

Ramon L. Laguarta
PepsiCo, Inc.
700 Anderson Hill Road,
Purchase NY 10577,
USA

June 7, 2023

RE: PepsiCo's business operations in Russia

Dear Mr. Laguarta,

We are writing to follow up on our previous correspondence with PepsiCo dated 9th January 2023 regarding potential inconsistencies between PepsiCo's obligations, as articulated in the UN Guiding Principles on Business and Human Rights (UNGPs), and the company's ongoing business operations and relationships in Russia that may contribute to, or be linked with, human rights harms. We received a brief response to a letter, which did not answer the relevant questions that were posed. We are writing once again to formally notify PepsiCo on the serious and increasing risks the company faces by continuing its operations in Russia that may amount to complicity in human rights abuses committed by Russia¹ and to urge you to:

- Immediately cease all operations and presence in Russia and completely exit the Russian market.
- Refrain from any future business, trade, or investment in Russia until Russia ends its war in Ukraine, territorial integrity of Ukraine is restored, and accountability imposed for war crimes and the destruction of Ukrainian infrastructure and property.
- Establish and implement comprehensive human rights due diligence measures for any responsible exit from or re-engagement with Russia.

It has been over one year since Russia invaded Ukraine and the devastating impacts continue to shock the global conscience and shake the global economy. Russia is violating international humanitarian law (IHL), including war crimes and crimes against humanity, through attacks on civilians and civilian infrastructure (e.g., mass executions, sexual violence, torture, forcible transfer of civilians). More than 24,000 Ukrainian civilians have been killed and injured and millions more have been forced to flee their homes, creating one of the largest humanitarian and refugee crises of modern times. In recognition of the severity of abuses, in March 2023 the International Criminal Court issued an arrest warrant for Vladimir Putin to answer war crimes charges.²

¹ Andrew Clapham and Scott Jerbi, "Categories of Corporate Complicity in Human Rights Abuses," March 21-22, 2001, <https://media.business-humanrights.org/media/documents/files/reports-and-materials/Clapham-Jerbi-paper.htm> (accessed May 4, 2023).

² International Criminal Court, "Situation in Ukraine: ICC judges issue arrest warrants against Vladimir Vladimirovich Putin and Maria Alekseyevna Lvova-Belova," March 17, 2023, <https://www.icc-cpi.int/news/situation-ukraine-icc-judges-issue-arrest-warrants-against-vladimir-vladimirovich-putin-and> (accessed March 22, 2023).

Moreover, recent developments in Russia point to an expanding universe of financial, legal, and reputational risks facing those left behind.

On September 21, President Vladimir Putin escalated the war by announcing a “partial mobilisation” of the Russian population. The accompanying legislation ([Article 9 of Federal Law No. 31-FZ](#)) mandates all organisations, including the more than 1,500 international companies that are currently operating on a full or limited scale in Russia, to conduct military registration of the staff if at least one of the employees is eligible for military service.³ They must also assist with delivering the military summons to their employees, ensure the delivery of equipment to assembly points or military units, and provide information, buildings, communications, land plots, transport, and other material means of support to the war effort.

A new decree issued by President Vladimir Putin on March 3, 2023, enables the Russian government to suspend shareholders' rights and implement external management in companies that don't fulfil state defence contracts under conditions of martial law.⁴ By specifying the process of appointing Russian government representatives to manage businesses that fail to meet state orders, the latest Decree effectively creates a scenario of “partial nationalization.”

With new legislation introducing partial mobilisation, nationalisation, and potentially martial law in Russia, it is highly likely that corporations will be unable to prevent or mitigate negative human rights impacts, an obligation imposed on companies by the United Nations Guiding Principles on Business and Human Rights. As such, continuing to conduct business in Russia entails significant legal risks for companies, including potential civil and criminal liability under comprehensive sanctions regimes and recent international jurisprudence holding corporations and their officers responsible for human rights abuses abroad.⁵ Companies face the rising risk of criminal liability for complicity in

³ Federal Law No. 31-FZ of February 26, 1997 “On mobilization training and mobilization in the Russian Federation” (as amended), <https://base.garant.ru/136945/> (accessed November 14, 2022).

