

KnowTheChain: Questions regarding forced labour risks in your company's sugar cane supply chain

In answering these questions, **please indicate where your companies' policies and practices specifically apply to sugar cane sourcing or processing countries at risk of forced labour or human trafficking** such as Bolivia, Brazil, Dominican Republic, Guatemala, India, Malawi, Myanmar, and Pakistan¹ or other countries where you might have identified forced labour risks.

Please note the following questions focus on sourcing of sugar cane (not sugar beets). Where available, please include URLs to existing disclosure.

Please see below the responses provided by PepsiCo.

Traceability:

1. Which countries does your company and/or your suppliers source sugar cane from (option to indicate percentage or volume of supply from each country)?
2. What are the names and addresses of your company's sugar mills and/or sugar suppliers? Please indicate the nature of suppliers, e.g. traders or mills, and your relationship to them, e.g. direct owned or purchasing only (option to indicate workforce data you deem relevant, such as workforce composition or rate of unionisation).

PepsiCo sources approximately 0.5% of the global sugar cane supply. Brazil, Thailand, Mexico and India are the largest sourcing countries for PepsiCo. In addition we source from refineries in the U.S., Canada, Egypt and Jordan. Our largest primary sugar suppliers are Copersucar, Grupo Azucarero México (GAM), EID Parry, and Mittr Phol Thailand.

Source: <http://www.pepsico.com/Purpose/Policies> and update from business.

Risk assessment:

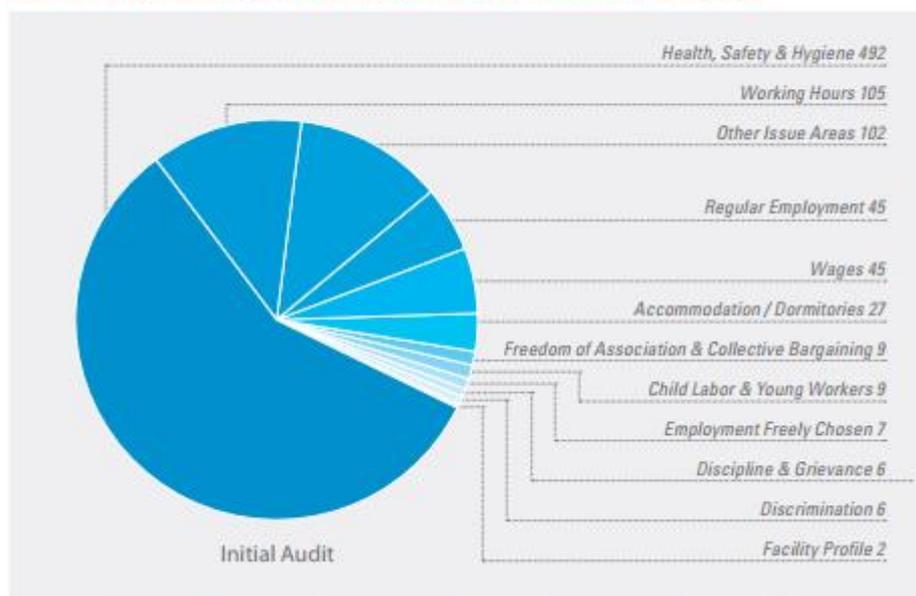
3. How does your company assess risks related to forced labour in sugar cane sourcing at mill and farm level?
4. What risks has your company identified, and what actions has your company taken to address these risks?

As part of ongoing management programs for first tier suppliers and our agricultural supply base on human rights issues including forced labour, we assess the risk of forced labour on an ongoing basis. Specifically:

- *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. We use the SMETA 4-Pillar audit protocol or mutual recognition of AIM-Progress members' audits for this assessment. In 209 initial audits across first tier suppliers conducted in 2014-15, seven non-compliances related to "Employment Freely Chosen" were identified in the initial on-site audit as potential areas where forced labor may be present (see chart). Upon further review of the audit results, detail of interviews with workers conducted on-site, and follow-up with the auditors these were found to not be forced labor situations.*

¹ Sugar sourced from Dominican Republic, Bolivia, Brazil, Myanmar, Pakistan has been identified as being at risk of forced labour by the [US Department of Labor](#). [Verite](#) has collected reports in forced child labour in Malawi, and debt bondage of sugar workers in India. [Coca-Cola](#) identified forced labour incidents at sugar farms and mills in Guatemala. For further information on forced labour risks in sugar sourcing, please see [Verite's Responsible Sourcing Tool](#).

