



TO: Beatriz Balbin
FROM: Michele Thatcher, Chief Human Rights Officer, PepsiCo
DATE: August 25, 2022
SUBJECT: Re Joint Communication from Special Procedures

Dear Ms. Balbin,

Thank you for sharing the joint communication by the Working Group on the issue of human rights and transnational corporates and other business enterprises; the Special Rapporteur on the issue of human rights obligations relating to the enjoyment of a safe, clean, healthy, and sustainable environment; the Special Rapporteur on the promotion and protection of the right to freedom of opinion and expression; the Special Rapporteur on the rights to freedom of peaceful assembly and of association; the Special rapporteur on the situation of human rights defenders and the Special Rapporteur on contemporary forms of racism, racial discrimination, xenophobia and related intolerance.

At PepsiCo, we believe acting ethically and responsibly is not only the right thing to do, but also the right thing to do for our business. This principle underpins our belief that our success can only be achieved when everyone is treated with dignity and respect as well as our long-standing commitment to respect human rights throughout our value chain. As one of the world's leading food and beverage companies, our aim is to provide effective remedy where we have caused or contributed to potential 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.

We are deeply concerned by the allegations that our policies and commitments on human rights, palm oil, forestry stewardship, and human and environmental rights defenders are not being met in our value chain. We have and are continuing to actively engage with the named party to better understand the underlying situation and examine ways in which we can use our leverage to support the resolution of the complaint in line with the UN Guiding Principles on Business and Human Rights. We have attached a formal response to your inquiries that details our human rights approach, policies, and due diligence programs as well as our ongoing efforts to address this complaint.

I will be retiring from PepsiCo next week, after 24 wonderful years, but our Human Rights program will be transitioned to a leader with deep expertise in this area, Jaren Dunning. I have copied him on this correspondence so you will have his contact information.

Sincerely,

Michele Thatcher
SVP Legal & Chief Human Rights Officer
PepsiCo, Inc.

1. PLEASE PROVIDE ANY ADDITIONAL INFORMATION OR COMMENTS THAT MAY BE RELEVANT.

As set out in our grievance mechanism and recognizing our responsibilities as set out in the UN Guiding Principles, we have sought to use our leverage to promote resolution of the complaint in a way that prioritizes outcomes for the workers and communities that might be affected. Our actions have included:

- Engaging with La Fabril and Energy & Palma. Building on our engagement with La Fabril through our supplier scorecard process, we have had ongoing engagement with La Fabril and Energy & Palma in 2022 on the allegations of this complaint and potential steps to help address and resolve the complaint in line with the UN Guiding Principles.
- Engagement with La Fabril Through our Palm Oil Supplier Scorecard Process: We have actively engaged with La Fabril through our supplier scorecard process, which provides us with a means of tracking and encouraging our suppliers towards sustainable palm production. The scorecards engage suppliers on several areas (e.g., policy and implementation, grievance management, and transparency) to highlight areas for improvement for suppliers and the ways in which PepsiCo can support them.
- Advising La Fabril on their Palm Oil Policy and Program: We have benchmarked their palm oil policy and program and provided recommendations for improvements to align with recognized best practices.

We will continue to engage with La Fabril and Energy & Palma to support the resolution of this grievance in line with the UN Guiding Principles, our policies and commitments, and our grievance management process. As we state in the overview of our [Grievance Process for our Agricultural Supply Chain](#), in cases where engagement does not lead to progress, we will consider all appropriate forms of leverage in situations where does engagement does not result in meaningful progress.

2. PLEASE PROVIDE INFORMATION ON THE HUMAN RIGHTS DUE DILIGENCE POLICIES AND PROCESSES ESTABLISHED BY YOUR COMPANY TO IDENTIFY, PREVENT, AND MITIGATE AND ACCOUNT FOR HOW THEY ADDRESS THEIR HUMAN RIGHTS IMPACTS, IN ACCORDANCE WITH THE UN GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS, IN PARTICULAR IN ITS SUPPLY CHAIN. PLEASE CLARIFY HOW YOUR COMPANY REQUIRES SUPPLIERS TO CONDUCT HUMAN RIGHTS DUE DILIGENCE IN ORDER TO RESPECT HUMAN RIGHTS, INCLUDING THOSE OF COMMUNITY LEADERS AND HUMAN RIGHTS DEFENDERS.

