

2019 MODERN SLAVERY AND HUMAN TRAFFICKING STATEMENT

This statement addresses the 2010 California Transparency in Supply Chains Act and the UK Modern Slavery Act 2015 and sets out the actions PepsiCo, Inc. and its subsidiaries have taken to prevent modern slavery and human trafficking in our business and supply chain. This statement constitutes our disclosure for the fiscal year ending December 31, 2019.

OVERVIEW

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, as well as our belief that our success can only be achieved when everyone, within and outside our company, 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. Modern slavery is one of the most severe global human rights challenges facing our society. The International Labour Organization estimates that 40.3 million people are currently trapped in modern slavery worldwide, including 24.9 million people trapped in forced labor situations. Of those 24.9 million, an estimated 16 million people are being exploited through the use of forced labor in the private sector.

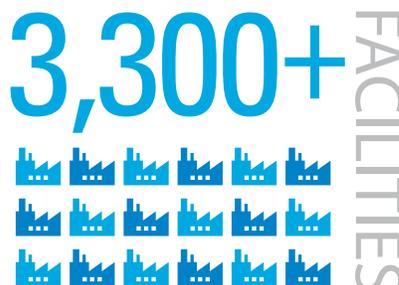
We are committed to respecting all of the rights described in the [International Bill of Human Rights](#) and the [ILO Declaration on Fundamental Principles and Rights at Work](#), and our aim is to ensure that all rights holders throughout our value chain can fully enjoy the rights described in these documents. In meeting our responsibility to respect human rights, we are committed to implementing the [United Nations Guiding Principles on Business and Human Rights \(UNGPs\)](#) throughout our business and reporting on our progress in line with the [UN Guiding Principles Reporting Framework](#).

This statement outlines the actions we are taking to prevent and address potential modern slavery risks throughout our business and supply chain.

BUSINESS AND SUPPLY CHAIN

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

We operate approximately 266 manufacturing plants and over 3,300 other facilities across the world, with our largest operations being in the United States, Mexico, Russia, Canada, the United Kingdom, China, and Brazil. As of December 31, 2019, we and our consolidated subsidiaries employed approximately 267,000 people worldwide. In addition to our company-owned operations, we leverage thousands of suppliers and hundreds of franchise bottlers, joint ventures, co-manufacturers and co-packers to make, distribute, and sell our products around the world.



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Our vision is to Be the Global Leader in Convenient Foods and Beverages by Winning with Purpose. This 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. It builds on decades of progress we've made since PepsiCo was founded in 1965, while setting a firm foundation for a new era of growth and prosperity. To help us achieve this vision, we have defined a new set of aspirations: to become Faster, Stronger, and Better.

- **Faster** by winning in the marketplace, being more consumer-centric and accelerating investment for topline growth.
- **Stronger** by continuing to transform our capabilities, cost, and culture by leveraging scale and technology in global markets across our operations and winning locally.
- **Better** by continuing to focus our sustainability agenda on helping to build a more sustainable food system and investing in six priority areas: **agriculture, water, packaging, products, climate action, and people.**

We believe these priorities will position our Company for long-term sustainable growth. For more information on our business and supply chain, please see our latest [Annual Report](#).

APPROACH

PepsiCo is committed to respecting the rights of all workers and local communities throughout our 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 (UNGPs). This approach is centered on four core pillars:

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

With this approach as our foundation, we prioritize our efforts by focusing 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 processes in place to prevent and address potential human rights risks, including modern slavery, in our value chain.

Please see our [Human Rights Webpage](#) for more information on our human rights program.

GOVERNANCE

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

Our **Board of Directors** considers sustainability issues, including human rights, as an integral part of its business oversight role, and its Public Policy and Sustainability Committee (PPSC) provides more-focused oversight of these issues through its engagement with our management team. The **PepsiCo Executive Committee (PEC)**, comprised of our Chairman & CEO, Sector CEOs, and top functional leaders, has direct oversight of human rights at PepsiCo and regularly reviews our progress.

