program's methodology in late 2018 and formally launched the program to our franchisees in Europe and Sub-Saharan Africa in 2019. We anticipate rollout to additional franchisees and an initial set of our joint ventures in 2020.

ISSUE-SPECIFIC POLICIES

In addition to our core policies outlined above, we also have a variety of policies that cover our salient issues and other related topics, such as our:

- **Land Use Policy:** Secure land rights are a vital component of economic prosperity, sustainable food production, and the responsible use of natural resources. In early 2014, PepsiCo published its Land Use Policy with zero tolerance for illegal activities in our supply chain and zero tolerance for land displacements of any legitimate land tenure holders.
- **Environmental, Health, and Safety (EHS) Policy:** Protecting the health, safety, and well-being of our associates around the world is one of our top priorities. Our EHS policy outlines our vision of "Beyond Zero," which is focused on achieving an injury-free work environment and creating a culture of positive impact on the health and well-being of our employees and surrounding environment.
- **Sustainable Agriculture Policy:** We aim to ensure that PepsiCo has continued access to the key agricultural raw materials necessary to supply growing consumer needs while respecting the environment and communities involved in the production of those raw materials. Our Sustainable Agriculture Policy outlines our principles and objectives for improving the sustainability of our agricultural supply chain.
- **Sustainable Palm Oil Policy:** We recognize the potential environmental and social challenges associated with palm oil, and we are committed to sourcing 100% physically certified RSPO sustainable palm oil by the end of 2020. Our Sustainable Palm Oil Policy outlines our long-term vision for a sustainable palm oil sector as well as our updated commitments to no deforestation, no development on peatlands, and no exploitation of indigenous peoples and local communities.

Copies of these and our other policies (e.g., our Product Safety Policy and Responsible Advertising to Children Policy) can be found on the [ESG Topics section](#) of our website.



EMBEDDING RESPECT FOR HUMAN RIGHTS: *TRAINING AND COMMUNICATION*



We believe ongoing communication and engagement are critical in successfully embedding respect for human rights throughout our value chain. To support our work in this area, we have established regular communication channels and formal training programs for our employees and direct suppliers. These programs help us raise awareness of potential issues, communicate our policies and standards, and provide our employees and suppliers with targeted guidance on human rights issues, such as forced labor.

ENGAGING OUR EMPLOYEES

Every year, we require employees at all levels in the company to complete training on our **Global Code of Conduct**. The Code training is designed to ensure that our employees understand their obligation to comply with our Code and the behaviors expected under it, including compliance with our **Global Human Rights Workplace Policy** which, like many of our policies, is embedded within the Code. In 2019, over 68,000 employees worldwide completed an online Code training course, with an additional 180,000 frontline employees in our plants and warehouses receiving Code training through in-person workshops. Throughout the year, our Compliance & Ethics Department also disseminates regular communications to our employees that emphasize their obligation to comply with our Code and raise awareness of the various channels through which they can raise potential concerns. We also take the opportunity throughout the year to raise awareness of specific events, such as World Water Day, International Women's Day, and Human Rights Day.

In 2017, we established a new training program to complement our annual Code training and provide our employees with additional guidance on emerging human rights risks. Since its inception, the program has trained over 74,000 employees worldwide. The trainings have focused on raising general awareness and providing employees with a detailed understanding of how human rights are relevant for businesses, PepsiCo's salient human rights issues, and the role they can play in helping PepsiCo address potential human rights risk in our value chain. In 2019, we initiated a strategic review of our human rights training program to identify areas where we could provide more function-specific guidance to strengthen our ability to identify and address potential human rights risks. As part of the review, we identified opportunities to provide targeted guidance to our Global Procurement function and Mergers & Acquisitions team, who will receive dedicated trainings in 2020.

ENGAGING OUR DIRECT SUPPLIERS

We use our Sustainable Sourcing Program to communicate our Supplier Code of Conduct to our direct suppliers and conduct our annual SCoC Training. This training is designed to help 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. The SCoC Training was enhanced in 2019 to reflect changes in our policy and further clarify the expectations we have of our suppliers. Specific enhancements to the SCoC and SCoC Training included new principles on Confidentiality and Land Rights and further clarification in the areas of Anti-corruption and Bribery, Working Hours/Rest Days, Forced Labor, Environment, and Mechanisms. In 2019, 100% of our business-critical direct suppliers completed our SCoC Training. Our online SCoC Training can be viewed [here](#).

Building supplier capability is an important aspect of the SSP. Among other program actions, in 2019 we updated our corrective action plan materials to include more robust guidance for suppliers on conducting root-cause analysis of issues identified through the SSP. Additionally, we co-hosted a supplier training event on responsible sourcing in Brazil through AIM-PROGRESS focused on topics including health and safety, forced labor/child labor remediation and working hours and wages.



CONDUCTING ONGOING DUE DILIGENCE

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, in 2017, our HROC conducted a detailed assessment 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, a leading center of expertise on the UN Guiding Principles on Business and Human Rights, we started this process by first 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, which involved a detailed analysis of our business operations and supply chain, past assessment and audit findings, and input from external experts (e.g., industry groups, NGOs, and socially responsible investors). After identifying a list of potential impacts, we determined our salient issues by examining the relative severity and likelihood of each issue. Through this process, our HROC identified the salient issues for our value chain. These issues are discussed in detail in the “Salient Human Rights Issues” section of this report.

While we strive to address all potential risks in our value chain, a salient issues lens informs our strategy and helps us prioritize where we should focus our efforts. We regularly review our salient issues and closely monitor other issues to determine whether they should become greater priorities over time.

OUR DUE DILIGENCE PROCESS

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., in our operations) and where the risks to rights holders are the highest (i.e., in our supply chain and with our agricultural partners).

We have established due diligence programs for these areas that help assess potential risks and remediate identified impacts.