Our 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](#). This approach focuses on:

- Embedding Respect for Human Rights: Taking action to embed respect for human rights throughout our business practices and promote respect for human rights throughout our value chain.
- Conducting Ongoing Due Diligence: Conducting ongoing due diligence to proactively identify, address, and track potential and actual human rights impacts in our value chain.
- Engaging our Stakeholders and Driving Collaborative Action: 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.
- Providing Effective Grievance Mechanisms and Access to Remedy: 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

Our Policy Framework

Our policies play an integral role in our work to embed respect for human rights throughout our business. They help us set clear expectations for our employees, suppliers, and other business partners, and they also establish a framework that helps us monitor compliance with our standards. We have a series of core policies that outline our commitment to human rights and explicitly prohibit the use of forced labor, child labor, and human trafficking in our value chain.

- Global Code of Conduct: Our [Global Code of Conduct](#) 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 throughout our operations. The Code applies to all PepsiCo employees and joint venture employees over which we have management control, and it was last revised in 2021 to reflect recent legislative developments.
- Global Human Rights Policy: Our [Global Human Rights Policy](#) outlines the core standards and expectations we have established for our employees, direct suppliers, and business partners in the area of human rights. This policy is incorporated into our Global Code of Conduct and applies to all PepsiCo employees and joint venture employees over which we have management control. It is also embedded in our Global Supplier Code of Conduct, and we expect our suppliers and business partners to adhere to the standards outlined in this policy. Our Global Human Rights Policy was last revised in 2021 to ensure alignment with stakeholder feedback, emerging regulatory developments, and internationally recognized best practices.
- Global Supplier Code of Conduct: Our [Global Supplier Code of Conduct](#) (SCoC) incorporates our Human Rights Policy and outlines the expectations we have of our suppliers in the areas of business integrity and anti-corruption, labor practices (including responsible recruitment), health and safety, and environmental management. 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 the standards outlined in the SCoC. Compliance with the SCoC is a condition of PepsiCo’s supplier contracts, and all suppliers are expected to communicate and cascade the SCoC and all other relevant policies throughout their supply chain.
- Additional Policies and Statements: We also have a variety of additional policies and statement that cover our salient issues and other related topics, such as our Land Policy and Human Rights Defender Statement. Copies of these and other policies can be found on the [ESG Topics](#) section of our website. We regularly review our policies for alignment with stakeholder feedback, emerging regulatory developments, and internationally recognized best practices.

Our Due Diligence Programs

We have an established due diligence process that helps us assess and remediate potential human rights impacts in our value chain, integrate insights into our internal systems, track the effectiveness of our actions, and regularly communicate on our progress. Underlying this process is a series of due diligence programs that assess, identify, and remediate impacts across various segments of our value chain.

- Global Labor Human Rights Assessment Program: Assesses potential impacts across our company-owned manufacturing, sales, and distribution operations. GLHR assessments are conducted by third-party auditors and leverage Sedex Members Ethical Trade Audit (SMETA) protocol requirements.
- Sustainable Sourcing Program: Assesses potential impacts through scored self-assessments and third-party auditing of our most business-critical direct suppliers and contract manufacturing and co-packing locations. SSP audits also leverage SMETA 4-Pillar protocol requirements.

- **Sustainable Farming Program:** 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.

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. In 2021, our Global Labor Human Rights Assessment Program conducted 22 on-site audits of our company-owned manufacturing operations across 10 countries, and our Sustainable Sourcing Program conducted or recognized 918 on-site audits of our first-tier suppliers across 60 countries.

We are continuing to expand our due diligence programs to cover additional areas of our value chain, including our franchisees, third-party labor providers, and transportation and logistics providers. 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.

Our Geographical Focus Areas

Using a salient issues approach, we have continued to deepen our understanding of the value chain segments and geographical areas where we should focus our efforts, prioritizing action on forced labor impacts across our value chain. Insights from country and commodity risk assessments and our due diligence programs have been used to identify our target supply chain segments (i.e., contract labor providers, transportation and logistics providers), raw materials (i.e., palm oil, cane sugar), and priority geographies (e.g., Southeast Asia, Latin America). Over the past few years, we have continued to expand our due diligence programs to cover these areas of our supply chain, strengthen our ongoing sustainable sourcing initiatives for palm oil and cane sugar, and deepen our engagement in regional and local collaborative initiative to address systemic forced labor challenges at a country level. Information on our recent and ongoing work in these areas can be found on our [Palm Oil Webpage](#) and [Land Rights Webpage](#).

- 3. PLEASE PROVIDE INFORMATION ON THE REMEDIAL MEASURES YOUR COMPANY HAS TAKEN, OR PLANS TO TAKE, TO ADDRESS THE NEGATIVE HUMAN RIGHTS IMPACTS CAUSED BY ITS ACTIVITIES, INCLUDING ACROSS ITS SUPPLY CHAIN, AS SUCH AS INTIMIDATION OF HUMAN RIGHTS DEFENDERS.**

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Our Grievance Management Processes

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 or partners to provide remedy where we find impacts directly linked to our business operations, goods, or services. To facilitate this process, we have established several mechanisms that allow our employees, stakeholders, and other potentially affected individuals to raise grievances and seek remedy.

- **Direct Operations:** All PepsiCo employees have an obligation to report suspected violations of our Values, Global Code of Conduct, policies, or applicable law. Our employees have several avenues for reporting issues and seeking advice, including their manager, Human Resources, the Law Department, the Global Compliance and Ethics Department, and our Speak Up hotline. 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. These reports are used to drive organizational changes and a better work environment, including training, policy revision, and process enhancements. 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 26 languages. We regularly publish information on the usage of our Speak Up hotline, including the total number of reports. Our latest report can be viewed [here](#).
- **Supply Chain:** We have established a grievance mechanism for our agricultural supply chain to complement our existing program (e.g., Speak Up) and help us more effectively manage environmental and social concerns throughout our value chain. The mechanism allows third parties to raise concerns that our environmental and social policies are not being upheld in our agricultural supply chain. Our approach is set out here. At the end of 2021, 36 total grievances were registered in our agricultural grievance system. Most of the grievances concerned palm oil production in Southeast Asia and focused on a combination of environmental and social issues (e.g., deforestation, labor rights). Of the 36 logged grievances, 20 remain open, 11 have been closed, and five have been deemed “out-of-scope” by PepsiCo. We are continuing to engage with our suppliers and others to help resolve the open grievances.

More information on our approach, due diligence programs, and ongoing initiatives can be found on our [Human Rights Report](#), [Human Rights Webpage](#), [Sustainable Sourcing Webpage](#), and [Agriculture Webpage](#).

4. PLEASE PROVIDE INFORMATION ON THE POLICIES YOUR COMPANY HAS TAKEN OR IS CONSIDERING TAKING TO ENSURE THE PROTECTION OF HUMAN RIGHTS DEFENDERS.

Human rights defenders and other potentially affected stakeholders play a critical role in advancing respect for human rights around the world. Not only are they important stakeholders in promoting human rights, identifying risks, and enabling remedy but, as recognized by the UN Guiding Principles on Business and Human Rights, their perspective is also one of the foundational elements of human rights due diligence.

HRDs face a growing number of challenges, including violence, threats and intimidation, diminishing support networks, and the degradation of civic freedoms due to weak rule of law. The protection of civic freedoms and respect for the rule of law are vitally important for business and civil society. If HRDs are threatened or afraid of raising their concerns, then the fundamental principles of human rights due diligence begin to erode.

PepsiCo strictly prohibits retaliation against any individual or organization that raises human rights concerns in good faith. We will not tolerate nor contribute to threats, intimidation, or attacks (both physical and legal) against human rights defenders, including those defending labor rights, supporting environmental protection,

and exercising their rights and freedoms in peaceful assembly and protest of our business. We expect our suppliers and business partners to uphold the same commitments, and we will use our leverage to help enable remedy where there is clear evidence a supplier or business partner has adversely impacted the rights of HRDs.

We believe that an open and continuous dialogue with our stakeholders is critical to informing and strengthening our human rights program. Our approach focuses on an ongoing dialogue with a wide range of stakeholders (e.g., workers, NGOs, trade unions, investors, governments, etc.) to gain global and local perspectives on areas such as our risk assessment and grievance management processes. We will continue to actively engage with these stakeholders, including HRDs, to inform our program and help create safe and enabling environments for civic engagement and human rights around the world. Where appropriate, we will engage with national governments to help promote and advance respect for human rights locally.

If any stakeholder believes that PepsiCo or one of our suppliers or partners has directly infringed on their rights or impeded the work of HRD's, they should raise a complaint through one of our available grievance channels:

- Our [Speak Up! Hotline](#) is a toll-free ethics hotline operated by an independent third party that provides PepsiCo stakeholders with a 24/7, anonymous and confidential means of reporting suspected violations.
- Our [Agricultural Grievance Mechanism](#) is open to anyone who has a concern that our policies and expectations are not being met in our agricultural supply chain.

The abovementioned standards, expectations, and actions are set out in PepsiCo's [Statement on Human Rights Defenders](#) and [Global Human Rights Policy](#).