



PepsiCo's Disclosure in response to the California Transparency in Supply Chains Act (SB 657)

Beginning in 2012, large manufacturers and retailers doing business in California are required under the California Transparency in Supply Chains Act of 2010 (SB 657) to disclose efforts they have taken to eliminate human trafficking and slavery from their supply chains.

As a global company, PepsiCo has adopted policies and procedures to address human rights, including the issue of human trafficking, in our operations and supply chains. A brief description of those global policies and procedures follow.

PepsiCo's commitment to respect all human rights in our own operations and in our supply chain is formalized in PepsiCo's [Human Rights Workplace Policy](#) and our [Supplier Code of Conduct](#). These policies are guided by the [Universal Declaration of Human Rights](#) and related international covenants. As a signatory to the United Nations Global Compact, PepsiCo is visibly committed to its 10 principles, including those for Human Rights and Labor Standards. PepsiCo's Human Rights Policy and our Supplier Code of Conduct expressly forbid the use of all forms of forced or compulsory labor.

To ensure ethical and legal compliance, we provide annual online training on our Code of Conduct to all salaried associates with email accounts. To reach those associates who are not online, we conduct in-person training.

Responsible and Sustainable Sourcing

PepsiCo has a responsibility to ensure our business partners operate ethically and responsibly. Our Responsible and Sustainable Sourcing Program helps us ensure supplier compliance and risk mitigation. It has two components: Supplier Code of Conduct and Risk Evaluation and Management program.

Supplier Code of Conduct

We have a responsibility to ensure our suppliers honor and respect the people we serve and the environments in which we operate as partners. As part of our Responsible and Sustainable Sourcing strategy, we are committed to working in partnership with our suppliers to follow a specific code of conduct.

Since 2007, PepsiCo has employed a Supplier Code of Conduct (SCoC) globally, which communicates our global expectations in the areas of labor practices, associate health and safety, environmental management and business integrity.

The Supplier Code of Conduct includes 13 standards that require suppliers to adhere to the following: basic compliance with local law, respect for human rights and prohibiting all forms of forced or

compulsory labor, ensuring no child labor is used, and cooperating with reasonable assessment processes requested by PepsiCo. The Code is mandatory in procurement contracts globally.

Risk Evaluation and Management

We use our Responsible and Sustainable Sourcing program to educate suppliers, validate compliance, and facilitate continuous improvements in our supply chain. We partner with our industry peers, our own suppliers, and third party service providers like SEDEX and social audit providers to drive transparency and social accountability in our supply chain.

Overall, PepsiCo's approach to supplier standards encompasses five levels: the Supplier Code of Conduct (policy), supplier risk pre-screen, supplier self-assessment, third-party assessment, and corrective action planning/resolution management.

Level I: Supplier Code of Conduct is required of all managed supply contracts globally.

Level II: Supplier Prescreen – The prescreen risk evaluation process focuses on four major criteria: supplier country risk; material/service; brand association; extensive use of manual labor. These prescreen characteristics allow us to identify supplier sites for initial [SEDEX](#) participation.

Level III: Self-assessment Questionnaire – We expect those suppliers identified in Level II to join SEDEX and complete a Self-Assessment Questionnaire. SEDEX generates an initial Risk-Assessment score.

Level IV: Third-Party Assessment – PepsiCo reviews SEDEX-identified potentially high risk sites as well as other sites with high risk factors such as country, commodity, and environmental risks when selecting supplier sites for third-party social audit. To steward responsible sourcing with our suppliers and continue to build a relationship of trust, PepsiCo generally requests scheduled third-party audits with suppliers. However, we reserve the right to request unannounced third-party audits when deemed necessary. PepsiCo leverages the [SMETA](#) (SEDEX Member Ethical Trade Audit) methodology, a recognized industry protocol used by several other major consumer products organizations. Third-party assessment results can be shared with multiple customers via SEDEX.

Level V: Corrective Action Planning and Resolution Management. Non-compliances and timelines for issue resolution are itemized for customer review and tracking. The suppliers can then update the status of non-compliances as they are addressed, and auditors assess and validate resolution.

The PepsiCo team reviews audit issues, and encourages suppliers to use the SMETA Corrective Action Guidance to help drive timely and effective issue resolution. We recognize that issue resolution may have an impact on the communities in which suppliers operate, and we collaborate to develop the most appropriate solutions for all stakeholders, as we do in our own operations.

Partnering with our Peers

PepsiCo is a founding member of an industry-wide initiative called AIM-PROGRESS - PROGram for RESponsible Sourcing. As an active member of AIM-PROGRESS, we collaborate with our peer companies to develop and implement common methods of evaluating supplier CSR performance, improve the effectiveness and efficiency of the evaluation process, and raise CSR performance within our supply chains. We leverage our AIM-PROGRESS membership to educate our suppliers on responsible sourcing and help them comply with communicated standards.

For more information please see <http://www.pepsico.com/Purpose.html>.