 **85%**
of our **DIRECT MANUFACTURING OPERATIONS** ASSESSED THROUGH OUR **GLHR PROGRAM**

99% 
of our **BUSINESS CRITICAL DIRECT SUPPLIERS** ASSESSED THROUGH OUR **SUSTAINABLE SOURCING PROGRAM**

 **99%**
of the **FARMERS RESPONSIBLE FOR OUR DIRECTLY SOURCED CROPS** HAVE BEEN ENGAGED THROUGH OUR **SUSTAINABLE FARMING PROGRAM**

- Our **Global Labor Human Rights (GLHR) Assessment Program** assesses potential impacts across our company-owned manufacturing operations. GLHR assessments are conducted by third-party auditors and conform to the Sedex Member Ethical Trade Audit (SMETA) protocol requirements.
- Our **Sustainable Sourcing Program (SSP)** assesses potential impacts through scored self-assessments and third-party audits of our most business-critical direct suppliers and contract manufacturing and co-packing locations across 68 countries. SSP audits also leverage SMETA 4-Pillar protocol requirements.
- 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 while boosting agricultural productivity and extending availability of sustainably sourced crops. The SFP is based on self-assessment, capacity building, and verification.

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. To help ensure that we are in the best position to respond to potential impacts, we are continuing to expand our due diligence programs to cover additional areas using a risk-based approach. For example, 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. Most recently, we expanded our Sustainable Sourcing Program to engage our business partners and will extend the principles of our SCoC to our franchisees and joint ventures by 2025. This expansion will strengthen our engagement with these partners and help us assess and respond to potential impacts along these segments of our value chain.

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. More information on each of these programs can be found on our [Human Rights Webpage](#), [Sustainable Sourcing Webpage](#), and [Agriculture Webpage](#).

ADDRESSING NON-COMPLIANCES

In 2019, our Global Labor Human Rights Assessment Program conducted 76 on-site audits of our company-owned manufacturing operations across 26 countries, and our Sustainable Sourcing Program conducted or recognized over 860 on-site audits of our first-tier suppliers across 92 countries. The following diagram illustrates the top 5 non-compliance categories identified through the audits of our own manufacturing operations and direct suppliers in 2019. The underlying non-compliances were addressed through our due diligence programs and did not impact the safety or quality of our products.

TOP 5 NON-COMPLIANCE CATEGORIES IN 2019

1. Health, Safety, and Hygiene
2. Working Hours
3. Wages and Benefits
4. Environment
5. Regular Employment

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 identified and there is a failure to meaningfully engage in its remediation.

Below are two examples of the types of issues that we have identified and addressed through these programs over the past several years.

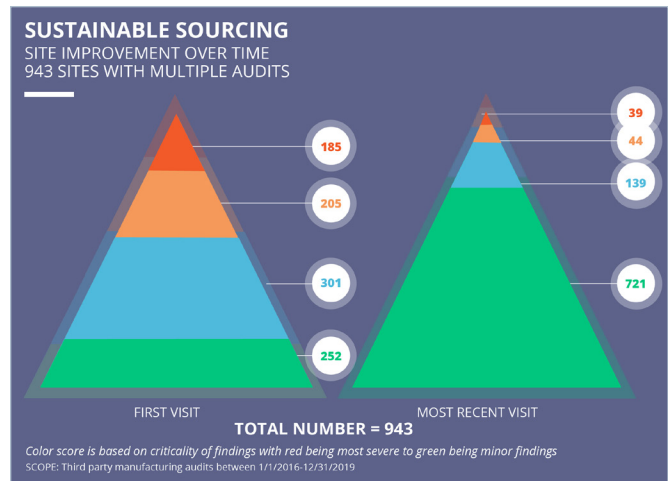
- **Helping Address Document Retention Issues in the United Arab Emirates:** In 2018, our third-party auditors identified that worker identification documents were being held by management at one of our supplier sites in the United Arab Emirates. This issue was immediately escalated to the head of our 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 policies and processes for handling these types of employee requests going forward.

- Helping Address Recruitment Fee Issues in Singapore:** In 2018, our third-party auditors identified that foreign workers at a supplier site in Singapore had paid excessive recruitment fees to obtain their jobs. We immediately engaged the supplier, who was unaware that recruitment fees had been paid. The supplier immediately engaged its temporary labor provider to address the issue directly with these employees. The engagement resulted in a formal change to the supplier's recruitment policy to ensure that its labor providers do not charge recruitment fees going forward.

TRACKING OUR PERFORMANCE

We use insights from our due diligence programs, grievance mechanisms, and stakeholder feedback to monitor and track our human rights performance and continuously inform our approach. For example, since the inception of our Sustainable Sourcing Program in 2015, we have seen a strong improvement in supplier site performance as suppliers learn from initial audit findings and demonstrate closure through corrective action plans and subsequent follow-up audits. High-level results of this improvement are presented below, based on supplier sites that have completed both initial audits and follow-up audits.



Through analysis of the audit findings, we learned that we needed to enhance our SCoC Training to provide our suppliers with additional guidance on how to identify, prevent, and address impacts related to several of our salient issues, including recruitment fees, freedom of movement, and clear worker contracts. Our revised SCoC Training was launched in 2018, and we have continued to leverage learnings from our on-site audits, direct supplier engagements, and stakeholder feedback to strengthen and inform our approach. We are also exploring new and innovative ways of evaluating the performance of our human rights program. For instance, in 2019, we piloted the beta version of Shift's [evaluation tool](#) to better understand some of the strengths and weaknesses of our current methodology and to contribute to the ongoing work of the [Valuing Respect project](#), a global collaborative initiative led by Shift to research and co-create better ways of evaluating business respect for human rights.



