

# PepsiCo Global Policy on Sustainable Palm Oil Implementation Plan

Our Global Policy on Sustainable Palm Oil provides a long-term vision for sustainable palm oil production and use. As we seek to expand the benefits of sustainable palm oil while working to eliminate the harm that may be done, it is important to address standards in our own supply chain while addressing systemic issues in partnership with others, including suppliers, peer companies, civil society, governments and certification bodies, so that high environmental standards become the norm and human rights are respected.

To achieve our long-term vision and meet our NDPE goals, PepsiCo is implementing a strategy comprised of three interconnecting commitments: 1) Sector Transformation towards 100% No Deforestation, No Peat, No Exploitation (NDPE); 2) Thriving Communities & Ecosystems; and 3) Transparency & Accountability. Meeting our NDPE commitments and the individual and collective actions required is an ongoing process and we have mapped our current work towards meeting our strategy through this implementation plan. These actions will evolve over time as targets are met and as our understanding of the issues and how to tackle them develops.

## 1. Sector Transformation towards NDPE

- By the end of 2021, 100% of direct suppliers will have internal systems in place to measure, manage and report NDPE progress across their entire supply base and report via the NDPE Implementation Reporting Framework, an industry-wide reporting tool for companies.
- By the end of 2022, 100% of our palm oil supply will be covered under the NDPE principles or within a timebound initiative that demonstrates progress to delivering, as measured by the NDPE IRF.
- From 2021, use our market scale and engagement to support Roundtable on Sustainable Palm Oil (RSPO) uptake and effectiveness through our continued commitment to 100% RSPO certified by ensuring that at least 95% of the volume is physically certified, with the balance comprised of Independent Smallholders (ISH) credits.
- Build capacity among our direct suppliers to ensure that all suppliers score greater than 80% through our supplier scorecard process by the end of 2025.
- Require direct suppliers to: 1) adopt high NDPE standards for palm oil sustainability throughout their systems, thereby helping to ensure compliance with our NDPE commitments, 2) cooperate with reasonable assessment processes requested by PepsiCo, 3) track their performance over time through our supplier scorecard process, 4) maintain a moratorium on forest and peatland conversion following a cutoff date of December 31, 2015, 5) establish a UNGP aligned grievance mechanism, and 6) continue to require membership of RSPO at the group level.
- Routinely communicate our NDPE requirements and expectations to suppliers, including by encouraging them to report on progress towards achieving NDPE compliance throughout their supply chains and on greenhouse gas emissions.
- Continue to partner with the RSPO and other trade associations, government agencies, nongovernmental organizations and other critical stakeholders to help bring about positive change and improvements in the operation, regulation and governance of the palm oil industry

## 2. Thriving Communities and Ecosystems

- Deliver against our landscape targets in Aceh and Riau in Indonesia.
- In Mexico, implement the RSPO smallholder Certification to bring 5,000 metric tons (MT) ISH to market by 2023 and source 100% domestic production of RSPO Mass Balance (MB) by the end of 2025.
- Conserve or restore at least 140,000 hectares (ha) by the end of 2025.
- Continue to support the development of the World Resource Institute's Radar Alerts for Detecting Deforestation (WRI RADD) deforestation monitoring system and ensure its operation and use in Aceh and Riau by the end of 2021.
- In accordance with the principles of the PepsiCo Sustainable Farming Program and the RSPO Principles & Criteria, support implementation of sustainable agriculture practices that enable farmers to increase production on existing oil palm plantations and minimize impacts on the surrounding area.

### 3. Transparency and Stakeholder Engagement

- Provide transparency to stakeholders including our value chain, peers, civil society and others through ongoing disclosure, delivering the following priorities from 2021:
  - Supply Chain disclosure, including through:
    - The annual publication of mills, refineries and direct suppliers.
    - An assessment of forest and social risks in our palm oil supply chain.
  - Regular reporting on progress against our policies and goals, including through:
    - Annual disclosure on PepsiCo's website, including progress towards NDPE, as measured by the NDPE IRF.
    - Reporting through industry platforms, including RSPO, CDP, Palm Oil Collaboration Group (POCG) and the Consumer Good Forum's (CGF) Coalition of Action
  - Public disclosure on actions taken to address instances of noncompliance and grievances linked to our palm oil supply chain, including through:
    - Disclosure of our progress on PepsiCo website of grievances, which managed through our Agricultural Supply Chain Grievance Process.
    - Assuming a leadership role in developing industry-wide approaches to deforestation monitoring and responses, including on the appropriate disclosure on progress.
- Collaborate with stakeholders in developing an industry roadmap for Independent Verification of NDPE compliance by the end of 2021 and apply this in our supply chain as soon as practically possible.
- In instances of NDPE noncompliance apply our agricultural supply chain grievance process to proactively work with suppliers, and when corrective action plans are not implemented, terminate the relationships with the suppliers and/or exclude the noncompliant suppliers/producers from our supply chain.
- Continue to engage with a broad range of stakeholders to improve our understanding of key sustainability issues in the palm oil industry—including forest and peatland conservation, indigenous and customary land tenure rights, human rights and labor rights—and adapt our policy and implementation plan where appropriate.
- Encourage direct and indirect suppliers to publish supplying refineries, mills, producer groups and landbank maps to enable further active monitoring of any deforestation that may occur in our supply chain.