

PepsiCo response to independent report “White Paper: Thai Sugarcane Sector and Sustainability”

Jan 2018

We welcome this report on social, economic and environmental challenges and opportunities for the sugarcane sector in Thailand. This report 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 supply chains, including impacts related to land rights. The other supply chains that we have focused on are our sugar supply chains in Brazil, our sugar and palm oil supply chain in Mexico and our coconut water supply chain in the Philippines.

PepsiCo commissioned Bonsucro, the global multistakeholder, non-profit industry change platform for sugarcane, to coordinate an independent assessment of Thailand’s sugarcane producers. FairAgora, a Thai based organization, which provides advisory services, monitoring and training in compliance and sustainability with a focus on agriculture and seafood industries, were identified to undertake the assessment.

The White Paper covers:

- a high level overview of the Thai sugarcane industry;
- a review of social, environmental and economic issues, including human rights and land rights, to identify potential systemic issues in the supply chain; and
- key opportunities for driving the sustainability agenda forward using the Bonsucro Standard as a reference framework

The report is an important contribution to our commitment to sustainably source cane sugar, and for those industries in Thailand. 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 cane sugar in Thailand.

As a first step, we socialized the findings of the report with the industry during July 2017 at the Bonsucro Technical Week’s session on Technical Experience Sharing. The report set the foundation for a consultation on the implementation of Bonsucro’s standards in Thailand in light of the issues raised. The industry will further discuss progress during Bonsucro week in Nicaragua in January 2018.

We have also promoted the report through industry bodies such as AIM Progress and Consumer Goods Forum (CGF) to encourage further industry collaboration.

As PepsiCo, we will review further how the report applies specifically to our supply chain and ensure that the issues identified in the report reflect those of workers, rights holders and local communities on the ground. We will also engage our direct suppliers on the findings and ensure that procurement colleagues discuss the findings with them. We will also review our Sustainable Sourcing Program and Sustainable Farming Initiative to ensure that they are able to find and address the issues raised.

As well as looking at mitigation processes and measures, our focus is to prevent these issues from occurring in the first place. Therefore, our key next step, commencing in October 2017, is to work with the smallholder farmers in our Thailand cane sugar supply chain to design and implement a capacity building program that addresses their social and environmental needs.

This program is built on a partnership model that involves the commitment of Thai millers, a pre-competitive collaboration with Nestle and working in partnership with Mitr Phol, a key supplier. FairAgora Asia will be our civil society partner on the ground and will engage directly with smallholder farmers.

The aim of the Program is to support small-scale farmers to implement sustainable practices by providing the support, investment and the knowledge to empower them to identify issues and find the best solutions to address them. The first phase of the program is to conduct stakeholder mapping, and an assessment against the Bonsucro core criteria which will enable the creation of a continuous improvement system towards sustainable and responsible practices.

Building on the results of this first phase, we will also encourage others to engage and participate in this partnership model. This approach has the potential to reach over 300,000 smallholder farmers in the Thai sugarcane industry.

We will issue an update on progress of the three year program in August 2018. Expected progress includes:

- Engagement and training with farmers
- Identified “Champion Farmers” from each grower group to lead conversations with independent growers on good agricultural and social practices.
- Utilizing a Web-App platform built in the local Thai language that will capture on the ground information from farmers to aid in identifying their needs and empower them to work collectively to find possible solutions
- Capability building of smallholders by utilizing the results of the App and addressing smallholder farmers’ gaps in knowledge of sustainability and core Bonsucro criteria.
- Engagement with government, civil society, farmers and mills, including training for the industry on how to apply good sustainability practices in sugarcane.