ENGAGING OUR STAKEHOLDERS AND DRIVING COLLABORATIVE ACTION



We believe that an open and continuous dialogue with our stakeholders is critical to informing and strengthening our human rights program. Our engagement approach focuses on an ongoing dialogue with a wide range of stakeholders (e.g., workers, NGOs, trade unions, investors, and customers) to gain both global and local perspectives on areas like the design of our approach, management of our salient human rights issues, and the overall performance of our program. We also recognize the importance of capturing the voice of rights holders through this process, 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 the development and management of our human rights approach. In late 2019, we initiated a review of our internal processes for engaging rights holders and integrating their feedback into our management systems and overall approach. We anticipate completing the review in 2020 and, where needed, implementing additional measures to strengthen our approach and internal processes.

Our global and regional Public Policy and Government Affairs teams, in conjunction with other internal groups and external experts, support our business in identifying the external parties that we should engage on specific issue areas, including our salient human rights issues. While the frequency (e.g., quarterly) and form of these engagements (e.g., direct consultations and multi-stakeholder collaborations) may vary, we regularly engage with a wide range of stakeholders throughout each year.

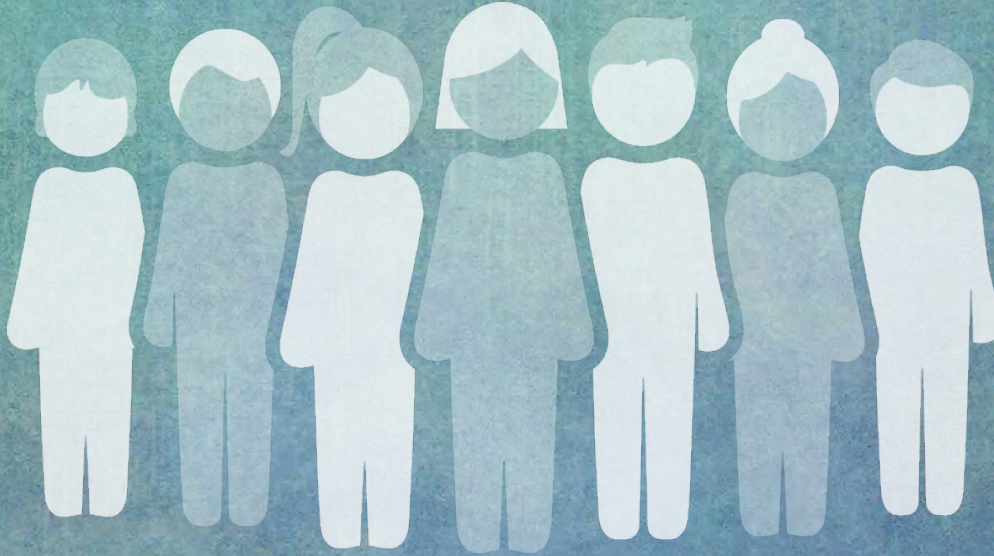
In addition to stakeholder engagement, we also participate in a variety of multi-stakeholder groups and collaborative

initiatives to enhance our knowledge of specific issues, drive industry-wide progress, and help address systemic challenges facing our industry. For example, we have used our leadership positions within [AIM-PROGRESS](#) and the [Sedex Stakeholder Forum](#) to help evolve the auditing protocol used by PepsiCo and other companies to better reflect changes in our understanding of specific risks, such as forced labor. We are also actively engaged in the Sedex Stakeholder Forum's Forced Labor Working Group, which is working to enhance Sedex assessments and improve the training and tools 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 issues, including human rights. 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 sustainability standards. Building on our work in these groups, PepsiCo recently joined the Leadership Group for Responsible Recruitment, a collaboration between leading companies and expert organizations to drive positive change in the way migrant workers are recruited. Through the Leadership Group for Responsible Recruitment, we are collaborating with other global brands to embed the [Employer Pays Principle](#) and advocate for an increased supply of ethically sourced labor and improved protections for migrant workers.

Please see the Salient Issues section of this report for additional information on our efforts to drive collaborative action to advance respect for human rights throughout our value chain.



PROVIDING EFFECTIVE GRIEVANCE MECHANISMS AND ACCESS TO REMEDY



We recognize that our policies and programs may not prevent all adverse impacts in our value chain. Our aim is to provide effective remedy where we have caused or contributed to those impacts and to use our leverage to encourage our suppliers and partners to provide remedy where we find impacts directly linked to our business operations, goods, or services. To facilitate this process, we have established a variety of mechanisms that allow our employees, stakeholders, and other potentially affected individuals to raise grievances and seek remedy. Our mechanisms do not obstruct access to other remedy channels or procedures and, where appropriate, we will collaborate with organizations and other companies to help prevent, mitigate, and remedy adverse human rights impacts.

OUR DIRECT OPERATIONS

All PepsiCo employees have an obligation to report suspected violations of our Values, [Global Code of Conduct](#), policies, and applicable law. Our employees have several avenues for reporting issues and seeking advice, including through their manager, Human Resources, the Law Department, the Global Compliance and Ethics Department, and our Speak Up hotline.

Speak Up is a toll-free ethics hotline operated by an independent third party that provides PepsiCo employees, consumers, suppliers and business partners, and community members with a 24/7, anonymous and confidential means of reporting suspected violations. Speak Up is accessible anywhere in the world with dedicated toll-free phone lines in over 60 countries and multiple languages and by web in 23 languages.

- By phone using a special toll-free telephone number based on the country from which someone is calling. For a list of international country phone numbers, please see the [Speak Up](#) section on our website.
- By web at www.PepsiCoSpeakUp.EthicsPoint.com.

All Speak Up reports are initially reviewed and evaluated by our Global Compliance and Ethics (C&E) Department. Each matter is then assigned to the appropriate party for investigation or follow-up in accordance with our internal incident management processes. Depending on the nature of the allegation, the investigation may be conducted by a professional from the Human Resources, Control, Security, Audit, Law, or the Global C&E Department, or by an outside firm. In line with our Global Code of Conduct Escalation Policy, complaints may also be escalated to senior leadership

as necessary. With respect to Code violations, our Global C&E Department provides oversight for consistency of the investigative process, discipline, and appropriate corrective actions. The time to review and investigate each report varies depending on the nature of the allegation, but our goal is to close out routine cases within 60 days.