Non-compliances for the 209 initial audits conducted in 2014-15



- *Sustainable Farming Initiative*— a continuous improvement program on environmental, social and economic indicators (including forced labour) for farms that ultimately source products for PepsiCo within specific crops..
- *Global Supplier Code of Conduct (SCoC)*— suppliers receive awareness and training on our SCoC which is included in all new contracts. This training is available online for all suppliers at <http://www.pepsico.com/purpose/responsible-sourcing> and is also communicated as a requirement for all suppliers in our SSP program to acknowledge annually. The Code states that suppliers must:
“Prohibit all forms of forced or compulsory labor.
PepsiCo suppliers shall maintain and promote fundamental human rights. Employment decisions will be based on free choice and there may be no coerced or prison labor, and no use of physical punishment or threats of violence or other forms of physical, sexual, psychological or verbal abuse as a method of discipline or control.”
- *Specific Programs*— targeted programs are used to improve knowledge, awareness and outcomes on new and priority issues. For example, we are in the process of conducting third-party assessments on social and environmental issues (including forced labour) in our sugar cane supply chain in Brazil, Thailand and Mexico. No specific findings of concern related to forced labor have been found in the assessments carried out so far.

In addition, we are committed to delivering 100% sustainable sourcing of sugar by 2020. We are building capability to meet this goal in markets where there is currently a low level of knowledge and certification. For example, In India, we supported a multi-stakeholder ‘India Sugarcane Summit’ with the aim to better understand the challenges, engaged with our suppliers by conducting webinars to communicate our commitments, sponsored training on Bonsucro and we are actively engaged with the Bonsucro End User Accelerator Group with the aim to promote and initiate collaboration with peer companies to drive scale. In 2016 PepsiCo launched its strategic approach to Cane Sugar and in the same year, the approach was activated in India with cane sugar through the creation of a Public Private Partnership. The key actors in the partnership are our suppliers Olam and on the ground implementing partners Solidaridad and International Finance Corporation (IFC). In the United States,

PepsiCo is a member of the Sweeteners Users Association and an active member of the Sustainable Sugar Working Group. This year, we helped to lead the discussion with peer companies and suppliers by bringing them together to better understanding their sustainability challenges, traceability and seek solutions.

Sources: <http://www.pepsico.com/Purpose/Policies/> / <http://www.bonsucro.com/wp-content/uploads/2017/04/Bonsucro-PS-STD-English-2.pdf/> / <http://www.pepsico.com/Purpose/Responsible-Sourcing>

Worker voice:

5. Grievance mechanisms: Does your company ensure workers on sugar farms and mills, as well as local stakeholders have access to effective grievance mechanisms? If yes, please explain what mechanisms are available for local stakeholders and workers in both owned and third party sugar farms and mills. Please also explain how you ensure those mechanisms fulfil the [effectiveness criteria under the UN Guiding Principles for Business & Human Rights](#), in particular how you ensure mechanisms are communicated to, as well as trusted and used by both formal and informal sugar farm and mill workers.
6. Worker engagement and empowerment: How does your company ensure that workers at sugar farms and mills you source from are made aware of their rights, and empowered to exercise their rights (e.g. freedom of association or, where there are regulatory constraints to freedom of association, alternative means of organising)?

Workers in our supply chain, as well as local stakeholders can raise concerns through our Speak Up! Grievance process (see <http://www.pepsico.com/company/SpeakUp>). We are currently working to enhance our grievance mechanism for environmental and labour issues in our agricultural supply chain.

We are also looking at how we can contribute to improving access to other grievance mechanisms that follow the UNGP recommendations including on accessibility, whether by companies closer to the farms and mills, organizations such as Bonsucro, or governments themselves.