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Our **Chief Human Rights Officer (CHRO)** has day-to-day responsibility for human rights at PepsiCo, chairs our Human Rights Operating Council, and leads our Human Rights Office. The **Human Rights Operating Council (HROC)** is a cross-functional group of senior corporate and sector leaders that support our CHRO and advise our Human Rights Office on actions to address human rights risks in our value chain. Our **Human Rights Office** is a dedicated team within our Law Department that is responsible for driving our global human rights strategy, facilitating performance against our goals, and managing our salient human rights issues.

In 2019, the HROC regularly reviewed our ongoing efforts to address our salient human rights issues and conducted its annual review of our due diligence findings. Insights and recommendations from these working sessions were shared with the PEC and PPSC during scheduled updates from our CHRO. During these updates, the PEC and PPSC reviewed our annual due diligence findings, discussed our ongoing efforts to address key human rights risks (e.g., forced labor), and examined emerging human rights trends and risks for our business.

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 explicitly prohibit the use of forced labor, child labor, and human trafficking in our value chain.

For instance, all PepsiCo employees and joint ventures over which we have management control are required to comply with our [Global Code of Conduct](#) and [Global Human Rights Workplace Policy](#). Similarly, all of our direct suppliers are required to comply with our [Global Supplier Code of Conduct \(SCoC\)](#) and expected to cascade its principles throughout their respective supply chains. We have also established a goal to extend the principles of our SCoC to all of our franchisees and joint ventures by 2025. We launched an expanded engagement program to our franchisees in Europe and Sub-Saharan Africa in 2019, and we anticipate subsequent rollout to additional franchisees as well as an initial set of our joint ventures in 2020.

TRAINING AND CAPACITY BUILDING

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

OUR DIRECT OPERATIONS

Every year, we require employees at all levels in the company to complete training on our Global Code of Conduct (Code). 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. Throughout the year, our Compliance & Ethics department disseminates a regular cadence of communications to our employees that emphasizes their obligation to comply with our Code and raises awareness of the various channels through which they can raise potential concerns. 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.

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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, such as forced labor. 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- and team-relevant 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 and Mergers & Acquisitions (M&A) teams, who will receive dedicated trainings in 2020.

OUR SUPPLY CHAIN



We use our Sustainable Sourcing Program (SSP) to communicate our Supplier Code of Conduct to our direct third-party suppliers and to conduct our annual SCoC Training. This training helps to ensure that our suppliers understand and comply with the principles of our SCoC and support our goal of a sustainable supply chain by building capability in their operations and addressing known social risks, including forced labor. In 2019, 100% of our business-critical direct suppliers completed our online SCoC Training module, which 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.

RISK ASSESSMENT AND MANAGEMENT

OUR SALIENT HUMAN RIGHTS ISSUES

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. 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 most recent assessment of our salient human rights issues is described in detail on our [Human Rights Webpage](#).

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

Vulnerable Workers and Forced Labor

We identified vulnerable workers as one of our salient human rights issues during our most recent assessment, recognizing the scale of our value chain and the inherent complexities of global agricultural supply chains. Migrant workers, women, young workers, and temporary/contract workers were identified as the worker groups with a higher risk of potentially experiencing adverse human rights, and our current work has focused on addressing the forced labor-related impacts commonly faced by these groups, such as recruitment fees and document retention.

As we continue to strengthen our policies and trainings, we are also continuing to deepen our understanding of the specific issues facing these groups in key geographies across our value chain. We recently 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

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raw materials and sourcing origins to help us better understand the supply chains and specific geographic regions in our value chain where we should prioritize our efforts. 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.

OUR DUE DILIGENCE PROCESS

We have an established due diligence process that helps us assess 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.

- 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 auditing of our most business-critical direct suppliers and contract manufacturing and co-packing locations. 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 current focus is on these areas, we recognize that potential human rights impacts can occur at any point along our value chain. We are continuing to expand our due diligence programs to cover additional areas. 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 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 third-party suppliers in 2019.

