

Union Consulting

<u>Team Member Name</u>	<u>Year</u>	<u>Major</u>
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Topic Title: From Palm Oil to Fair Pay: Tackling PepsiCo's supply chain and labor challenges

Audience: Board of Directors of PepsiCo Inc.

Sustainable Development Goal

SDG #8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

SDG #15: Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

Executive Summary

PepsiCo's footprint has had detrimental effects on local communities and the environment around the world. These issues are often a result of interconnected business practices from different countries that need to be assessed in terms of the whole network. Specifically, PepsiCo uses high quantities of palm oil from Malaysia and Indonesia, which leads to growing deforestation and human rights abuses connected to palm oil producers. Effects of these practices will echo for decades, but acting now can help mitigate damages.

Our inclusion of SDG #15 in our analysis focuses on PepsiCo's aforementioned reliance on palm oil, particularly the industry's links to deforestation and human rights violations. As this relates to a significant aspect of PepsiCo's supply chain, it is essential that the company thoroughly addresses the issue. Additionally, our focus on SDG #8 underscores PepsiCo's responsibility to ensure decent work conditions for its workforce and to set the standards for suppliers' labor practices.

We propose a transition towards increased use of sunflower oil, while decreasing PepsiCo's dependency on palm oil. India, the largest importer of sunflower oil, will be demonstrated to be a strong candidate for sourcing this oil. We will also show how, in accordance to SDG#8, this shift could solve current disputes PepsiCo is engaged in against Indian potato farmers. Finally, we draft a plan to work towards rehabilitation programs for palm oil plantations and negotiate with suppliers for improved E.S.G practices. This includes the establishment of a third-party ethics review board for indirect suppliers of the palm oil industry, which has proven to be successful in the sugar plantations of the Philippines, Nicaragua and Colombia, under the guidance of the UN Development Programme.