

# 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

Date:

February 2020

Authorized by:

General Public Policy

## Policy Annex: Implementation to 2020

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 commitments, PepsiCo is implementing a strategy comprised of four pillars: 1) risk management, 2) supplier engagement, 3) positive impact at the producer level, and 4) transparency and stakeholder engagement. Our aspiration is to deliver our NDPE commitments by the end of 2020, while recognizing that individual and collective actions will be required beyond this date. We have mapped our work to the end of 2020, and our goals are the following:

### 1. Risk Management

- Trace 100% of our palm oil to mills and plantations by the end of 2020.
- Continue to actively assess risk of NDPE noncompliance among our global palm oil suppliers and source countries, including implementation of independent verification of NDPE compliance, such as through the use of satellite monitoring of deforestation and peatland clearance and social risk assessments in our supply chain.
- Source 100% physically certified RSPO sustainable palm oil by the end of 2020.
- Continue to require all of our direct suppliers to be members of RSPO.

### 2. Supplier Engagement

- Routinely communicate our NDPE requirements and expectations to suppliers.
- 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 and 5) establish a UNGP aligned grievance mechanism.
- In instances of NDPE noncompliance, 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.
- Implement our [grievance mechanism](#) for our agricultural supply chain.
- Continue to encourage suppliers to report on progress towards achieving NDPE compliance throughout their supply chains and on greenhouse gas emissions.

### 3. Positive Impact at the Producer Level

- In addition to requiring our suppliers to adopt high standards throughout their supply chains: invest in capacity-building and conservation programs and collaborate with partners and external stakeholders including governments, civil society and local communities in key palm oil production regions, building on our existing work in Indonesia and Mexico, with particular emphasis on improving production and livelihoods among smallholder farmers, monitoring and improving working conditions, and identifying, conserving and restoring High Conservation Value areas, High Carbon Stock forests, and peatlands.
- 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.

### 4. Transparency and Stakeholder Engagement

- Continue to report annually on our progress and provide interim updates and disclosures to inform stakeholders of our work, including publication of our direct supplier and mill lists.
- 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. We will publish an updated implementation plan by the end of 2020.

- 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.
- 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.

We encourage all stakeholders to visit the [Palm Oil section](#) of our web site and read our annual progress reports and updates.