IUF *PepsiCo* Investor Update

October 10, 2016

A disturbing pattern of human rights violations

Investors are encouraged to take a closer look at PepsiCo's human rights performance in the light of a growing number of conflicts stemming from violations of fundamental rights at the company's own operations and suppliers. PepsiCo claims to be dedicated to respecting human rights standards but consistently violates the right of workers to form trade unions and to bargain collectively – a basic human right.

PepsiCo management at the company's Frito-Lay plant in Lahore, Pakistan has responded to the formation and official registration of a trade union with 650 members in July this year by harassing and transferring union officers and seeking to violate the union's collective bargaining rights by creating a bogus union. Union officers have been targeted for disciplinary procedures on false charges and the union president has been transferred out of the plant to prevent contact with members. Union members are pressured by management to leave the union.

The attack on rights in Pakistan follows a similar pattern of rights violations in Guatemala. On April 28, 2015, workers at the PepsiCo snack foods plant in Guatemala City legally registered their union, SITRAFRITOLAY, with nearly 900 members out of the factory's 1300 workers. In June 2015, the company violated their collective bargaining rights by signing a 3-year collective agreement with a small management-supported organization. Management and the company union offer workers financial inducements to sign off on their membership in SITRAFRITOLAY.

Excluding a majority union from collective bargaining is a violation of international norms as well as Guatemalan labour law. Union members are still fighting to access their rights.

Since 2013, IUF members around the world have been supporting a courageous group of 28 warehouse workers in West Bengal, India who are unemployed as a consequence of insisting on their right to form a trade union. The company which dismissed them - Radhakrishna Foodland Pvt. Ltd (RKFL) – operates a warehouse contracted exclusively to PepsiCo.

The IUF has called on PepsiCo to use the power of its relationship with its supplier to secure reinstatement of the workers under conditions that guarantee their rights in the future. PepsiCo refuses to do this.

In Guatemala and Pakistan, it is PepsiCo management which is blatantly violating human rights. In West Bengal, PepsiCo's refusal to recognize and to remedy ongoing human rights violations at their warehouse supplier makes the company *complicit* in human rights abuses.

PepsiCo is well aware of the issues in all three countries. All three can be encompassed within a general failure to fulfill the company's 'human rights due diligence' obligations specified in the UN Guiding Principles on Business and Human Rights and the OECD Guidelines on Multinational Enterprises. In Pakistan and Guatemala, the remedy for rights abuses would proceed through action to bring local management practices into line with international standards. In West Bengal, fulfilling due diligence obligations can be effectuated by PepsiCo using the power of its relationship with the warehouse provider to ensure that employees dismissed for exercising their right to join a union are reinstated with clear guarantees that their rights would be effectively respected going forward.

West Bengal highlights the corporate resistance to grasping the meaning and the implications of 'human rights due diligence' as well as the multiple failures of 'social audits' on which a majority of companies rely as a recipe for due diligence. In discussions with the IUF, PepsiCo has stated that they found no evidence of rights violations at the warehouse, and claims to have multiple audits to back this assertion. Auditors, however, only spoke with previously dismissed warehouse workers who had been intimidated into returning under conditions which violate their rights, e.g. by being compelled to sign statements they were told were legally binding in which they forever renounced their right to join a union as a condition for re-employment. Only after one year did PepsiCo offer to speak with the 28 workers who refused to renounce their rights, and then only on the condition that the workers clearly understood that however they responded nothing would change and their collective rights would not be restored or guaranteed. The maximum PepsiCo was prepared to offer was a possible return to employment 'as jobs arise', with no compensation for unjust dismissal and with no guarantees of their right to freely join a union.

In all three of these conflicts, solutions compatible with the UN Guiding Principles/OECD Guidelines are ready to hand. As long as PepsiCo resists efforts to resolve them on the basis of respect for rights, the IUF will continue to inform investors and shareholders and to publicly campaign. We encourage investors and shareholders to contact PepsiCo to express their concerns.

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