Source: <http://www.pepsico.com/company/SpeakUp>

Monitoring / certification:

7. How does your company monitor the labour performance of its sugar suppliers / farmers?
8. If you undertake sustainable sugar sourcing, how does the certification or verification programme consider forced labour risks at mill and farm level?

See answers to questions 3 and 4.

We are working towards 100% Bonsucro or equivalent certification by 2020 for our sugarcane supply chain. Bonsucro certification applies to Applies to all workers on the premises of the mill and farms included in the unit of certification and shall address all male and female permanent and contracted workers.

The standards on forced labour are In accordance with ILO Convention C29 and C105 which states that: There is no forced, bonded or involuntary labour; There is no reliance on human trafficking; There are no menace of penalty (for example deposits of money or ID on commencement of employment); Employees are free to leave at any time with reasonable notice; and Employees are free to leave at the end of their shift.

Absence of forced or compulsory labour is a core indicator, which means that companies who do not pass this indicator do not achieve certification. We are working with our suppliers to help them achieve certification and deliver on our commitment to eradicate forced labour.

PepsiCo is also an active member of Bonsucro and was elected by our peer companies to represent them on the Bonsucro Members Council.

In our key sourcing regions we are actively engaged with our suppliers and support initiatives and programs to create and drive positive impact. For example, we supported suppliers in Thailand and India to reach Bonsucro Certification and sponsored the Bonsucro Sugarcane Summit in Mexico in 2016.

To support these programs, we were involved in the development of and are a signatory to the Consumer Goods Forum Priority Industry Principles on Forced Labour. These state that:

- Every worker should have freedom of movement. The ability of workers to move freely should not be restricted by their employer through abuse, threats and practices such as retention of passport and valuable possessions.*
- No worker should pay for a job. Fees and costs associated with recruitment and employment should be paid by the employer, not the employee.*
- No worker should be indebted or coerced to work. Workers should work freely, aware of the terms and conditions of their work in advance, and paid regularly as agreed.*

Sources: http://www.pepsico.com/docs/album/sustainability-reporting/pep_gri15_v10.pdf / <http://www.pepsico.com/Purpose/Policies/> / <http://www.bonsucro.com/wp-content/uploads/2017/04/Bonsucro-PS-STD-English-2.pdf> / <http://www.pepsico.com/Purpose/Responsible-Sourcing/> / www.ilo.org/sapfl/Informationresources/ILOPublications/WCMS_101171/lang--en/index.htm

Remedy:

9. What steps does your company take to ensure workers are fairly compensated and provided remedy when labour abuses have been identified (e.g. during the recruitment process of workers, at farm level or mill level)?
10. Please provide examples of outcomes of this remedy process (e.g. support reintegration of victims in the labour market).

Additional information

Please provide any further information regarding your company's activities on forced labour risks in sugar sourcing or your supply chain structure which you think is relevant (e.g. related to local stakeholder engagement, recruitment, supplier training or purchasing practices). Country specific examples are welcome, e.g. in the example of Brazil, participating in initiatives like [Brazil's National Pact to Eradicate Slave Labour](#), or ensuring not to source from companies on Brazil's [Transparency List on Contemporary Slave Labour](#).

PepsiCo will continue to strive to understand the sustainability challenges in our palm oil and cane sugar value chain and identify systemic issues that we can work with others to tackle. We can help drive change by undertaking independent assessments, engaging with reputable civil society organizations and credible multi-stakeholder organizations to develop action plans and measure our impact. (additional information welcome)

Background information:

This questionnaire has been sent to the following companies:

- Beverage companies: Coca Cola, FEMSA, PepsiCo, Monster Beverages
- Chocolate and confectionary manufacturers: Hershey, Mondelez, Nestle
- Sugar producers: Archer Daniels Midland (ADM), Associated British Foods (ABF), Wilmar International,

Please note your responses will be made public on the [Business & Human Rights Resource Centre website](#). In addition, we will publish a short analysis paper which will seek to highlight better practices, as well as companies and areas where disclosure is limited. For an indication of the types of practices KnowTheChain generally regards as better practices, please review the [methodology](#) and the [findings report](#) of [KnowTheChain's food & beverage benchmark](#).