

## Particulars

### About Your Organisation

#### 1.1 Name of your organization

PepsiCo

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#### 1.2 What is/are the primary activity(ies) or product(s) of your organization?

- Oil Palm Growers
  - Palm Oil Processors and/or Traders
  - Consumer Goods Manufacturers
  - Retailers
  - Banks and Investors
  - Social or Development Organisations (Non Governmental Organisations)
  - Environmental or Nature Conservation Organisations (Non Governmental Organisations)
  - Affiliate Members
  - Supply Chain Associate
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#### 1.3 Membership number

4-0041-09-000-00

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#### 1.4 Membership category

Ordinary

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#### 1.5 Membership sector

Consumer Goods Manufacturers

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## Consumer Goods Manufacturers

### Operational Profile

1.1 Please state what your main activity(ies) is/are within manufacturing

- End-product manufacturer

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### Operations and Certification Progress

2.1 Please include details of all operations using palm oil, majority owned and/or managed by the member and/or related entities

2.1.1 In which markets where you operate, do you manufacture goods with palm oil and oil palm products?

- Applies Globally

2.1.2 In which markets where you operate, do you calculate how much palm oil and oil palm product there is in the goods you manufacture?

- Applies Globally

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2.2 Volumes of palm oil and oil palm products (Tonnes)

2.2.1 Total volume of Crude and Refined Palm Oil used in the year (Tonnes)

450,451

2.2.2 Total volume of Crude and Refined Palm Kernel Oil used in the year (Tonnes)

5,084

2.2.3 Total volume of Palm Kernel Expeller used in the year (Tonnes)

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2.2.4 Total volume of other palm-based Derivatives and Fractions used in the year (Tonnes)

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2.2.5 Total volume of all palm oil and oil palm products used in the year (Tonnes)

455,535

**2.3 Volume of palm oil and oil palm products used in the year in your own brand products that are RSPO-certified (in tonnes):**

Description	Crude and Refined Palm Oil	Crude and Refined Palm Kernel Oil	Palm Kernel Expeller	Other palm-based derivatives and fractions
2.3.1 Book and Claim from Mill / Crusher*	303,859.00	5,084.00	-	-
2.3.2 Book and Claim from Independent Smallholder*	-	-	-	-
2.3.3 Mass Balance	146,592.00	-	-	-
2.3.4 Segregated	-	-	-	-
2.3.5 Identity Preserved	-	-	-	-
2.3.6 Total volume	450,451.00	5,084.00	-	-

**2.4 Volume of RSPO certified sustainable palm oil and oil palm products sold to other RSPO certified companies ? (in tonnes)**

Description	Crude and Refined Palm Oil	Crude and Refined Palm Kernel Oil	Palm Kernel Expeller	Other palm-based derivatives and fractions
2.4.1 Book and Claim from Mill / Crusher	-	-	-	-
2.4.2 Book and Claim from Independent Smallholder	-	-	-	-
2.4.3 Mass Balance	-	-	-	-
2.4.4 Segregated	-	-	-	-
2.4.5 Identity Preserved	-	-	-	-
2.4.6 Total volume	-	-	-	-

**2.5 What is the percentage of RSPO Certified Sustainable Palm Oil in the total palm oil used by your company in the following regions:**

2.5.1 Africa	--
2.5.2 Australasia	100%
2.5.3 China	12%
2.5.4 Europe (incl.Russia)	87%
2.5.5 India	--
2.5.6 North America	24%
2.5.7 South America	45%
2.5.8 Indonesia	--
2.5.9 Malaysia	--
2.5.10 Middle East	100%
2.5.11 Rest of Asia	9%

**Time-Bound Plan**

**3.1 Date of first supply chain certification (planned or achieved)**

2020

**3.2 Date expected to/or started to use any RSPO certified sustainable palm oil and oil palm products in your own brand products**

2015

**3.2.1 Referring to 3.2, in which markets where you operate do these commitments cover?**

**3.3 Date expected to be using 100% RSPO certified sustainable palm oil and oil palm products from any supply chain option in your own brand products**

2020

**3.4 Date expected to be using 100% RSPO certified sustainable palm oil and oil palm products from physical supply chains (Identity Preserved, Segregated and/or Mass Balance) in your own brand products**

2020

**3.5 Referring to 3.3 and 3.4, In which markets where you operate do these commitments cover?**

Applies Globally

**3.6 Does your company use RSPO certified sustainable palm oil and oil palm products in goods you manufacture on behalf of other companies?**

No

**3.7 Does your company have a Time-Bound Plan to only use RSPO certified palm oil and oil palm products in the goods you manufacture on behalf of other companies?**

No

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**Trademark Related****4.1 Do you use or plan to use the RSPO Trademark on your own brand of products?**

No

**Please explain why**

We currently do not have plans to use the RSPO trademark on any of our branded products.