Our Non-Retaliation Policy strictly prohibits retaliation against any individual who, in good faith, reports a suspected violation. Any instance of retaliation against an employee for reporting a concern in good faith is itself a serious violation of our Code, and any employee found to have engaged in such retaliation will be subject to appropriate discipline. 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](#). For more information please see our [Speak Up Frequently Asked Questions](#).

OUR SUPPLY CHAIN

We expect our suppliers and business partners to operate with the same high standards of integrity to which we hold ourselves. This expectation includes having an effective grievance management system in place for their operations and prohibiting potential retaliation against individuals who raise concerns. To complement their systems, their employees and contractors may also report suspected violations of our policies and standards through the PepsiCo Speak Up Hotline, which is made available through our Supplier Code of Conduct and Supplier Training.

In 2017, we launched an additional grievance channel to facilitate broader access to remedy and to provide stakeholders with an avenue to raise environmental and social concerns regarding our agricultural supply chain. Our Agricultural Grievance Mechanism complements our Speak Up Hotline and is open to anyone who has a concern that our policies and expectations for our agricultural supply chain are not being met. The mechanism is managed by an internal team and supported by a cross-functional Grievance Working Group, which advises on any substantive decisions or actions that are taken as part of our grievance management process. The mechanism is overseen by a formal Grievance

Committee that is comprised of senior leaders from the departments represented at the working group level (e.g., Global Procurement, Public Policy, Human Rights, and Sustainable Agriculture). The Grievance Committee meets on a quarterly basis to review individual cases. In every case, we first look to engage our direct suppliers to drive corrective actions that address the raised issues and build capacity throughout our supply chain. Where direct engagement does not lead to progress, we consider all appropriate forms of leverage, including the reduction and/or termination of supply.

We have gathered a number of insights through our management of the mechanism over the past two years and identified several areas where we believe we can strengthen our overall grievance management process. In 2019, we initiated a formal review of our agricultural grievance mechanism to better understand these areas and to identify ways to strengthen our grievance process in line with the UNGPs. The review is being led by an external organization that is examining: (i) the most effective role for PepsiCo to play when grievances are presented; (ii) how we can further encourage systematic grievance management and resolution throughout our supply chain; and (iii) how we can best support the improvement of external grievance systems, such as the Roundtable on Sustainable Palm Oil (RSPO) Complaints Mechanism. We expect the review to be completed in 2020, with potential outcomes including:

- Enhancements to our grievance mechanism to improve its effectiveness and efficiency in line with the UNGPs;
- Improved coordination with others that share the grievance in question, including peer companies and suppliers;
- Formal guidance for managing non-compliances with suppliers and business partners, including criteria by which actions up to and including suspension would occur and requirements for re-entry of suppliers; and
- Public disclosure of grievances linked to PepsiCo's agricultural supply chain, including actions taken by PepsiCo or its suppliers and business partners to address them.

Additional information and the structure and processes for our Agricultural Grievance Mechanism can be found [here](#).

SALIENT HUMAN RIGHTS ISSUES



In line with the [UN Guiding Principles Reporting Framework](#), PepsiCo defines our salient human rights issues as the human rights at risk of the most severe negative impact through our company’s activities and business relationships. In 2017, our HROC worked with a variety of internal and external experts, as well as external stakeholders, to identify our salient human rights issues. We started this process by first 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, which involved a detailed analysis of our business operations and supply chain, past assessment and audit findings, as well as input from external experts, including industry groups, NGOs, human rights bodies, and socially responsible investors. After identifying a list of potential impacts, we determined our salient human rights 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. We first outlined these issues in our [Global Human Rights and Salient Issues Statement](#), and this section of the report provides an update on our work in each of these areas.

SALIENT ISSUES		
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

FREEDOM OF ASSOCIATION

Freedom of association refers to the right of all workers to join or form a legally recognized trade union or any other organization. While freedom of association is a fundamental right enshrined in the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work, there are still a variety of challenges in ensuring that it is consistently respected around the world – from interference with the rights of workers to legal restrictions on the right of association.

As an employer of approximately 267,000 employees, we recognize the importance and value of having a strong dialogue with our employees. We respect our employees' right to join or form an organization such as a trade union without fear of retaliation, intimidation, or harassment. We also comply with all laws regulating collective bargaining. These principles are embedded in our [Global Code of Conduct](#), [Global Human Rights Workplace Policy](#), and our [Global Supplier Code of Conduct](#), where they serve as expectations of our employees and suppliers. We also train and audit our company-owned operations and direct suppliers on these standards, providing targeted guidance and support through our GLHR Program and Sustainable Sourcing Program.

We recognize that our responsibility to respect human rights exists regardless of whether countries fulfill their duty to protect human rights. At times, this responsibility can present a challenge, as instances may arise where national law and international human rights standards do not align. For example, in some countries, an employee's ability to exercise his or her right to associate may be restricted by national law. In such situations, we will comply with national law and, where possible, examine alternative ways to respect international standards to the greatest extent possible.

Furthermore, where our employees are represented by a legally-recognized union, we are committed to establishing a constructive dialogue with their freely chosen representatives and bargaining with those representatives in good faith. In 2019, 52%¹ of our employees worldwide, who were eligible to be covered under collective bargaining agreements, were represented. We are also committed to engaging with external stakeholders, including trade unions, on our approach to freedom of association, as well as on specific concerns. For example, we regularly engage with the International Union of Food Workers (IUF) and its affiliates to gain a deeper understanding of their position on a variety of issues. We also look for opportunities to engage with the IUF and other external stakeholders on topics of mutual interest.

We regularly integrate learnings from our due diligence programs and stakeholder engagements into our internal processes and management systems. For example, in 2018, we leveraged learnings from our on-site audits, direct supplier engagements, and stakeholder feedback to strengthen our [Supplier Code of Conduct Training](#) to provide additional guidance around issues such as freedom of association. In addition to our due diligence programs that actively identify and remediate issues, we also have a variety of channels that employees, stakeholders, and other potentially affected individuals can use to raise grievances and seek remedy, such as our [Speak Up Hotline](#) and [Agricultural Grievance Mechanism](#).

¹. Due to COVID-19 interruptions, this figure relies on 2018 data for our APAC Sector. All other data is based on 2019 Sector data.



ENGAGEMENT IN ACTION

In September 2016, the IUF alleged that the distribution of permanent employees and contract workers in PepsiCo's Lahore, Pakistan, snacks plant was not compliant with local standards. The IUF allegation escalated into a formal campaign by the trade union that resulted in protests by workers at the site, highlighting a growing discord between permanent employees and contract workers. After an investigation by PepsiCo substantiated the allegation, we met with the affected parties and implemented corrective action plans to address the root causes of the issue. As part of this plan, more than 460 contract workers were hired into permanent positions to ensure compliance with local standards.

For more information on this engagement with IUF, please see Shift's recent publication on [Respecting Trade Union Rights in Global Value Chains: Practical Approaches for Business](#).

HUMAN RIGHT TO WATER

Water is fundamental to the global food system and to our business. It nourishes the crops used to make our products, serves as the main ingredient in many of our beverages, and is an integral component of our manufacturing operations. But in some regions, water is scarce. Climate change is also worsening pressures on water resources around the world, with current estimates indicating that two-thirds of the world's population will live in water-stressed regions by 2025.

PepsiCo's positive water impact strategy focuses on improving water stewardship across our business and in the regions where we operate. Our long-standing commitment to respect the human right to water underpins this strategy and our ultimate goal of supporting long-term, sustainable water security for all. To do our part, we are taking an integrated approach to watershed management that focuses on replenishing the water we use for manufacturing in high water-risk areas, improving water-use efficiency in our direct operations and agricultural supply chain in high water-risk locations, advocating for improved water security, and increasing access to safe water for people throughout our value chain.

In consultation with our partners and independent experts, we have established a set of interconnected goals to help track our progress in each of these areas.

- **Replenishing Our Local Watersheds:** We have set an ambitious goal to replenish 100% of the water we use for manufacturing in high water-risk areas by 2025. We are focusing our efforts locally, replenishing the watersheds and catchments we draw from to make sure the local communities where we operate can benefit.
- **Improving Operational Water-Use Efficiency:** As part of our continued efforts to be better stewards of water, we strive to improve water-use efficiency in our direct operations in high water-risk locations by 25% by 2025.
- **Improving Water-Use Efficiency in Agriculture:** With approximately 70% of the world's freshwater being used for agriculture, we know how critical it is to improve water-use efficiency in our agricultural operations. We have set a global goal to improve water-use efficiency in high water-risk areas of our direct agricultural supply chain by 15% by 2025, focusing our efforts on corn and potatoes.
- **Providing Safe Water Access:** Increasing access to safe water for vulnerable individuals is one of the most urgent challenges that the world faces and addressing this challenge has been a priority for PepsiCo since the inception of our sustainability program. By 2025, we intend to help provide access to safe water to a total of 25 million people in the world's most at-water-risk areas, with a focus on communities near where we operate.
- **Advocating for Improved Water Security:** Having a positive water impact means improving water security not just within our four walls but also out in the watersheds in which we operate. We know we can make a significant impact through the actions we take across our value chain, but we also have opportunities to help mitigate water insecurity on a broader level. Our aim is to use our expertise and influence to advocate for the local policies and practices that can help protect and replenish watersheds.

We believe these efforts are key to minimizing our impact and supporting a water-secure future. To learn more about our progress toward our Positive Water Impact goals, please visit our [Water Stewardship Webpage](#).



In 2009, we were one of the first global companies to acknowledge water as a fundamental human right, indispensable to every community around the world and entitling every person to sufficient, safe, acceptable, physically accessible, and affordable water.

LAND RIGHTS

Secure land rights are a vital component of economic prosperity, sustainable food production, and the responsible use of natural resources. This can be particularly true in developing countries and areas inhabited by indigenous communities, yet current estimates indicate that only 30% of the world's population has a legally registered title to their land. Land rights issues have the potential to directly impact local communities and the daily lives of rights holders, such as through physical displacement or the loss of economic opportunity.

As one of the largest food and beverage companies in the world, agricultural raw materials are an integral part of our supply chain. Our products depend on a safe, high-quality, and affordable supply of agricultural raw materials to meet the demands of our business, as well as the expectations of our consumers, customers, and other stakeholders. The countries from which these raw materials are sourced represent a wide range of land tenure systems, both formal and informal. Recognizing the variance in local approaches, we established a [Global Land Policy](#) in 2014 to clarify our standards. Through this policy, we have specifically committed to:

- Zero tolerance for land displacements of any peoples in accordance with IFC Performance Standards, including Free, Prior and Informed Consent (FPIC);
- Fair and legal negotiations for land acquisitions; and
- The use of appropriate grievance mechanisms, such as the PepsiCo Speak Up Hotline and the PepsiCo Grievance Mechanism for our Agricultural Supply Chain, for future dispute resolutions.

These commitments are embedded in our [Global Land Rights Policy](#) and [Global Supplier Code of Conduct](#), which we use to communicate our expectations to our employees and suppliers. We continue to work closely with our suppliers to implement these policies, and we recently partnered with [Landesa](#), a global organization that works to secure land rights for millions of the world's poorest, to develop a framework that will allow us to more effectively assess and track our progress in implementing these commitments throughout our supply chain. Learnings from this project and other ongoing initiatives will inform our strategy and help us prioritize areas within our supply chain that require additional support.

