PepsiCo Grievance Mechanism for Our Agricultural Supply Chain

Scope

PepsiCo has a global footprint, making products directly and through franchise bottlers, joint ventures and co-manufacturers and utilizing thousands of suppliers for ingredients and products that can range from a single supplier to many tiers of suppliers between the raw material and finished products.

Our expectation is that our suppliers will operate with the same standards of integrity to which we hold ourselves. Our Supplier Code of Conduct (SCoC), and relevant policies and commitments include:

- PepsiCo Global Supplier Code of Conduct
- PepsiCo Environmental, Health and Safety Policy
- PepsiCo Sustainable Agriculture Policy
- PepsiCo Land Policy
- PepsiCo Forestry Stewardship Policy
- PepsiCo Sustainable Packaging Policy
- PepsiCo Global Human Rights and Salient Issues Statement
- PepsiCo Palm Oil Commitments
- PepsiCo Sugar Cane Commitment
- PepsiCo Cage-Free Egg Policy

These standards are based on international conventions including the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work.

Because of the scrutiny that we believe palm oil and certain other raw materials are under, and the complexity of our supply chain, we have developed a Grievance Mechanism for third parties to raise potential environmental and social concerns regarding agricultural commodities in our supply chain.

Context

The Grievance Mechanism complements programs and processes PepsiCo has already in place to prevent, identify and manage environmental and social concerns throughout our value chain. Our priority is to aim to ensure that our standards are upheld through awareness raising, training, engagement, investment in programs and collaboration with industry peers and others. We have a number of programs to proactively assess, find, and remediate non-compliances against our SCoC, policies and commitments. These include:
- Our Sustainable Sourcing Program (SSP), a formal risk assessment, third party audit, and mitigation process for first-tier suppliers who have gone through our Business Continuity Planning; and
- Our Sustainable Farming Initiative (SFI) is a continuous improvement program on environmental, social, and economic indicators for farms from which PepsiCo directly sources.

It is also important to have a credible system for third parties to raise concerns where they believe our standards are not being met. Our Speak Up Hotline provides anyone with a means to report potential violations of our policies or applicable law.

The grievance mechanism has been developed for our agricultural supply chain and complements these programs and our Speak Up! process. While the mechanism applies to both environmental and social issues, we are guided by Section 31 of the United Nations Guiding Principles on Business and Human Rights, which sets out the principles for good business-led grievance mechanisms.

Process

To register a grievance, please email SustAg@PepsiCo.com. Grievances raised directly with PepsiCo employees, and through Speak Up! will also be entered into the process. Our intent is that the Grievance Mechanism will be run on the principles of transparency, consistency, and neutrality. Our experience with grievances raised by third parties until now is that they are often complex, involving multiple actors and differing perspectives on the situation and potential remediation efforts. Our aim is to uphold our policies and to achieve outcomes that help people whose rights may have been affected in a way that is satisfactory to all parties of the complaint. Each complaint will go through the following process:

- **Step 1: Receiving the complaint**
  The complaint is received, logged in the mechanism and acknowledged to the complainant (where appropriate).

- **Step 2: Is the complaint in scope?**
  The complaint is reviewed to establish that it is in scope: does it apply to PepsiCo's supply chain and to our policies and commitments? If the complaint is out of scope, it will be closed. If it is in scope, the process will continue to Step 3.

- **Step 3: Investigating the complaint**
  - If the complaint is about a direct supplier, PepsiCo will lead the investigation into the grievance, utilizing expertise from our Sustainable Sourcing Program.
  - If the complaint is about a supplier that does not directly supply PepsiCo, we will use our relationship with our direct suppliers that source from the company to develop the appropriate investigative steps where they are not already being undertaken.

- **Step 4: Taking action**
  If actions or remediation are needed these will be agreed to with the supplier and communicated to the complainant (where appropriate).

- **Step 5: Monitoring and implementation**
  PepsiCo will work with the direct supplier or through them to confirm that the agreed actions and remediation are completed and the case will then be closed.

In every case, we look to engage suppliers first and promote corrective actions that solve problems and build capability for sustainable palm oil and other agricultural commodities. In cases where engagement does not lead to progress, we will consider all appropriate steps including significant action where deemed necessary.

Management

An internal PepsiCo resource will oversee the process, and a grievance working group including representatives from our procurement, human rights, sustainable agriculture and public policy teams will advise regarding any substantive decisions during the process, including actions to be taken if suppliers refuse to engage with the issues raised in the complaint or do not complete the agreed steps. A Grievance Committee, comprising senior management from the departments represented at the working group level will meet quarterly to review individual cases and the operation of the grievance mechanism, including the implementation of our policies.

We intend to engage regularly with suppliers, impacted communities, civil society and others on individual cases raised by users of the mechanism and on the grievance process itself.