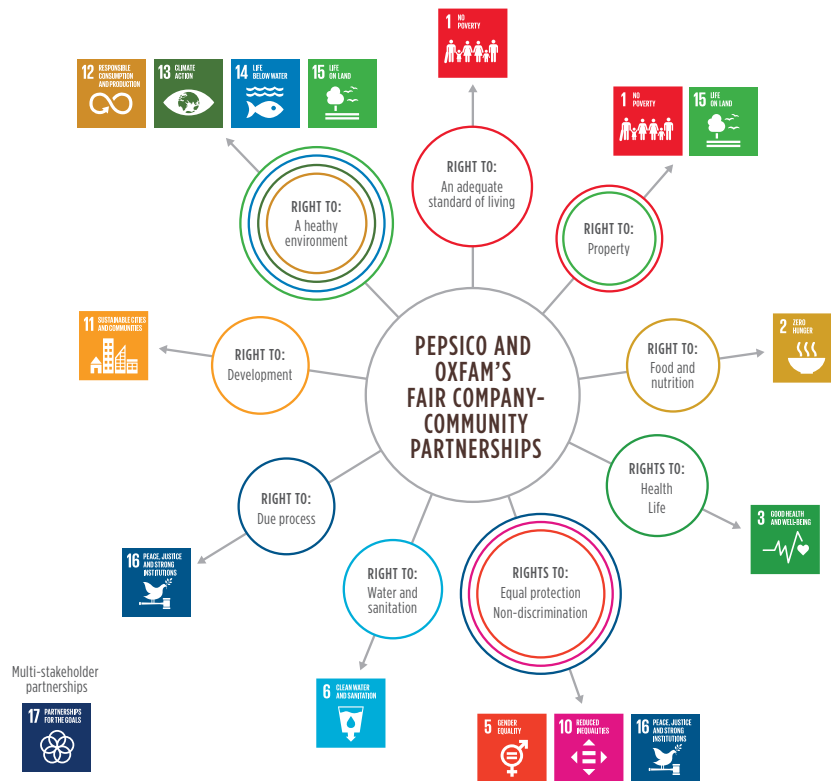


## PEPSICO'S PARTICIPATION IN OXFAM'S FAIR COMPANY-COMMUNITY PARTNERSHIPS

*Piloting new models to address risks to land rights in the palm oil industry*

**Figure 5b:** Rights related to the PepsiCo's participation in Oxfam's FAIR Company-Community Partnerships and how they link to various SDGs.



### The challenge

Palm oil is the most widely consumed vegetable oil on the planet,<sup>270</sup> with global use more than doubling over the past 15 years.<sup>271</sup> Currently contained in approximately half of all consumer goods,<sup>272</sup> this high-yielding agricultural commodity is found in packaged foods like margarine, ice cream and chocolate, as well as non-food products like body lotion, soap and biofuel.<sup>273</sup>

The production of palm oil, while highly efficient as compared to all other oil crops, requires considerable swaths of land to be cleared for palm nurseries and plantations. Industry analysts have estimated that, in order to meet projected

demand growth, global palm oil production "will need additional land that would be equivalent to the total area of Bangladesh" by 2050.<sup>274</sup>

Land expansion is therefore key to the sector's ability to keep up with this rapid increase in global demand. As a result, businesses along palm oil supply chains have long faced significant public criticism around the industry's contributions to deforestation, biodiversity loss, climate change and other environmental impacts.<sup>275</sup> The sector has also been linked to significant human rights violations related to communities' land and natural resource rights,<sup>276</sup> food insecurity and land conflict.<sup>277</sup> More recently, the production and processing of palm oil has

been connected to reports of child labor, forced labor and other labor-related impacts.<sup>278</sup>