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

 **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**



STAKEHOLDER ENGAGEMENT AND COLLABORATIVE ACTION

We believe that an open and continuous dialogue with our stakeholders is critical in 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, customers) to gain both global and local perspectives on areas such as 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 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.

In addition to our stakeholder engagement efforts, we also regularly 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. We have reported on our ongoing engagement in a number of these initiatives, such as the Consumer Goods Forum (CGF), AIM-Progress, and Sedex Stakeholder Forum, in our previous [Modern Slavery & Human Trafficking Statements](#) as well as on our dedicated [Human Rights Webpage](#). 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 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.

GRIEVANCES PROCESS 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 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 a variety of mechanisms that allow our employees, stakeholders, and other potentially affected individuals to raise grievances and seek remedy.

PEPSICO SPEAK UP HOTLINE

All PepsiCo employees have an obligation to report suspected violations of our Values, 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. 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.

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](#).



PEPSICO AGRICULTURAL GRIEVANCE MECHANISM

In 2017, we established a formal grievance mechanism for our agricultural supply chain to help us identify and manage environmental and social non-compliances throughout our value chain. The mechanism complements our existing systems and enables us to more effectively manage supply chain grievances, working closely with our suppliers and stakeholders to address challenges as they arise.

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 and requirements for re-entry of suppliers would occur; and
- Public disclosure of grievances linked to PepsiCo’s agricultural supply chain, including actions taken by PepsiCo, and its suppliers and business partners to address them.

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

REPORTING ON OUR PROGRESS

In our 2018 Statement, we outlined a series of key actions that we would take to advance our work to prevent modern slavery in our business and supply chain. Included below is an update on our progress against each of those priorities.

<p>Conduct assessment of our top agricultural raw materials to better understand the supply chains and geographies where we should prioritize our efforts</p>	<p><i>In 2019, we enlisted Verisk Maplecroft, to conduct a comprehensive risk assessment of 25 of our top agricultural raw materials and related sourcing origins to better understand the supply chains and geographic regions where we should prioritize our efforts. Insights and learnings from this assessment have been used to inform the target raw materials and geographies for several of our salient issues workstreams.</i></p>
<p>Initiate formal review of our stakeholder engagement processes to identify areas where we can strengthen our engagement with rights holders across our value chain</p>	<p><i>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 processes and approach.</i></p>
<p>Continue to expand our Sustainable Sourcing Program to additional segments of our value chain</p>	<p><i>Most recently, we expanded our Sustainable Sourcing Program to engage our business partners and extend the principles of our SCoC to our franchisees and joint ventures by 2025. The expanded program was launched to our franchisees in Europe and Sub-Saharan Africa in 2019, and we anticipate subsequent rollout to additional franchisees as well as an initial set of our joint ventures in 2020.</i></p>
<p>Continue to actively engage in industry partnerships and other collaborative efforts focused on eradicating forced labor</p>	<p><i>We have continued to actively engage in industry partnerships and collaborative efforts focused on eradicating forced labor. These include: the Sedex Stakeholder Forum Working Group on Forced Labor, the CGF Social Sustainability Committee, the CGF Sustainable Supply Chain Initiative, AIM-PROGRESS, and the Leadership Group for Responsible Recruitment.</i></p>



NEXT STEPS

We will continue our work to address potential modern slavery risks throughout our value chain. In the near term, we plan to:

- » *Review our human rights policies to ensure alignment with stakeholder feedback, emerging regulatory developments, and internationally recognized best practices.*
- » *Launch additional guidance to our M&A teams to raise awareness and strengthen our ability to identify and address potential human rights risks through our M&A due diligence processes.*
- » *Launch a tailored sustainable sourcing training module for our Global Procurement team to raise awareness of potential social and environmental impacts across our value chain and provide concrete examples of procurement practices that can help mitigate these potential risks.*
- » *Complete the formal review of our agricultural grievance mechanism and implement any recommended actions to strengthen our grievance process in line with the UNGPs.*
- » *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.*

This statement has been approved by PepsiCo's Board of Directors.

Signed,

Ramon Laguarta

Chairman & Chief Executive Officer, PepsiCo, Inc.