⁴ Decree of the President of the Russian Federation No. 139 dated March 3, 2023 “On Certain Issues of Carrying Out the Activities of Business Companies Participating in the Fulfilment of the State Defense Order”, <http://publication.pravo.gov.ru/Document/View/0001202303030004> (accessed March 22, 2023).

⁵ International companies remaining in Russia are now at a greater risk of violating sanctions regimes as implementation of the legislation will likely involve transacting with sanctioned individuals or entities. Furthermore, new domestic civil and criminal cases against companies involved in violations of international law demonstrate the risk of significant liability for facilitating state-sponsored human rights abuses abroad (e.g., Lafarge case, Lundin case, Castel Group indictment, Nevsun holding, and Dassault Aviation, Thales, and MBDA France criminal complaint.) Victoria Riello and Larissa Furtwengler, “Corporate Criminal Liability for International Crimes: France and Sweden Are Poised To Take Historic Steps Forward,” *Just Security*, September 6, 2021, <https://www.justsecurity.org/78097/corporate-criminal-liability-for-human-rights-violations-france-and-sweden-are-poised-to-take-historic-steps-forward/> (accessed November 14, 2022); The Sentry, “Breaking: France Opens War Crimes Inquiry Focused on Iconic Food and Beverage Conglomerate,” July 1, 2022, <https://thesentry.org/2022/07/01/7216/breaking-france-opens-war-crimes-inquiry-focused-iconic-food-beverage-conglomerate/> (accessed November 14, 2022); *Rfi*, “French technology firm charged over Libya cyber-spying,” July 2, 2022, <https://www.rfi.fr/en/business-and-tech/20210701-french-tech-firm-charged-over-libya-cyber-spying> (accessed November 14, 2022); Preston Lim, “Canadian Supreme Court Allows Corporate Liability for International Law Violations,” *Lawfare*, March 12, 2022, <https://www.lawfareblog.com/canadian-supreme-court-allows-corporate-liability-international-law-violations> (accessed November 14, 2022); Sherpa, “Aiding and abetting war crimes in Yemen: Criminal complaint submitted against French arms companies,” June 2, 2022, <https://www.asso-sherpa.org/aiding-and-abetting-war-crimes-in-yemen-criminal-complaint-submitted-against-french-arms-companies> (accessed November 14, 2022).

international crimes, which can be prosecuted by domestic courts outside Russia under the doctrine of "universal jurisdiction."⁶

On 24 February 2023, The Financial Action Task Force (FATF) suspended Russia's membership as a result of the war, calling on all actors in the international financial system to exercise extreme caution in all dealings with Russia.⁷ In practice, the decision means that all international banks will scrutinise all Russian payments, making financial transactions more expensive, lengthy, with no guarantee that the transaction will occur at all.⁸ Although FATF has not yet blacklisted Russia, it highlighted the consensus among its 36 member countries that "the Russian federation's actions represent a gross violation of the commitment to international cooperation upon which FATF Members have agreed to implement and support the FATF Standards."⁹ Previous practice shows that noncooperative behaviour is one of the reasons for FATF blacklisting. As a result, companies should examine and mitigate the high levels of risk attached to financial transactions with Russia and based on that risk, companies should reconsider all ongoing business operations related to Russia.

Companies may also be exposed to financially material risks through operational restrictions, such as limitations of future government contracts.¹⁰

Additionally, the Ukrainian government's [National Agency on Corruption Prevention](#) (NACP) is creating a list of "foreign companies that, despite the international recognition of Russia as the aggressor state and the introduced sanctions restrictions, continue to cooperate with it."¹¹ These companies are recognised as international sponsors of war. The listed entities will be included into the World-Check database to protect the global financial sector from Russian sponsors of war. Since banks and insurance companies use World-check to assess risks, companies on the list will be limited in freely accessing personal and corporate finances. So far there are 27 companies on the list, but the NACP notes that it will be expanded with "international companies that provide the public and private sector with goods and services of critical purpose, as well as [those that] contribute to the Russian budget."¹²

⁶ For example, ongoing proceedings in the US and France against the French multinational Lafarge for complicity in human rights violations in Syria. The Paris Court of Appeal, "La Cour d'appel de Paris confirme la mise en état de la multinationale française Lafarge pour complicité de crimes contre l'humanité commis par l'Etat islamique," May 18, 2022, <https://www.doughtystreet.co.uk/sites/default/files/media/document/Press%20release%20french%20version.pdf> (accessed March 22, 2023); United States Attorney's Office, Eastern District of New York, "Lafarge Pleads Guilty to Conspiring to Provide Material Support to Foreign Terrorist Organizations," October 18, 2022, <https://www.justice.gov/usao-edny/pr/lafarge-pleads-guilty-conspiring-provide-material-support-foreign-terroris> (accessed March 22, 2023).

