

Global Policy on Sustainable Palm Oil

February 2020

Introduction and scope

Palm oil is an important edible oil crop that employs millions of people, supports farmer livelihoods, contributes to economic development, and requires less land to produce more oil than any other vegetable oil crop. The rapid expansion of oil palm plantations, however, has caused deforestation and the conversion of peatlands, both of which contribute to climate change and other environmental impacts. Additionally, palm oil production has led to significant concerns over human rights abuses and the exploitation of indigenous people, workers and local communities.

To help address these challenges, PepsiCo is committed to using its role in the global supply chain to promote sustainable production. We strive to source only sustainable palm oil while helping to lift production standards across the broader palm oil sector. At PepsiCo, we believe acting ethically and responsibly is not only the right thing to do, but also the right thing to do for our business. We expect all of our palm oil suppliers to conduct business responsibly, with integrity, honesty, transparency and adherence to the principles described in our Global Supplier Code of Conduct.

This Global Policy on Sustainable Palm Oil includes our commitments to no deforestation, no development on peat, and no exploitation of the rights of indigenous peoples, workers and local communities (“NDPE commitments”). It applies to all palm and palm kernel oil that we use globally and covers our entire supply chain, from direct suppliers to production sources at the group level, meaning NDPE should be applied across their entire operations and third-party supply chain and not limited solely to the palm oil sold to PepsiCo. Our policy applies to all of PepsiCo’s operations, subsidiaries, joint ventures, brands and products worldwide. It also serves as an expectation of our business partners, at the group level, that directly produce palm oil.

This policy updates and replaces previous commitments and should be read in connection with other relevant policies and statements by PepsiCo, including:

- [Global Supplier Code of Conduct](#)
- [Forestry Stewardship Policy](#)
- [Human Rights Statement and Salient Issues Statement](#)
- [Land Use Policy](#)
- [Sustainable Agriculture Policy](#)

Requirements

In addition to compliance with all applicable legal requirements of each country in which we operate and from which we source palm oil, and building upon the Principles & Criteria of the Roundtable on Sustainable Palm Oil (RSPO), PepsiCo requires the following:

1. No Deforestation and No Development on Peat

- No conversion of High Carbon Stock (HCS) forests as defined by [The HCS Approach](#).
- No conversion of High Conservation Value (HCV) Areas as defined by the [HCV Resource Network](#).
- No new development on peat, defined as soil containing greater than 65% organic matter, regardless of depth.
- Application of best management practices for existing plantations on peat, as described in the [RSPO Manual on Best Management Practices for Management and Rehabilitation of Natural Vegetation Associated with Oil Palm Cultivation on Peat](#).
- No burning as defined by RSPO.
- In addition to compliance with all provisions listed above, no forest or peatland conversion following a conversion cutoff date of December 31, 2015. Exceptions may be granted in limited circumstances involving reforestation and remediation efforts or high-forested regions that are governed by a sustainable land use plan that has been developed and agreed through a multi-stakeholder process.
- Additional consideration will be given to circumstances involving smallholders and applying recognized standards such as the HCS Approach.

2. No Exploitation

- We support the inclusion of smallholder farmers into sustainable palm oil supply chains.
- The production of palm oil must follow the United Nations Guiding Principles on Business and Human Rights (UNGPs); adhere to the International Bill of Human Rights and the International Labor Organization Declaration on Fundamental Principles and Rights at Work; be in compliance with applicable laws; prohibit forced, compulsory or child labor; follow ethical recruitment practices; respect freedom of association; and recognize the rights of all workers, including temporary, migrant and contract workers.
- The production of palm oil must adhere to the principle of Free, Prior, and Informed Consent as defined in our [Land Use Policy](#).

Our Commitment to Action, Transparency and Engagement

To achieve our long-term vision for a sustainable palm oil industry and meet our NDPE commitments, PepsiCo aims to:

- Implement a comprehensive program of action with annual progress reporting and regular disclosures.
- Promote greater transparency in our supply chain.
- Proactively assess the risk of noncompliance with our policy and take action to resolve issues when they are found, including implementation of a public grievance mechanism.
- Engage with industry and external stakeholders to drive towards a common understanding on the role of independent verification of NDPE and how it could be structured and applied in practice, including in PepsiCo's supply chain and the industry more generally.
- Provide effective remedy where we have caused or contributed to adverse human rights impacts, in line with the UNGPs.
- Use our leverage and grievance management process to help enable our suppliers and business partners to address grievances and non-compliances and provide remedy where they have caused or contributed to impacts.
- Engage consistently in dialogue and collaboration with a broad set of stakeholders, including affected communities and workers, suppliers, peers, civil society, governments and others, including the RSPO, which we endorse as the leading global sustainability standard for palm oil production.

Signed:



Dave Yawman
Executive Vice President of Governmental Affairs, General Counsel and Corporate Secretary
February 2020
General Public Policy

Date:

Authorized by: