

Commitments related to Land Rights on Palm Oil, Cane Sugar and Coconut Water

In 2014 we committed to implementing a third-party audit program on our sugar supply chain in Brazil and Thailand, on our palm oil supply chain in Mexico and on our coconut water supply chain in the Philippines. This program would be conducted with the participation of affected communities and be based on available and accepted standards to audit the social, environmental and human rights aspects of these supply chains, including impacts related to land rights.

Our aim with these audits has been to understand whether the standards set out in our land rights policy and other policies and commitments relating to human rights are being upheld. How we address the findings of these assessments varies in each instance but fall into two broad categories depending on the outcomes of the assessments:

- No significant issues found: we will continue to monitor suppliers through our existing programs such as the Sustainable Sourcing Program and Sustainable Farming Initiative and will continue to engage with our suppliers and external stakeholders to understand any new issues that may arise and require action.
- Issues found that are specific to PepsiCo and our value chain: in addition to the above, we will work with our value chain to understand the issues and develop an action plan to address these concerns. We will continue to engage with cross-industry bodies and other external stakeholders to better understand industry wide actions that can be taken to address systemic issues.

In addition, we have continued to engage with a wide range of stakeholders in these industries such as mills, producers, certification bodies/certification firms, grower/industry organizations, and other end users, government and civil society including Oxfam, about how to conduct improved assessments on land rights and other human rights issues in line with best practice. As a result of this engagement, we aim to ensure that future assessments of our supply chain in these industries:

- Are developed with input from affected stakeholders and conducted by independent organizations with expertise in the salient issues being assessed.
- Include either a publicly available version of the assessment or a summary of the context, process and findings in line with good practice.
- Focus on areas and issues where these risks are greatest.

Our progress to date (January 2018) and next steps in each of the countries mentioned above is set out in brief below.

In Brazil, two sets of independent audits were conducted to establish specific human rights and land rights issues that might exist at our primary sugar suppliers in Brazil. A summary of the first round of audits, undertaken in 2014, was published in June 2015. No significant land rights or other human rights issues were found, but concerns were raised about the level of engagement with stakeholders taken so a second set of audits were conducted in late 2015. The audits included a wider range of suppliers and more engagement with local stakeholders than was taken in 2014 to address specific concerns raised by Oxfam. Again, no significant issues were found.

Following further engagement with Oxfam and other stakeholders subsequent to our second set of audits, we will promote engagement of an external organization with specific expertise in land rights to undertake a full review of potential land rights issues in our cane sugar supply chain in Brazil during 2018. The findings of the review and actions that PepsiCo will take as a result will be made public by June 2018. This

work will also inform our due diligence on land rights issues to strengthen our overall approach.

In addition we will continue to engage with Oxfam, the local community, our supplier in Recife and other companies in efforts to make progress in a land rights dispute that has been identified in the North East of the country.

In Thailand, we are supporting an independent assessment of Thailand's sugarcane producers, which includes a review of performance on human rights and land rights to identify potential systemic issues in the supply chain in Thailand. This assessment was commissioned by Bonsucro, the global multi-stakeholder, non-profit industry change platform for sugarcane. The assessment was completed in August 2017 and is available on the [Bonsucro website](#), as well as [here](#). Our initial response and next steps can be found [here](#). They include investment in a three year program in partnership with others to build capacity for small holder farmers to understand and address social and environmental challenges. Progress on this program, and other progress by PepsiCo, will be made in August 2018.

In addition, a first of its kind summit was held with suppliers and mills in Thailand, led by PepsiCo through Bonsucro. The aim of this summit was to help better understand the challenges and solutions required to address sustainability challenges. The action plan implemented by PepsiCo resulted in the first-ever Bonsucro Certification in Thailand and an increase in engagement of suppliers to understand the path and implementation of sustainable production of sugarcane.

In Mexico, Proforest, an organization with expertise in managing natural resources sustainably, will conduct a two tier assessment on potential land rights and other human rights issues in PepsiCo's palm oil and sugarcane supply chain in Mexico. The first phase, a desk-based study including consultation with external stakeholders to understand the issues, including the legal and policy framework, and evidence of existing conflicts, was completed in July 2017, and can be found [here](#) in English and [here](#) in Spanish. Our initial response to the report can be found [here](#). The next phase will be a follow up 'on the ground' and be specific to the issues found in phase one to better understand the concerns, which will include work in our own supply chain, and collaborating with peers, civil society and others to address the systemic actions found in the report..

PepsiCo is a significant customer of palm oil from Mexico. We also supply palm oil from other global production areas including South East Asia. As stated in PepsiCo's Palm Oil Commitments, we are working to deliver our goal of sourcing 100% physically certified palm oil by 2020 and have developed a Palm Oil Action Plan to report our actions on meeting these commitments. As an important next step in our commitment, we will engage with other stakeholders in an independent assessment in Indonesia of human rights and adherence to policies set out in our Forestry Stewardship Policy on High Conservation Value (HCV) and High Carbon Stock (HCS). This will be undertaken by an independent third party and is targeted to be published in 2017.

As part of our original commitment an assessment of our coconut water supply chain in the Philippines was undertaken in partnership with Fairtrade USA. The assessment was conducted in and around facilities in Sorsogon and Candelaria with 143 farmers. Some issues related to environmental compliance were found, particularly the burning of household and farm waste. Working with our supplier, Fairtrade USA and the local government, training was held with the farmers, which participated in the assessment. In addition, any farmers that were not compliant to the issues noted above acknowledged that they understood the respective policy. Finally, while no evidence of land or human rights violations were identified, 12% of the farmers could not produce documentation showing their rights to the land they were farming. Fairtrade USA is supporting farmers on this systemic issue across the Philippines to ensure

they secure and maintain proper land documentation. PepsiCo is willing to provide additional summary information regarding this assessment, as necessary.

PepsiCo will continue to strive to understand the sustainability challenges in our palm oil and cane sugar value chain and identify systemic issues that we can work with others to tackle. We can help drive change by undertaking independent assessments, engaging with reputable civil society organizations and credible multi-stakeholder organizations to develop action plans and measure our impact.