With the aim of improving environmental and social sustainability in the industry, various palm industry stakeholders came together to form the Roundtable on Sustainable Palm Oil (RSPO) in 2004.<sup>279</sup> The RSPO's primary mechanism in working to achieve this goal is "a set of environmental and social criteria which companies must comply with in order to produce Certified Sustainable Palm Oil."<sup>280</sup> With the immense amount of land involved in palm oil production, the RSPO's focus thus far has been on certification among large-scale producers.<sup>281</sup> At the same time, a significant amount of the sector's land use is among

smallholder farmers whom current certification mechanisms do not often reach and where risks to people and the environment are often among the most severe.<sup>282</sup>

**“The main issues linked to the palm oil sector are connected to the industry’s rapid growth, which requires additional land. The key risks and impacts are therefore around deforestation and greenhouse gas emissions, but also around land grabs and land degradation, both of which directly impact people.**

**There is a particular lack of visibility around these issues when it comes to smallholders, who are bringing land assets to out-grower schemes that often fail to take an inclusive approach with smallholders and communities. These long-standing palm oil models are therefore characterized by exploitation and vast changes in land use without adequate social and environmental protections in place.”**

**Johan Verburg,  
Oxfam Novib<sup>283</sup>**

## **The response**

As a significant buyer of palm oil, PepsiCo is an important actor in addressing land-related human rights issues in the industry. The global food and beverage company has identified land rights as one of its salient human rights issues – the human rights at risk of the most severe impacts in the company’s operations and supply chains.<sup>284</sup> PepsiCo’s salient human rights issues also include land-related issues such as the human right to water and vulnerable workers such as women.<sup>285</sup>

A key milestone in PepsiCo’s approach to the sustainable sourcing of palm oil was its 2014 commitment to “zero tolerance” for land grabs across its supply chains following Oxfam’s Behind the Brands campaign and associated advocacy efforts.<sup>286</sup> In the past year, PepsiCo has also made a number of time-bound implementation plans regarding its land rights commitments in Brazil, Mexico, Thailand and Indonesia.<sup>287</sup>

As the largest buyer of palm oil in Mexico, the company has published a detailed analysis of land tenure risks and impacts<sup>288</sup> and is now carrying out training

on high conservation value (HCV) and high carbon stock (HCS) assessments, as well as separate capacity-building programs with the national association of palm oil mills and producers, smallholders and the federal government.<sup>289</sup>

As part of these ongoing efforts, PepsiCo made a commitment in February 2018 to participate in Oxfam’s FAIR Company-Community Partnerships, which “offer an alternative business model that addresses sustainability issues holistically, ensuring respect for human rights, protection of the environment, and inclusive economic development through a multi-stakeholder, landscape-based approach.”<sup>290</sup>

With an initial focus on Indonesia in its work with PepsiCo, the FAIR Partnerships project and its acronym stand for: (1) Freedom of choice, including free, prior and informed consent; (2) Accountability, including transparent agreements and grievance mechanisms; (3) Improvement and sharing of benefits, including improved yields and resource use efficiency; and (4) Respect for rights and the environment.<sup>291</sup>

**“When individuals and communities understand their rights regarding land and land tenure, it contributes to them being in a secure position where they are better able to claim the full range of their other human rights.**

**We know that the challenges and issues in palm are systemic and we can’t change them alone. We need to collaborate with others, and the FAIR Partnerships project’s role as a multi-stakeholder platform is key in this regard.**

**This is about further developing smallholder farmers and women, protecting the environment, and implementing our commitments on land rights. We’re building on our experience and learning in other sectors and geographies to maximize positive outcomes for people with this project.”**

**Natasha Schwarzbach, PepsiCo<sup>292</sup>**

## Key aspects of the initiative

The FAIR Company-Community Partnerships “require the active participation of multiple global and national companies in the palm oil value chain, local government agencies, civil society groups, and farmer organizations.”<sup>293</sup> Following the development of its conceptual model in 2014,<sup>294</sup> the initiative was co-created with sector stakeholders for two demonstration projects that began initial field-level activities in 2017. As the project is taken to scale, it will reach multiple locations in Indonesia, the Democratic Republic of the Congo and Nigeria.<sup>295</sup>

PepsiCo is the first buyer to publicly support the FAIR Company-Community Partnerships. In addition, the initiative has “engaged with numerous commodity sector and financial sector companies” including “plantation and mill companies, consumer goods manufacturers, commercial and development banks, and institutional and impact investors.”<sup>296</sup> In these engagements, the project’s approach is to “collaborate with buyers and investors to engage and support palm oil producers who, in turn, engage smallholder suppliers and their host communities.”<sup>297</sup>

**“The FAIR Partnerships project is rethinking the ‘business as usual’ growth model for palm oil production, processing, and trade. It’s taking a holistic approach that zooms in on company-community relations to more effectively include smallholders and impacted communities in land use planning and development.**

**The businesses involved, including PepsiCo, are key ambassadors for this new model as it builds on other collective, multi-stakeholder efforts such as RSPO. Our goal in the long term is to move from commitments around what you should not be doing as a company, for instance ‘zero tolerance’ for land grabs and other human rights violations, to alternative models that are more positive and focused on implementation.”**

**Johan Verburg, Oxfam Novib<sup>298</sup>**

While the project remains in the early stages of implementation, the initiative is currently focused on demonstration projects that can then be scaled up based on “the proven business case, lessons learned, and impact measured.”<sup>299</sup> The main components of these demonstration projects will include:

- **Participatory mapping and land use planning** to “establish multi-functional mosaic landscapes in which stakeholders ... arrive at optimal combinations of export crops such as palm oil, local food crops and conservation areas, notably forest and peat land” in order to enhance food security, safeguard land rights and diversify incomes.<sup>300</sup> Local government authorities will be invited to support this landscape approach.<sup>301</sup>
- **Direct engagement from palm oil companies to their host communities and small producers** “at an early stage, when a company and host community start to (re-) consider relationships in palm oil production, especially at the moment of new plantings or replanting.”<sup>302</sup>

- **Capacity building** with local civil society organizations, service providers and government actors, as well as environmental organizations and other relevant platforms in order to align, and not duplicate, efforts.<sup>303</sup>
- **Engagement with commodity markets and capital markets**, which aim to “execut[e] their sustainable palm oil policies and [meet] sustainability objectives, notably taking deforestation out of their value chains and ensuring smallholder inclusion.”<sup>304</sup>
- **Monitoring, evaluation and learning systems** that build out data collection methods and guide joint learning.<sup>305</sup>

**“FAIR Company-Community Partnerships bring together a wide range of salient human rights issues in the palm oil industry, providing an avenue for companies to address their most severe impacts more holistically.**

**Implementation of commitments around land rights and corporate respect for human rights takes time and resources, but PepsiCo has taken an important step in committing to this project. The lessons they learn through their involvement will be valuable not only to PepsiCo but to wider industry efforts.”**