⁷ FATF, "FATF Statement on the Russian Federation," February 24, 2023, <https://www.fatf-gafi.org/en/publications/Fatfgeneral/fatf-statement-russian-federation.html> (accessed March 14, 2023).

⁸ Liudmyla Slieptsova, "Russia's membership in the FATF suspended. What does this mean and how ruinous is this for the aggressor's economy?," *Mind*, February 27, 2023, <https://mind.ua/en/publications/20253993-russias-membership-in-the-fatf-suspended-what-does-this-mean-and-how-ruinous-is-this-for-the-aggre> (accessed March 14, 2023).

⁹ FATF (n 7).

¹⁰ Venable LLP, "Do You Contract with State Governments? If So, Beware of Emerging State Sanctions' Obligations Related to Russia and Belarus," *JD Supra*, June 3, 2022, <https://www.jdsupra.com/legalnews/do-you-contract-with-state-governments-6537229/> (accessed November 14, 2022).

¹¹ NACP, "International Sponsors of War," <https://sanctions.nazk.gov.ua/en/boycott/> (accessed February 6, 2023).

¹² NACP, "Companies from the NACP list of "International Sponsors of War" are now in the World-check database, used worldwide for reviewing counterparties," September 7, 2022,

Companies that maintain business relationships with Russia risk being perceived as supporting Russia's war effort. This could have a negative long-term impact on sales in other countries and attract investor scrutiny over adherence to ESG principles. The longer it takes for brands to extricate themselves from the situation, the more damaging it will be for their reputation.

In response to this unprovoked and unjustified war¹³ many other companies have already left Russia. According to the Kyiv School of Economics Institute's #LeaveRussia [company tracker](#), PepsiCo has decided to stay and continue its operations in Russia.

These activities in Russia risk enabling and financing Russia's violations of IHL and human rights law during the ongoing invasion and occupation of Ukraine.

Considering these risks and the company's continued presence in Russia, we would like to pose the following questions to PepsiCo:

1. On March 8, 2022, PepsiCo announced the "suspension of the sale of Pepsi-Cola, and [its] global beverage brands in Russia, including 7Up and Mirinda, [...] capital investments and all advertising and promotional activities in Russia."¹⁴ In the same statement, PepsiCo announced its "responsibility to continue to offer [its] other products in Russia, including daily essentials such as milk and other dairy offerings, baby formula and baby food."¹⁵ Six months after making the pledge to suspend the production of the aforementioned beverages in Russia and after significant public backlash, PepsiCo finally stopped producing the drinks in the country. However, in January 2023, reports allege that PepsiCo will continue selling its Pepsi-Cola in Russia under a different name (Evervess-Cola).¹⁶ Moreover, some sources suggest that PepsiCo launched a new lemonade brand in the country, called the "Russian Gift" as a substitute for the suspended products. PepsiCo continues manufacturing and distributing other goods such as chips, snacks, and dairy products.¹⁷

-Can PepsiCo provide its definition and list of goods it considers essential in light of the particular circumstances of this conflict?

-Can PepsiCo provide a list of goods that it stopped producing since the outbreak of the war because they are not considered essential?

-Has PepsiCo considered whether its goods can be replaced with local substitutes?

-Which stakeholders has PepsiCo engaged with in determining its policies and the decision to stay in the market?

-Has PepsiCo continued distribution of its Pepsi-Cola under the name Evervess-Cola?

<https://nazk.gov.ua/en/news/companies-from-the-nacp-list-of-international-sponsors-of-war-are-now-in-the-world-check-database-used-worldwide-for-reviewing-counterparties/?hilit=sponsor+of+war> (accessed February 6, 2023).

¹³ The UN General Assembly condemned Russia's "aggression against Ukraine" and demanded that Moscow "unconditionally withdraw all of its military forces from the territory of Ukraine within its internationally recognized borders."