We regularly engage with a variety of industry groups, civil society organizations, and external stakeholders to better understand specific land rights issues and to help drive collective action on systemic challenges in our value chain. For instance, we worked with Landesa to implement a social impact program in India in 2018. The program focused on strengthening the capacity of sugar mill operators and farmers by training them on PepsiCo Global Land Policy and requirements for suppliers on issues such as land tenure. The program developed and implemented several different training modules, one for staff at three sugarcane supplier mills, one for smallholders who supply the mills, and one specifically for women farmers.

We are currently reviewing our Global Land Policy for alignment with stakeholder feedback, emerging regulatory developments, and internationally recognized best practices. The review will be completed in 2020. For more information on our ongoing initiatives, please see our [Land Rights Webpage](#).



FOCUSING OUR EFFORTS

We have committed to implementing a third-party assessment program for our sugar and palm oil supply chains in Brazil and Mexico, which builds on prior work on sugar cane in Thailand, palm oil and sugar cane in Mexico, and coconut water in the Philippines. This program is being conducted by an expert independent organization with significant experience in assessing potential environmental and social issues in these supply chains. Please see our latest [Progress Statement](#) for more information on the program and the results of our most recent assessments.

VULNERABLE WORKERS

The terms “vulnerable workers” and “vulnerable worker groups” are generally used to refer to a specific set of workers that are at a higher risk of experiencing potential adverse human rights impacts. The underlying reason for their vulnerability can be the result of a variety of factors such as their location, industry, or employment conditions. Recognizing the scale of our value chain and the inherent complexities involved in global agricultural supply chains, we identified vulnerable workers as one of our salient human rights issues during our last review. Through internal assessments and consultations with external experts and stakeholders, we determined that migrant workers, women, young workers, and temporary/contract workers were the groups with a higher risk of potentially experiencing adverse human rights impacts across our value chain.

Our [Global Code of Conduct](#), [Global Human Rights Workplace Policy](#), and [Global Supplier Code of Conduct](#) serve as the roadmap for managing the impacts, such as bonded and forced labor, commonly faced by these groups along our value chain. We are continuing to strengthen our policies and associated trainings to provide our employees and suppliers with additional guidance on how to prevent, identify, and respond to these impacts. In 2017, we conducted modern slavery and human trafficking training with over 4,200 employees across our central functions (i.e., Human Resources, Global Procurement, Legal, and Compliance & Ethics). These functions were selected because they serve as critical touchpoints for our employees, suppliers, and business partners. The training was designed to raise awareness of potential forced labor risks and strengthen our employees’ ability to identify and respond to potential impacts across our value chain. We revised our SCoC in 2018 to clarify and strengthen our expectations of our suppliers in several key areas, which included forced labor and migrant workers protections, land rights, and working hours. As part of this process, we also aligned our standards and expectations 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 are also actively engaged in a number of ongoing collaborative initiatives focused on addressing impacts commonly faced by vulnerable workers throughout our value chain. Most recently, PepsiCo joined the Leadership Group for Responsible Recruitment, a collaboration between leading companies and expert organizations to drive positive change in the way that migrant workers are recruited. Through the Leadership Group for Responsible Recruitment, we are collaborating with other global brands to embed the Employer Pays Principle and advocate for an increased supply of ethically sourced labor and improved protections for migrant workers. Please see the Engaging our Stakeholders and Driving Collaborative Action section for additional information on these efforts.

In addition to this work, we are continuing to deepen our understanding of the specific issues facing these groups, as well as the geographies, in our direct operations and supply chain that we should prioritize. In 2019, we enlisted Verisk Maplecroft, a global research firm and risk consultancy, to conduct a comprehensive risk assessment of our direct operations and 25 of our top agricultural raw materials and sourcing origins to better understand the supply chains and specific geographic regions where we should prioritize our efforts moving forward. The assessment included an evaluation of several dimensions of human rights risks, including vulnerable workers and the risks most commonly faced by them. Insights from this assessment and our due diligence findings have been used to inform the target raw materials and geographies for several of our salient issues workstreams.



ENGAGING DIRECTLY VIA TECHNOLOGY

To strengthen our engagement with workers in our value chain, PepsiCo is partnering with Cargill and Proforest to pilot the new “ULULA Worker’s Voice Tool” that uses technology to drive human rights and inclusive impacts among our palm oil producers. The tool, developed by [ULULA](#), provides real-time information on key risk indicators at the plantation level and enables local teams and management to receive complaints and feedback directly from workers, making it easier to identify areas of improvement and collaborate on corrective action. Aggregate results from the tool will be shared with PepsiCo, Cargill, and the [Roundtable on Sustainable Palm Oil \(RSPO\)](#).

WORKING HOURS AND WAGES

Given the complexities of the manufacturing and agriculture sectors, workers in these industries are at a higher risk of facing potential adverse human rights impacts related to working hours and wages, such as excessive working hours, lack of adequate rest periods, and compulsory overtime. We are committed to providing fair and equitable wages, benefits, and other employment conditions in accordance with local law, and we expect the same of our suppliers and business partners throughout our value chain.

OUR DIRECT OPERATIONS

Our [Global Code of Conduct](#) and [Global Human Rights Workplace Policy](#) contain our commitments to provide competitive compensation relative to the industry and to comply with all applicable local laws governing the payment of wages and provision of benefits to our employees. We regularly audit our company-owned operations against these standards, providing targeted guidance and implementing corrective action plans through our GLHR Program. Through this process, we work closely with our local management teams to better understand the root cause(s) of working hour and wage-related issues. For example, we are currently working with a business unit to assess the use of compulsory overtime in our direct operations in the United States, evaluate its potential impact on our scheduling processes, and examine its role as a potential root cause of excessive working hours. Similarly, we are working with an external organization to assess and better understand employee fatigue in instances where excessive working hours are present. Insights from both of these initiatives will be used to inform additional guidance for our local management teams on how to prevent and address excessive working hours and other related issues that occur in our direct operations.