**Chloe Christman Cole,  
Oxfam America<sup>306</sup>**

- 270 WWF (n.d.), "Which Everyday Products Contain Palm Oil?," available at <https://www.worldwildlife.org/pages/which-everyday-products-contain-palm-oil> (last accessed May 23, 2018).
- 271 Gro (Dec. 8, 2016), "Palm Oil: Growth in Southeast Asia Comes at a High Price Tag," available at <https://gro-intelligence.com/insights/palm-oil-production-and-demand> (last accessed May 29, 2018).
- 272 RAN.org (n.d.), "Palm Oil Fact Sheet," available at [https://www.ran.org/palm\\_oil\\_fact\\_sheet](https://www.ran.org/palm_oil_fact_sheet) (last accessed May 29, 2018).
- 273 RSPO: Roundtable on Sustainable Palm Oil (n.d.), "Sustainable Palm Oil," available at <https://www.rspo.org/about/sustainable-palm-oil> (last accessed May 29, 2018).
- 274 Gro (Dec. 8, 2016), "Palm Oil: Growth in Southeast Asia Comes at a High Price Tag," available at <https://gro-intelligence.com/insights/palm-oil-production-and-demand> (last accessed May 29, 2018).
- 275 See, for example, Greenpeace (2013), *Certifying Destruction: Why Consumer Companies Need to Go Beyond the RSPO to Stop Forest Destruction*, available at <https://www.greenpeace.org/archive-international/Global/international/publications/forests/2013/Indonesia/RSPO-Certifying-Destruction.pdf>.
- 276 See for example, Tomasz Johnson (June 11, 2015), "Palm Oil Companies Exploit Indonesia's People – And Its Corrupt Political Machine," *The Guardian*, available at <https://www.theguardian.com/sustainable-business/2015/jun/11/palm-oil-industry-indonesia-corruption-communities-forests> (last accessed May 29, 2018).
- 277 See for example, Oxfam (2016), *FAIR Company-Community Partnerships: Summary Co-Creation Day and Way Forward*, at 2, available at [https://www.oxfamnovib.nl/Redactie/Downloads/English/Oxfam%20FAIR%20Company%20Community%20Partnerships%20Report\\_dig.pdf](https://www.oxfamnovib.nl/Redactie/Downloads/English/Oxfam%20FAIR%20Company%20Community%20Partnerships%20Report_dig.pdf).
- 278 See for example, Skinner, E. Benjamin (July 20, 2013), "Indonesia's Palm Oil Industry Rife with Human Rights Abuses," *Bloomberg*, available at <https://www.bloomberg.com/news/articles/2013-07-18/indonesias-palm-oil-industry-rife-with-human-rights-abuses> (last accessed May 29, 2018); Amnesty International (2016), "Palm Oil: Global Brands Profiting from Child and Forced Labour," available at <https://www.amnesty.org/en/latest/news/2016/11/palm-oil-global-brands-profiting-from-child-and-forced-labour/>.
- 279 RSPO (n.d.), "About Us," available at <https://www.rspo.org/about> (last accessed May 29, 2018).
- 280 RSPO (n.d.), "About Us," available at <https://www.rspo.org/about> (last accessed May 29, 2018).
- 281 In fact, CPSO-certified palm oil accounts for less than 20% of global palm oil production. See Gro (Dec. 8, 2016), "Palm Oil: Growth in Southeast Asia Comes at a High Price Tag," available at <https://gro-intelligence.com/insights/palm-oil-production-and-demand> (last accessed May 29, 2018).