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**Actions for Next Reporting Period****5.1 Outline actions that you will take in the coming year to promote the use of RSPO certified sustainable palm oil and oil palm products along the supply chain**

PepsiCo has made public commitments to support RSPO and promote the use of certified sustainable palm oil, including a commitment that all direct suppliers are RSPO Members. PepsiCo actively engages with our suppliers on the benefits of RSPO membership to their businesses, the environment and the protection of human rights. As a result of this engagement, 100% of our direct suppliers, supplying 100% of palm oil procured by PepsiCo were RSPO members at the end of 2017 (this does not include suppliers in Venezuela, where the current political environment prevents accurate information collection).

PepsiCo is also committed to sourcing 100% physically certified sustainable palm oil by 2020 and have a multi-year roadmap in place to achieve this. In 2017, we increased the use of physically certified palm oil to 32% of our volume (exceeding our interim target of 30%) as compared to 16% in 2016 and 8% in 2015. We continue to ramp up and have set an interim objective to achieve 50% in 2018 on our journey to 100% by the end of 2020. For the remainder of our palm oil, we have achieved certification using RSPO Credits, which we see as an initial step to support market development. In addition, PepsiCo has begun work on our Chain of Custody Certification for palm oil, including conducting a pilot exercise in 2017.

We publicly support RSPO Next, submitted feedback on RSPO's 2018 Principles & Criteria consultation and are a founding member of RSPO's North American Sustainable Palm Oil Network (NASPON).

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**Reasons for Non-Disclosure of Information****6.1 If you have not disclosed any of the above information, please indicate the reasons why**

Other

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**- Others:**

Information disclosed above

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**Application of Principles & Criteria for all members sectors**

**7.1 Related to your sourcing, do you have (a) policy/ies, that are in line with the RSPO P&C such as:**

- Water, land, energy and carbon footprints

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Related link:

[https://www.pepsico.com/docs/album/policies-doc/pepsico-sustainable-agriculture-policy-\(12-16-14\)-final.pdf?sfvrsn=2](https://www.pepsico.com/docs/album/policies-doc/pepsico-sustainable-agriculture-policy-(12-16-14)-final.pdf?sfvrsn=2)

- Land Use Rights

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Related link: [https://www.pepsico.com/docs/album/policies-doc/pepsico\\_land\\_policy.pdf](https://www.pepsico.com/docs/album/policies-doc/pepsico_land_policy.pdf)

- Ethical conduct and human rights

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Related link:

[https://www.pepsico.com/docs/album/policies-doc/pepsico-global-human-rights-and-salient-issues-statement-\(6-29-17\).pdf](https://www.pepsico.com/docs/album/policies-doc/pepsico-global-human-rights-and-salient-issues-statement-(6-29-17).pdf)

- Labour rights

Uploaded file: --

Related link:

[https://www.pepsico.com/docs/album/policies-doc/pepsico-global-human-rights-workplace-policy-\(6-29-17\).pdf?sfvrsn=0](https://www.pepsico.com/docs/album/policies-doc/pepsico-global-human-rights-workplace-policy-(6-29-17).pdf?sfvrsn=0)

- Stakeholder engagement

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Related link:

[https://www.pepsico.com/docs/album/policies-doc/pepsico-global-human-rights-workplace-policy-\(6-29-17\).pdf?sfvrsn=0](https://www.pepsico.com/docs/album/policies-doc/pepsico-global-human-rights-workplace-policy-(6-29-17).pdf?sfvrsn=0)

- None of the above

**7.2 What best practice guidelines or information has your organization provided in the past year to facilitate the uptake of RSPO certified sustainable palm oil and oil palm products? What languages are these guidelines available in?****Comment:**

With respect to traceability of our palm oil supply chain, PepsiCo worked with Control Union and Proforest on the development and implementation of a Palm Oil Traceability and Supply Chain Verification Protocol to be used by direct suppliers to report mill information back to PepsiCo. A training program on how to use the protocol was implemented for suppliers and was conducted in English and Spanish. We also established a traceability and verification helpdesk with Control Union to provide on-going assistance.

