

## **PepsiCo response to independent report “Land tenure and other human rights issues in the oil palm and sugarcane sectors in Mexico.”**

We welcome this report on potential land rights and other human rights challenges in the growing and production of cane sugar and palm oil in Mexico. This assessment is part of a series of commitments we made in 2014 to develop a third-party program based on available and accepted standards to audit the social, environmental and human rights aspects of specific chains, including impacts related to land rights. The other supply chains that we have focused on are our sugar supply chains in Brazil and Thailand, and our coconut water supply chain in the Philippines.

We commissioned Proforest, an organization with expertise in managing natural resources sustainably, to 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. This is the first phase, a desk-based study including consultation with external stakeholders to understand the issues, including the legal and policy framework, and if there is any evidence of existing conflicts.

The report is an important contribution to our commitment to sustainably source palm oil and cane sugar, and for those industries in Mexico. We are carefully considering the recommendations made in the report, as well as additional feedback made by civil society groups so that we can apply these learnings and recommendations to our supply chain. We also hope the report stimulates discussion, collaboration and progress towards sustainably sourced palm oil and cane sugar in Mexico.

In the meantime we are taking the following steps:

### Sharing the report

- Publishing the report on our website in English and Spanish and making it freely available;
- Promoting the report through industry bodies such as AIM Progress and Consumer Goods Forum (CGF);
- The report will be presented during Bonsucro Technical Week’s session on Technical Experience Sharing, and will set the foundation for a discussion and consultation on the implementation of Bonsucro’s standards in light of the potential and existing issues raised;

### Engaging our suppliers

- In partnership with our suppliers and Proforest, develop and implement a continuous improvement program that will include capacity building at both the mill and plantations.
- Supporting our suppliers with their efforts on traceability to plantation/farm and mapping the findings to the locations of our suppliers, mill and farms in Mexico;
- Engaging our suppliers directly on the report, and its contents to better understand the potential solutions that could be implemented;
- We will develop a program that grows local capacity to identify, manage and monitor a High Conservation Values approach to growing palm oil and cane sugar. It will apply to small, medium and larger growers. The second component will be a regional HCV/HCS assessment which identifies these values and provide recommendations for identifying, managing and monitoring HCV/HCS. The first of these workshops took place in Palenque, Chiapas with FEMEXPALMA, in collaboration with Proforest, on 2-6 October 2017. Six further workshops will take place throughout Mexico in 2018.

### Developing collaboration

- Continue to seek and be involved in discussions with other industry bodies to look for opportunities for pre-competitive collaboration and that will bring about meaningful actions
- Starting in February 2018, investing in a program to support local capacity to work with smallholder farmers to increase their yields which will contribute to their livelihoods. Mexico has the lowest average yields than any other producing countries including in Latin America and in the major producer countries in South East Asia
- Provide resources, develop and implement capability building programs for both our cane sugar and palm oil suppliers

By working in our own supply chain, seeking pre-competitive collaboration with peer companies and others, and investing in programs, we believe that we can be a catalyst for impactful long-term change at scale for both the palm oil and cane sugar industries in Mexico. We will provide updates of progress on our website in May 2018.