- 282 "In the two countries responsible for over 80% of world oil palm production, Indonesia and Malaysia, smallholders account for 35-40% of the total area of planted oil palm and as much as 33% of the output. Elsewhere, as in West African countries that produce mainly for domestic and regional markets, smallholders produce up to 90% of the annual harvest." Vermeulen, Sonya and Nathalie Goad (2006), *Towards Better Practice in Smallholder Palm Oil Production*, International Institute for Environment and Development (IIED), available at [http://www.fao.org/uploads/media/06\\_IIED\\_-\\_Towards\\_better\\_practice\\_in\\_smallholder\\_palm\\_oil\\_production\\_01.pdf](http://www.fao.org/uploads/media/06_IIED_-_Towards_better_practice_in_smallholder_palm_oil_production_01.pdf). Yet, as of 2017, less than 1% of independent smallholder farms were certified as sustainable by the RSPO. World Resources Institute (March 30, 2018), "Smallholder Farmers Are Key to Making the Palm Oil Industry Sustainable," available at <http://www.wri.org/blog/2018/03/smallholder-farmers-are-key-making-palm-oil-industry-sustainable> (last accessed May 29, 2018).
- 283 Interview with Shift (May 30, 2018).
- 284 PepsiCo, *Global Human Rights Statement* (2017), available at [http://www.pepsico.com/docs/album/policies-doc/pepsico-global-human-rights-and-salient-issues-statement-\(6-29-17\).pdf?sfvrsn=2](http://www.pepsico.com/docs/album/policies-doc/pepsico-global-human-rights-and-salient-issues-statement-(6-29-17).pdf?sfvrsn=2).
- 285 PepsiCo, *Global Human Rights Statement* (2017), available at [http://www.pepsico.com/docs/album/policies-doc/pepsico-global-human-rights-and-salient-issues-statement-\(6-29-17\).pdf?sfvrsn=2](http://www.pepsico.com/docs/album/policies-doc/pepsico-global-human-rights-and-salient-issues-statement-(6-29-17).pdf?sfvrsn=2).
- 286 Oxfam International (March 18, 2014), "PepsiCo Declares 'Zero Tolerance' for Land Grabs in Supply Chain," available at <https://www.oxfam.org/en/pressroom/pressreleases/2014-03-18/pepsico-declares-zero-tolerance-land-grabs-supply-chain> (last accessed May 29, 2018).
- 287 Christman, Chloe (Feb. 6, 2018), "The Politics of Poverty: Ideas and Analysis from Oxfam America's Policy Experts: PepsiCo is Moving from Policy to Practice," available at <https://politicsofpoverty.oxfamamerica.org/2018/02/pepsico-from-policy-to-practice/> (last accessed May 29, 2018).
- 288 Proforest (2017), *Land Tenure and Other Human Rights Issues in the Oil Palm and Sugarcane Sectors in Mexico*, available at [https://www.pepsico.com/docs/album/policies-doc/mexicolandrightsandhumanrights\\_03-1-clean-\(2\).pdf](https://www.pepsico.com/docs/album/policies-doc/mexicolandrightsandhumanrights_03-1-clean-(2).pdf); PepsiCo, *PepsiCo Response to Independent Report "Land Tenure and Other Human Rights Issues in the Oil Palm and Sugarcane Sectors in Mexico"* (2018), available at <https://www.pepsico.com/docs/album/policies-doc/pepsico-response-to-mexico-palm-oil-and-cane-sugar-report.pdf>.
- 289 PepsiCo (n.d.), "Palm Oil Sustainability," available at <http://www.pepsico.com/sustainability/palm-oil> (last accessed May 29, 2018).