OUR SUPPLY CHAIN

Our [Global Supplier Code of Conduct](#) sets out the expectations we have of our suppliers in the areas of labor practices and employment conditions. We require our suppliers to comply with all local wage, working hours, and benefits laws, and expect them to strive to meet international standards in these areas as well. These standards specifically include:

- Work weeks of no more than 48 regularly scheduled work hours and 12 voluntary overtime hours;
- Overtime hours compensated at a premium rate;
- One day of rest every 7 days, except in emergencies or unusual situations; and
- No more than 21 consecutive days working without a rest day.

We provide additional guidance on our expectations through our [Supplier Code of Conduct Training](#) and work closely with our suppliers and agricultural partners through our Sustainable Sourcing Program and Sustainable Farming Program to help ensure they follow our standards and address potential issues in their operations. For instance, through an audit we identified that employees at one of our suppliers in China were working 21 consecutive days without rest. We immediately engaged the supplier and requested that it develop and implement a corrective action plan to address the underlying root causes of working hours and rest day non-compliances. The supplier implemented its corrective action plan during its follow-up audit, and the monitoring company verified that working hours are now in compliance with local standards and that all workers have at least one day off every 7 days.

For more information on these programs, please see our [Sustainable Sourcing Page](#).



In 2018, PepsiCo Beverages North America developed and launched new operating principles for its frontline workforce to provide additional guidance on areas such as seniority, notice of changes, workweeks, total rewards, and worker voice.

WORKPLACE HEALTH AND SAFETY

Supporting the health, safety, and well-being of workers throughout our value chain is one of our top priorities as a company. We have established a number of policies and programs to help drive health and safety values throughout our direct operations and supply chain.

OUR DIRECT OPERATIONS

Our [Global Environmental Health and Safety Policy](#) outlines our “Beyond Zero” vision that is focused on achieving an injury-free work environment and creating a culture of positive impact on the health and well-being of our employees and surrounding environment. Our Global Environment, Health, and Safety (EHS) function leads the strategy to achieve this vision, which is centered on three pillars:

- **People:** Creating a culture of risk anticipation led by capable people.
- **Risks:** Identifying and controlling critical risks.
- **Processes:** Simplifying our standards, tools, and auditing.

The execution of this strategy is supported by our Global Environmental, Health, and Safety Management System (GEHSMS), which sets the global health and safety standards for our business and assesses our performance. We aim to achieve world-class health and safety performance throughout our business. In 2019, PepsiCo had 11% fewer lost time incidents (LTI) across our business compared to 2018, reducing our lost time incident rate (LTIR) to 2.28.

TOTAL GLOBAL LTIR			
Year	2017	2018	2019
Global LTIR (per 1 million hours)	2.49	2.44	2.28

We also engage with a variety of industry groups and external stakeholders to better understand and drive collective action on key EHS risks for our value chain. For example, PepsiCo has been a member of the [Together for Safer Roads \(TSR\) Coalition](#) since its inception. The TSR Coalition is focused on improving road safety, enhancing vehicles and systems, reducing deaths and injuries from road traffic, and promoting safer road users throughout our value chain. For more information on our ongoing EHS initiatives, please see our [Environmental, Health, and Safety Webpage](#).

OUR SUPPLY CHAIN

Workplace health and safety is also a critical component of our [Global Supplier Code of Conduct](#), which requires our suppliers to proactively manage health and safety risks to provide an incident-free environment for workers in our supply chain. Specifically, we require all of our suppliers to:

- Comply with all relevant local laws and regulations;
- Implement management systems and controls that identify hazards and assess and control risks related to their specific industry; and
- Provide access to safe drinking water, sanitation and hygiene, including adequate restrooms and handwashing facilities; fire exits and essential fire safety equipment, and emergency aid kits and access to emergency response services including environmental, fire, and medical services.

We provide additional guidance on our expectations through our [Supplier Code of Conduct Training](#), and work closely with our suppliers and agricultural partners through our Sustainable Sourcing Program and Sustainable Farming Program to help ensure they follow our standards and address potential issues in their operations. For example, in 2017, we identified through an onsite audit that employees at one of our suppliers in Egypt were being exposed to unsafe working conditions due to a lack of Personal Protective Equipment (PPE) and blocked emergency exits. Once notified, the supplier shared its corrective action plan with us and quickly implemented steps to address these non-compliances. During the follow-up audit, our independent auditor verified all employees were provided with required PPE, all emergency exits were free from blockage, and that the internal management systems had been updated accordingly.

For more information on these programs, please see our [Sustainable Sourcing Page](#).





COMMITMENTS AND NEXT STEPS

EMBEDDING RESPECT FOR HUMAN RIGHTS	
Governance	<ul style="list-style-type: none"> Continue to strengthen and execute the formal governance structure that oversees and manages human rights throughout our business.
Policy Framework	<ul style="list-style-type: none"> Continue to strengthen our policy framework to ensure alignment with stakeholder feedback, emerging regulatory developments, and recognized best practices. Extend the principles of our Supplier Code of Conduct to all of our franchisees and joint ventures by the end of 2025.
Training and Communication	<ul style="list-style-type: none"> Develop additional training and guidance materials for employees to support their identification and management of potential human rights issues across our value chain.
CONDUCTING ONGOING DUE DILIGENCE	
Due Diligence Process	<ul style="list-style-type: none"> Continue the expansion of our Sustainable Sourcing Program to additional segments of our supply chain using a risk-based approach. Continue the expansion of our Sustainable Sourcing Program to engage our business partners and extend the principles of our SCoC to our franchisees and joint ventures.
ENGAGING OUR STAKEHOLDERS AND DRIVING COLLABORATIVE ACTION	
Stakeholder Engagement	<ul style="list-style-type: none"> Review our processes for identifying and engaging rights holders in our value chain to help ensure their perspectives and feedback inform our programs and management approach.
Collaborative Action	<ul style="list-style-type: none"> Continue to actively participate in multi-stakeholder initiatives and collaborative efforts to enhance our knowledge, drive industry-wide progress, and help address systemic challenges facing our industry.
PROVIDING EFFECTIVE GRIEVANCE MECHANISMS AND ACCESS TO REMEDY	
Grievance Process	<ul style="list-style-type: none"> Review the effectiveness of our Agricultural Grievance Mechanism to identify areas where we can strengthen our grievance process and more effectively use our leverage to encourage our suppliers and business partners to provide remedy in our value chain.
Transparency	<ul style="list-style-type: none"> Continue to enhance our public disclosures regarding the use and performance of our grievance mechanisms.
ADDRESSING OUR SALIENT HUMAN RIGHTS ISSUES	
Freedom of Association	<ul style="list-style-type: none"> Review our policies and practices for alignment with stakeholder feedback and recognized best practices, prioritizing high-risk areas in our value chain.
Human Right to Water	<ul style="list-style-type: none"> Execute on our suite of Positive Water Impact goals (See here).
Land Rights	<ul style="list-style-type: none"> Review our Global Land Policy for alignment with stakeholder feedback, emerging regulatory developments, and internationally recognized best practices. Partner with Landesa to develop a framework to more effectively track our progress in implementing our land-related commitments throughout our supply chain.
Vulnerable Workers	<ul style="list-style-type: none"> Continue to strengthen our policies and trainings to provide our employees and suppliers with additional guidance on how to prevent and respond to potential impacts, prioritizing high-risk geographies across our value chain and focusing our attention on key risks such as forced labor.
Working Hours and Wages	<ul style="list-style-type: none"> Assess the use of compulsory overtime in our direct U.S. operations, evaluating its role as a potential root cause of excessive working hours. Develop additional guidance for our local management teams on how to prevent and address excessive working hours and other related issues.
Workplace Safety	<ul style="list-style-type: none"> Continue to implement our “Beyond Zero” vision for our direct operations, focused on achieving an injury-free work environment and creating a culture of positive impact on our employees and the surrounding environment. Continue to drive health and safety values throughout our value chain through our Sustainable Sourcing Program and Sustainable Farming Program, prioritizing workplace and farm-level safety, including proper use of Personal Protective Equipment and fire safety.



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FOR MORE INFORMATION

For more information about our Company, our sustainability priorities, and our policies, please visit our corporate website at www.pepsico.com

Detailed information on our policies and performance can be found on our [ESG Topics](#) page. Among others, topics include:

- **Animal welfare**
- **Corporate governance**
- **Deforestation**
- **Diversity and engagement**
- **Environmental, health, and safety**
- **Ethics and integrity**
- **Human Rights**
- **Marketing to children and school sales**
- **Nutrition**
- **Nutritional labeling**
- **Product safety and quality**
- **Public policy and political engagement**
- **Stakeholder engagement**
- **Talent**

FORWARD-LOOKING STATEMENTS

This PepsiCo, Inc. ("PepsiCo" or the "Company") Human Rights Report contains statements reflecting our views about our future performance that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are generally identified through the inclusion of words such as "aim," "anticipate," "believe," "commit," "estimate," "expect," "goal," "intend," "may," "plan," "project," "target" and "will" or similar statements or variations of such terms and other similar expressions. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in such statements. Such risks and uncertainties include, but are not limited to: the impact of the spread of COVID-19; future demand for PepsiCo's products, as a result of changes in consumer preferences or otherwise; changes in laws related to the use or disposal of plastics or other packaging of PepsiCo's products; changes in, or failure to comply with, applicable laws and regulations; imposition or proposed imposition of new or increased taxes aimed at PepsiCo's products; imposition of labeling or warning requirements on PepsiCo's products; PepsiCo's ability to compete effectively; failure to realize anticipated benefits from PepsiCo's productivity or reinvestment initiatives or operating model; political conditions, civil unrest or other developments and risks in the markets where PepsiCo's products are made, manufactured, distributed or sold; PepsiCo's ability to grow its business in developing and emerging markets; uncertain or unfavorable economic conditions in the countries in which PepsiCo operates; the ability to protect information systems against, or effectively respond to, a cybersecurity incident or other disruption; increased costs, disruption of supply or shortages of raw materials and other supplies; water scarcity; business disruptions; product contamination or tampering or issues or concerns with respect to product quality, safety and integrity; damage to PepsiCo's reputation or brand image; failure to successfully complete, integrate or manage acquisitions and joint ventures into PepsiCo's existing operations or to complete or manage divestitures or refranchisings; changes in estimates and underlying assumptions regarding future performance that can result in an impairment charge; increase in income tax rates, changes in income tax laws or disagreements with tax authorities; PepsiCo's ability to recruit, hire or retain key employees or a highly skilled and diverse workforce; loss of, or a significant reduction in sales to, any key customer; disruption to the retail landscape, including rapid growth in the e-commerce channel and hard discounters; any downgrade or potential downgrade of PepsiCo's credit ratings; PepsiCo's ability to implement shared services or utilize information technology systems and networks effectively; fluctuations or other changes in exchange rates; climate change or legal, regulatory or market measures to address climate change; failure to successfully negotiate collective bargaining agreements, or strikes or work stoppages; failure to adequately protect our intellectual property rights or infringement of intellectual property rights of others; potential liabilities and costs from litigation, claims, legal or regulatory proceedings, inquiries or investigations; and other factors that may adversely affect the price of PepsiCo's publicly traded securities and financial performance. For additional information on these and other factors that could cause PepsiCo's actual results to materially differ from those set forth herein, please see PepsiCo's filings with the Securities and Exchange Commission, including its most recent annual report on Form 10-K and subsequent reports on Forms 10-Q and 8-K. Investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made. PepsiCo undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