In 2017, we launched the verification process described in our Palm Oil Traceability Protocol across our entire Tier I supplier base, and going forward our direct suppliers will be required to undergo an independent third-party review of the data that is sent to PepsiCo.

In 2017, we created the criteria, methodology and initial evaluation that led to our first Supplier Scorecards. This tool was built to address a range of opportunities. It provides a means to track and encourage progress of our suppliers towards putting in place the key policies and programs necessary to enhance performance and capability in sustainable palm.

Related link: <https://www.pepsico.com/docs/album/policies-doc/pepsico-palm-oil-traceability-protocol.pdf?sfvrsn=2>

**GHG Footprint****8.1 Are you currently reporting any GHG footprint?**

Yes

Related link:

[https://www.pepsico.com/docs/album/policies-doc/GDP\\_Climate\\_Change\\_2017\\_Information\\_Request\\_PepsiCo\\_Final\\_Submission.pdf](https://www.pepsico.com/docs/album/policies-doc/GDP_Climate_Change_2017_Information_Request_PepsiCo_Final_Submission.pdf)

**Support for Smallholders**

**9.1 Are you currently supporting any independent smallholder groups?**

Yes

We are committed to working with suppliers to ensure that PepsiCo's palm oil policies are implemented in a way that supports the inclusion of smallholders.

Smallholders engagement and participation in the shift to sustainable palm is critically important and requires industry-wide initiatives and collaboration, especially in the largest and most fragmented production markets. Planning is underway to develop long-term programs in collaboration with our suppliers to support smallholders in addressing risks of deforestation and human rights issues to help them improve their livelihoods while ensuring they are not excluded from the supply base. We seek to coordinate our efforts in this area with the efforts of other companies as well as through working with civil society organizations and government.

PepsiCo supported Oleopalma's successful application to the RSPO Smallholders Support Fund, committing to match funding of the RSPO contribution 1:1, leveraging important resources to the benefit of smallholders. The program is expected to benefit more than 2,200 people and their communities over the next three years. The objective of the program is for Mexican smallholders to achieve the RSPO independent group certification while contributing to their livelihoods and ensuring the sustainable supply of certified palm oil and in addition to serve as a model of sustainable development for the palm oil industry in Mexico.

In February 2018, PepsiCo committed to participate in Oxfam's FAIR Company-Community Partnerships project in Indonesia. The project promotes a model for sustainable palm oil that benefits women, smallholder farmers, local communities, the environment and participating companies. FAIR Partnerships addresses sustainability, human rights, and economic development issues holistically through a multi-stakeholder, inclusive, and landscape based approach. PepsiCo is contributing funds for the first 18 months of project implementation amounting to nearly 15% of the project budget and will also contribute relevant business perspective to the initiative as well as share the lessons in its own supply chains and with its sector peers.

We have also made a commitment to better understand our production base and have committed to traceability to farms/plantations by the end of 2020. One barrier to achieving this commitment was a lack of a common definition of traceability at the independent smallholder level. We have actively worked with the IDH-led Landscapes Working Group to align around a common definition. In 2017, we adopted a definition that is currently used by the IDH-led Landscapes Working Group and is supported by both The Forest Trust (TFT) and Proforest. In 2018, we will use this definition in the interim for plantation-level traceability and will refine it over time based on experience from our pilots and additional input from stakeholders.

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## Challenges

### 1 What significant economic, social or environmental obstacles have you encountered in the production, procurement, use and/or promotion of CSPO and what efforts did you make to mitigate or resolve them?