- 290 Christman, Chloe (Feb. 6, 2018), "The Politics of Poverty: Ideas and Analysis from Oxfam America's Policy Experts: PepsiCo is Moving from Policy to Practice," available at <https://politicsofpoverty.oxfamamerica.org/2018/02/pepsico-from-policy-to-practice/> (last accessed May 29, 2018).
- 291 Oxfam Novib (n.d.), "FAIR Company-Community Partnerships," available at <https://www.oxfamnovib.nl/donors-partners/about-oxfam/projects-and-programs/fair-company-community-partnerships> (last accessed May 29, 2018); see for example, Oxfam (2016), *FAIR Company-Community Partnerships: Summary Co-Creation Day and Way Forward*, at 5, available at [https://www.oxfamnovib.nl/Redactie/Downloads/English/Oxfam%20FAIR%20Company%20Community%20Partnerships%20Report\\_dig.pdf](https://www.oxfamnovib.nl/Redactie/Downloads/English/Oxfam%20FAIR%20Company%20Community%20Partnerships%20Report_dig.pdf).
- 292 Interview with Shift (May 16, 2018).
- 293 Oxfam Novib (n.d.), "FAIR Company-Community Partnerships," available at <https://www.oxfamnovib.nl/donors-partners/about-oxfam/projects-and-programs/fair-company-community-partnerships> (last accessed May 29, 2018).
- 294 Oxfam International (n.d.), "Fair Company-Community Partnerships in Palm Oil Development," available at <https://www.oxfam.org/en/research/fair-company-community-partnerships-palm-oil-development> (last accessed June 8, 2018).
- 295 Oxfam Novib (n.d.), "FAIR Company-Community Partnerships," available at <https://www.oxfamnovib.nl/donors-partners/about-oxfam/projects-and-programs/fair-company-community-partnerships> (last accessed May 29, 2018);
- 296 Oxfam Novib (n.d.), "FAIR Company-Community Partnerships," available at <https://www.oxfamnovib.nl/donors-partners/about-oxfam/projects-and-programs/fair-company-community-partnerships> (last accessed May 29, 2018);
- 297 Oxfam Novib (n.d.), "FAIR Company-Community Partnerships," available at <https://www.oxfamnovib.nl/donors-partners/about-oxfam/projects-and-programs/fair-company-community-partnerships> (last accessed May 29, 2018);
- 298 Interview with Shift (May 30, 2018).
- 299 See for example, Oxfam (2016), *FAIR Company-Community Partnerships: Summary Co-Creation Day and Way Forward*, at 6-7, available at [https://www.oxfamnovib.nl/Redactie/Downloads/English/Oxfam%20FAIR%20Company%20Community%20Partnerships%20Report\\_dig.pdf](https://www.oxfamnovib.nl/Redactie/Downloads/English/Oxfam%20FAIR%20Company%20Community%20Partnerships%20Report_dig.pdf).
- 300 Christman, Chloe (Feb. 6, 2018), "The Politics of Poverty: Ideas and Analysis from Oxfam America's Policy Experts: PepsiCo is Moving from Policy to Practice," available at <https://politicsofpoverty.oxfamamerica.org/2018/02/pepsico-from-policy-to-practice/> (last accessed May 29, 2018).
- 301 See for example, Oxfam (2016), *FAIR Company-Community Partnerships: Summary Co-Creation Day and Way Forward*, at 8, available at [https://www.oxfamnovib.nl/Redactie/Downloads/English/Oxfam%20FAIR%20Company%20Community%20Partnerships%20Report\\_dig.pdf](https://www.oxfamnovib.nl/Redactie/Downloads/English/Oxfam%20FAIR%20Company%20Community%20Partnerships%20Report_dig.pdf).
- 302 See for example, Oxfam (2016), *FAIR Company-Community Partnerships: Summary Co-Creation Day and Way Forward*, at 4, available at [https://www.oxfamnovib.nl/Redactie/Downloads/English/Oxfam%20FAIR%20Company%20Community%20Partnerships%20Report\\_dig.pdf](https://www.oxfamnovib.nl/Redactie/Downloads/English/Oxfam%20FAIR%20Company%20Community%20Partnerships%20Report_dig.pdf).
- 303 See for example, Oxfam (2016), *FAIR Company-Community Partnerships: Summary Co-Creation Day and Way Forward*, at 8, available at [https://www.oxfamnovib.nl/Redactie/Downloads/English/Oxfam%20FAIR%20Company%20Community%20Partnerships%20Report\\_dig.pdf](https://www.oxfamnovib.nl/Redactie/Downloads/English/Oxfam%20FAIR%20Company%20Community%20Partnerships%20Report_dig.pdf).
- 304 See for example, Oxfam (2016), *FAIR Company-Community Partnerships: Summary Co-Creation Day and Way Forward*, at 2-3, available at [https://www.oxfamnovib.nl/Redactie/Downloads/English/Oxfam%20FAIR%20Company%20Community%20Partnerships%20Report\\_dig.pdf](https://www.oxfamnovib.nl/Redactie/Downloads/English/Oxfam%20FAIR%20Company%20Community%20Partnerships%20Report_dig.pdf).
- 305 See for example, Oxfam (2016), *FAIR Company-Community Partnerships: Summary Co-Creation Day and Way Forward*, at 9, available at [https://www.oxfamnovib.nl/Redactie/Downloads/English/Oxfam%20FAIR%20Company%20Community%20Partnerships%20Report\\_dig.pdf](https://www.oxfamnovib.nl/Redactie/Downloads/English/Oxfam%20FAIR%20Company%20Community%20Partnerships%20Report_dig.pdf).
- 306 Interview with Shift (May 30, 2018).