Shareholder Proposal: Report on Human Rights Oversight in Supply Chains.

Resolved:
Shareholders of PepsiCo Inc. ("PepsiCo") request that the Board of Directors issue a report, at reasonable cost and omitting proprietary information, assessing PepsiCo's effectiveness in upholding its human rights standards across supply chains and international franchise and bottling operations.

Whereas:
As a global food and beverage company and major agricultural buyer, PepsiCo's supply chains expose it to significant human rights risks that are financially and operationally material. PepsiCo's Supplier Code of Conduct currently applies only to tier 1 suppliers, though it pledged to extend the Code's principles to all franchisees and joint ventures by 2025.[1]

PepsiCo's most recent Human Rights Assessment identified forced labor and poor employment conditions as salient risks in Latin America and Southeast Asia, across high-risk commodities such as cane sugar and palm oil. Migrant, contract, and women workers are particularly vulnerable to abuses.[2] Despite its policy commitment to ensure compliance with its Supplier Code of Conduct across its global supply chain, PepsiCo has provided investors with no evidence of oversight or remediation across franchisees and high-risk commodities. The company also participates in multi-stakeholder initiatives aimed at addressing human rights across value chains but has not reported the impact of these initiatives.[3]

Recent news reports documented labor rights abuses, including forced labor, child labor, and gender-based exploitation in India,[4] a growth market for PepsiCo. Some of these abuses were linked to Varun Beverages, PepsiCo's largest international franchised bottler, responsible for roughly 90 percent of PepsiCo's beverage sales in India. A 2025 Bombay High Court ruling confirmed human rights violations among sugarcane cutters, underscoring systemic risks in PepsiCo's Indian supply chain.[5]

In 2025, reports surfaced of labor rights abuses on Malaysian palm oil plantations supplying PepsiCo and others, including subminimum wages, unpaid overtime, and

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[1] https://edge.sitecorecloud.io/pepsico-5v9wci20/media/Files/esg-topics/2024-esg-performance-metrics.pdf
[2] https://edge.sitecorecloud.io/pepsico-5v9wci20/media/Files/esg-topics/2022-PepsiCo-Salient-Human-Rights-Issues-Update.pdf
[3] https://www.nytimes.com/2024/07/30/world/asia/sugar-human-rights-bonsucro-india-hysterectomies.html
[4] https://www.nytimes.com/2024/03/24/world/asia/india-sugar-cane-fields-child-labor-hysterectomies.html
[5] Bombay High Court Orders Maharashtra to Enhance Welfare for Sugarcane Cutters - Law Trend

inadequate worker protections.[6] Investigations also found PepsiCo's palm oil suppliers sourcing from deforested Indigenous land in Latin America, showing human rights risks extend across commodities.[7]

These systemic risks are material given PepsiCo's expansion in high-risk regions. In 2024, its Africa, Middle East & South Asia division generated $6.2 billion net revenue—with India delivering double-digit growth—while Latin America contributed $8.8 billion.[8] Systemic labor risks pose significant financial, operational, and reputational threats to supply chains,[9] compounded by emerging global due diligence regulations that heighten legal and regulatory exposure.

Shareholders therefore require transparency to assess whether PepsiCo's human rights oversight is robust and consistently enforced, enabling evaluation of how effectively the company manages material risks that could disrupt operations and diminish long-term value.

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[6] Malaysia: Indonesian workers on palm oil plantations allegedly supplying multinational brands report rights violations, incl. poverty wages, gender discrimination & precarious conditions; incl. cos. responses & non-response - Business & Human Rights Resource Centre

[7] https://www.thebureauinvestigates.com/stories/2024-04-18/snack-giant-pepsico-sourced-palm-oil-from-razed-indigenous-land

[8] PepsiCo 2024 10-K Filing-2025-02-03-18-25

[9] Labor: A critical component of supply chains under growing pressure | S&P Global