We work to ensure compliance with our environmental and human rights policies across our large and complex supply chain, but we know that taking action by ourselves in isolation is not practical. We recognize that there are significant environmental and human rights challenges facing the palm oil industry, including forest and peatland conversion, labor practices, the prevalence of smallholder farmers and potential exploitation of local communities. In 2015, we published a detailed set of palm oil commitments, including commitments to source 100% RSPO certified sustainable palm oil, trace our entire supply chain and engage with stakeholders, among other actions. As we have unlocked our supply chain through our mill-level traceability effort (94% traceable to mill), we have identified the presence of more than 1,500 mills. In 2018 we increased our transparency efforts by disclosing a complete list of our Direct Suppliers

[http://www.pepsico.com/docs/album/policies-doc/pepsico-2018-direct-palm-oil-supplier-list\\_vf.pdf?sfvrsn=b1bad141\\_4](http://www.pepsico.com/docs/album/policies-doc/pepsico-2018-direct-palm-oil-supplier-list_vf.pdf?sfvrsn=b1bad141_4) and Mill list <https://www.pepsico.com/docs/album/policies-doc/pepsico-2017-palm-oil-mill-list.pdf> This disclosure leveraged our ongoing work on traceability, and we have welcomed the trend for greater transparency around our supply chain, which plays a critical role in helping to address deforestation and human rights challenges. Greater collaboration and transparency from all supply chain actors is required and represents a significant opportunity to drive change. Because the issues in the palm oil industry are systemic and widespread, the solutions that drive improvement at scale requires pre-competitive collaboration and investment by end users, intermediaries, producers, civil society, investors and government. This requires a significant level of coordination and support through organizational platforms. The RSPO is very helpful in this regard, though more is needed to foster sustained and wide-spread collaboration. We continue to evaluate and participate in a number of positive impact programs that bring industry supply chain actors together. Our consideration of these programs is guided in part by a risk assessment process that identifies geographic areas within our supply chain that are at high risk of policy non-conformance. Contrary to reports of a surplus of RSPO certified palm oil, physically certified supply is limited or non-existent in some regions including, for example, some markets in the Americas. To address this problem, PepsiCo seeks to build certification capacity. For example, we are implementing a holistic program for sustainable palm oil in Mexico. Another challenge is traceability of the supply chain to ensure that the palm oil we buy is produced in line with our policy commitments and RSPO certification. PepsiCo is implementing data systems and processes that allow us to identify the mills in our supply chain. We worked with Control Union and Proforest on the development of a Palm Oil Traceability Protocol that describes the traceability reporting requirements for suppliers and verification of this data. PepsiCo requires its suppliers to report quarterly on all palm oil mills from which palm oil is sourced. As required by the Traceability Protocol, the name of the palm oil mills, GPS coordinates of the mills and traceability percentage need to be reported. A training program on how to use the protocol was implemented for suppliers. We also established a traceability helpdesk with Control Union to provide suppliers with on-going assistance. With this significant level of effort we have established mill-level traceability accounting for approximately 94% of our source volume, and PepsiCo has published its 2017 mill list (as well as its list of direct suppliers). Achieving the 100% traceability target will be challenging given the complexity of the supply and the availability of data from direct suppliers in some of our markets. Based on our evaluation of the quality of the data received to date, we have developed a risk-based approach to independent third-party verification of the mill traceability data to assess accuracy and completeness. Lastly, no industry definition on "traceability" to the farm/plantation has been fully adopted, so we are participating in the Landscapes Working Group coordinated by the IDH Sustainable Trade Initiative and supported by both The Forest Trust (TFT) and Proforest. In 2018, we will use this definition in the interim for plantation-level traceability and will refine it over time based on experience from our pilots and additional input from stakeholders.

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**2 In addition to the actions already reported in this ACOP how has your organization supported the vision of RSPO to transform markets in other ways? (e.g. Funding; Engagement with key stakeholders; Business to business education/outreach)**