¹⁴ PepsiCo, "PepsiCo suspends production and sale of Pepsi-Cola and other global beverage brands in Russia," March 8, 2022,

<https://www.pepsico.com/our-stories/press-release/pepsico-suspends-production-and-sale-of-pepsi-cola-and-other-global-beverage-brands-in-russia> (accessed June 1, 2023).

¹⁵ Ibid.

¹⁶ Volodymyr Fomichev, "PepsiCo, Jameson. How international companies return to the Russian market," *Economic Truth*, May 22, 2023, <https://www.epravda.com.ua/columns/2023/05/22/700376/> (accessed June 5, 2023).

¹⁷ KSE, Leave Russia, "PepsiCo," <https://leave-russia.org/pepsico> (accessed June 7, 2023).

2. While we do not deny that some goods and foodstuffs are essential in preventing food shortage and undernutrition of the local population, products like sugary beverages that PepsiCo produces and sells in the Russian market cannot be and are not considered essential. In determining which products are essential, businesses should consider the nutritional needs of the affected population, focusing on nutrient dense foods, such as foods rich in proteins, vitamins, and minerals, including a mix of cereals (such as maize, wheat, rice, or millet), pulses (such as lentils, beans, chickpeas, or peas), oil, and fresh or processed fruits and vegetables.¹⁸ Businesses should also consider the availability of other sources of food, the availability of local substitutes, and the potential human rights risks and impacts associated with their operations. Furthermore, when determining the scope and meaning of essential goods, it is crucial to apply a contextual, conflict-sensitive approach. In the context of the war in Ukraine and ongoing operations in Russia, the concept of essentiality should prioritise items such as life-saving medicines that are not manufactured in Russia, while excluding goods such as food and hygiene items that are readily available locally. The continued production, distribution, and import of goods that are available/easily substituted locally and non-essential, in a way that their absence would not be life-threatening to the local population, indirectly perpetuates the conflict by sustaining the resources that enable Russian aggression.

- Has PepsiCo considered all the circumstances and complexities of the Russo-Ukrainian war, including numerous human rights violations and war crimes committed in Ukraine, as well as the fact that Russia is an aggressor state, in determining to continue providing these goods within Russia?

3. PepsiCo's Lay's chips are reported to have been found in food rations of Russian soldiers.¹⁹ As a reminder, Bonduelle and Auchan have recently faced significant reputational damage because their goods were sent to Russian troops in Ukraine, some with notes wishing "a speedy victory."²⁰ Both companies deny these allegations.

-How does PepsiCo comment on the allegations that their products feed the Russian army?

-How has PepsiCo practised due diligence in preventing the direct supply of its products to the Russian military?

-Does PepsiCo have policies, mechanisms, and tools in place to carry out enhanced due diligence of supply chains, intermediaries, customers, and end-users to prevent the supply of goods to the Russian army?

-If so, how were they utilised for defining business connections that involve the Russian government, its agencies, and state-controlled or sanctioned organisations?

¹⁸ While a unified list of all essential foods does not exist in the international regulatory framework, there are sources which could be applied through analogy in determining which foodstuffs are considered essential (in conjunction with other international business and human rights legislative and regulatory documents): Sphere, "The Sphere Handbook: Humanitarian Charter and Minimum Standards in Humanitarian Response," 2018, <https://spherestandards.org/handbook-2018/> (accessed May 4, 2023); WHO, "Technical note Supplementary foods for the management of moderate acute malnutrition in infants and children 6–59 months of age," 2012, <https://apps.who.int/iris/handle/10665/75836> (accessed May 4, 2023).

¹⁹ Ivan Troyanov, "Lay's feeds Russian soldiers - chips found in parcels for the occupying army," *Apostrophe*, January 11, 2023, <https://apostrophe.ua/news/business/2023-01-11/lays-kormit-russkih-soldat-chipsy-nashli-v-posylkah-dlya-armii-okkupantov/288122> (accessed June 5, 2023).

²⁰ Euromaidan Press, "Bonduelle accused of gifting 10,000 food kits to Russian troops; French office denies," January 3, 2023, <https://euromaidanpress.com/2023/01/03/french-bonduelle-gifts-10000-food-kits-to-russian-troops-wishes-them-victory/> (accessed May 4, 2023); Business and Human Rights Resource Centre, "New evidence reveals Auchan was fully aware of destination of its goods supplied to Russian army," March 3, 2023, <https://www.business-humanrights.org/en/latest-news/russia-auchan-allegedly-supports-soldiers-fighting-in-ukraine-despite-french-management-denials-recent-investigation-reveals-more-proofs/> (accessed May 4, 2023).