PepsiCo aims to source 100% sustainable palm oil while helping to lift production standards across the palm oil sector. To achieve these objectives, we are implementing a holistic strategy built on four mechanisms: 1) risk management, 2) supplier engagement, 3) positive impact, and 4) transparency and stakeholder engagement. Details of our actions and progress is available in our third annual Progress Report. Given the impacts associated with some palm oil cultivation, we understand that stakeholders want PepsiCo to move as fast as possible, which is why we have developed a dedicated, cross-functional, global team with deep expertise to execute our strategy and accelerate progress toward achieving our commitments. We meet directly with stakeholders on palm oil on a frequent basis and welcome the opportunity to listen to their concerns, receive input and advice about our programs, and explain our approach to support the development of a sustainable palm industry. We are open to engaging with any organization that is willing to work constructively with us. During the RSPO Roundtable ("RT15") conference in Bali, for example, PepsiCo hosted a discussion with 13 different organizations – both local and global - that are dedicated to preserving forests and biodiversity, and protecting human rights associated with palm oil production in South East Asia. During the event, PepsiCo sought insight and advice from participants on the role that brands can play to address these supply chain concerns. Moving forward, we are working to incorporate the feedback we received into our sustainability programs. For example, participants expressed an interest in increased transparency; systematic engagement with direct suppliers through our new supplier scorecard; implementation of our grievance process with clear and consistent expectations for corrective action; and, communication on the progress PepsiCo is working towards implementing our NDPE commitments along with the on the ground impacts. We value the input we received during this session and look forward to hosting similar events in the future. In 2010, PepsiCo committed, through the Roundtable for Sustainable Palm Oil (RSPO), to source exclusively 100% RSPO certified sustainable palm oil by 2015. In 2013, PepsiCo further strengthened this commitment to purchase 100% physical RSPO certified palm oil by 2020, providing additional visibility into our palm oil supply chain. PepsiCo also supports RSPO Next. Our Palm Oil Commitments and Action Plan published in 2015 are aligned with the direction of RSPO Next, including further protection to forests, peatlands and human rights. We shared our Palm Oil Action Plan with all of our direct suppliers, including the requirement that direct suppliers must be members of RSPO and as a result of this engagement, 100% of our direct suppliers, supplying 100% of palm oil procured by PepsiCo were RSPO members at the end of 2017 (this excludes suppliers in Venezuela where the current political environment prevents accurate information collection). RSPO's P&C provided us with the framework for a capacity-building program in Mexico, where we built a partnership that involves the entire supply chain. At the Federal level, we are working with Femexpalma to consolidate its role in representing and supporting the sustainability of the palm oil sector. This involves strengthening the expertise of the team so they can provide expert advice and support to its members through capacity building and applied research to the benefit of all its members. PepsiCo also supported Oleopalma's successful application to the RSPO Smallholders Support Fund, committing to match funding of 1-1 of the RSPO contribution, thus leveraging important resources to the benefit of smallholders over the next 3 years. The program, a first of its kind in Mexico, will operate in four of the main palm oil producing regions in the country. The program has set out specifically to achieve four objectives: (1) For all the producers involved to be able to obtain the RSPO Certification; (2) Improve the quality of life of producers and protect their land rights, while fully preserving forests and biodiversity; (3) To share the knowledge of the benefits of sustainable production with 1,000 producers and 1,200 field workers who will participate in the training initiatives; and (4) To serve as a model of sustainable development for the palm oil industry in Mexico. Additionally, we are implementing a new supplier scorecard with emphasis on policy, engagement, certification and grievances. This tool enables us to engage directly with suppliers, gauge their status on key performance measures, and guide a process of continuous improvement to enable them to meet all of PepsiCo's policy commitments, including our commitment to 100% physical RSPO certified palm oil. Sustainable palm oil production and sourcing requires collaboration and alignment across the supply chain. Our scorecards allow PepsiCo to work in a consistent way with our suppliers to help achieve this.

**3 File -Please attach or add links to any other information from your organisation on your policies and actions on palm oil (EG: sustainability reports, policies, other public information)**

- No files were uploaded

**Link:** [http://www.pepsico.com/docs/album/sustainability-reporting/pep\\_csr16\\_091317.pdf](http://www.pepsico.com/docs/album/sustainability-reporting/pep_csr16_091317.pdf): [http://www.pepsico.com/docs/album/policies-doc/pepsico-2018-direct-palm-oil-supplier-list\\_vf.pdf](http://www.pepsico.com/docs/album/policies-doc/pepsico-2018-direct-palm-oil-supplier-list_vf.pdf) : <https://www.pepsico.com/docs/album/policies-doc/pepsico-2017-palm-oil-mill-list.pdf>