4. We understand and agree that PepsiCo has obligations towards its 20,000 Russian associates and the 40,000 Russian agricultural workers. These obligations are laid out under the UNGPs and in the wider international human rights legal and regulatory framework.
 - Can PepsiCo clarify how it has used this framework to minimise the risks and impacts to its employees?
 - How has the company applied heightened human rights due diligence to its operations in Russia considering the new Russian legislation requiring businesses to help conduct military registration, deliver the summons to its employees, and provide resources where required?
 - Has PepsiCo received any such requests, and if so, how has the company responded to them?
 - What is PepsiCo doing to safeguard its employees from mobilisation?
 - Have any of your employees been mobilised and, if so, what was PepsiCo's role in the process?

5. The safety of employees is and should be a considerable point of concern and obligations for companies. But in light of the specific context of the illegal war on Ukraine, there are other options for the safeguarding of employees that can and have been used by other international companies in Russia. Many companies have offered relocation packages, or contractual clauses which condition the continued employment and safety of employees remaining in Russia. For example, if PepsiCo had decided to sell its Russian business it could have included contractual clauses to ensure the continued safety of its employees, as previously exemplified by the actions of the French Publicis Groupe who employed 1,200 people in the country.
 - Has PepsiCo considered any of these or other options before deciding to continue operations in Russia?

6. Despite PepsiCo's promise to scale back its operations and suspend all advertising activities in Russia, the company's career page lists over 537 open positions in the country.²¹
 - How does PepsiCo reconcile its statements on scaling back its operations with these ongoing employment opportunities in Russia?
 - How does PepsiCo reconcile its statements on employee wellbeing with continued employment opportunities in light of the new Russian legislation obliging companies to help with the military conscription of its employees?

7. PepsiCo is one of the largest foreign companies still operating in Russia and the largest beverage and food manufacturer in Russia. In 2022, the company's annual revenue in Russia hit \$4.6bn, which constitutes a 5% growth compared to its revenue in 2021. Considering its significant position in the Russian economy, PepsiCo is also a significant taxpayer in Russia. This could make the company indirectly involved in financing Russian aggression since corporate taxes are currently estimated to make up approximately 10% of Russia's GDP — enough to fund 43% of Russia's military budget. Therefore, taxes paid by companies who stay in Russia indirectly contribute to the war.
 - How much tax has PepsiCo paid in Russia in 2022 and 2023?

8. PepsiCo boasts an impressive portfolio of globally recognized and beloved brands such as Lay's, Doritos, or Quaker Oats. By choosing to continue operating in Russia, the company inadvertently grants the regime a sense of legitimacy and approval. By leveraging the power and reputation of

²¹ PepsiCo, "Jobs at PepsiCo," <https://hh.ru/employer/581458> (accessed June 5, 2023).

its brands, PepsiCo indirectly expresses support for the regime's actions, which could be interpreted as condoning the war. The continued presence of PepsiCo's brands in the Russian market creates a perceived association between the company and its widely known brands and the Russian government, which may not align with the values of its customers.

-How is PepsiCo ensuring that it does not align itself and the names of its brands with the war and the Putin regime?

9. Other companies have faced legal, administrative, and ethical challenges and still committed to, and exited, Russia. PepsiCo has decided to stay in the country, even after over one year since the start of the war, over 80,000 reported war crimes, over 24,000 Ukrainian civilians killed or injured, and with the head of the Russian state indicted by the International Criminal Court for alleged war crimes, namely the abduction of Ukrainian children.

-Considering these developments and the rising number of reported human rights abuses and war crimes, has PepsiCo considered fully exiting Russia so as not to be even indirectly or remotely associated with these crimes?

We request an urgent dialogue with PepsiCo's relevant senior management and staff to discuss the company's ongoing activities and relationships in Russia, associated risks to the people of Ukraine and the company, and potential steps to prevent/mitigate these risks. Please contact the B4Ukraine Coalition at contact@b4ukraine.org to schedule a call. We kindly ask for your response by 5:00pm CET, June 21st, 2023.

Sincerely,

The B4Ukraine Coalition