

1. General requirements:

- Pallets must be suitable for food production with indirect food contact
- Pallets must be delivered in closed vessels
- Pallets shall not be stored outside. In case, there is no capacity to store pallets inside, it need to be agreed with Mondelez and a process need to be in place to protect pallets for Mondelez from adverse weather conditions to ensure conform deliveries to agreed specifications and contract terms.
- Free from halogenated phenols or halogenated anisole
- No UK/Euro pallets with plastic edge boards will be repaired and used
- Pallets must be suitable for high bay warehouses and transportation systems (e.g. palletizers, including conveying systems), specific reject criteria need to be agreed
- The pallet supplier must comply with applicable legal requirements for its operation.
- When applicable, requirements for the usage of wood processing solvents, pesticides, heavy metals and other chemical contaminants must be followed.
- The supplier must have approved wood sources and corresponding documentation for the manufacturing of pallets.
- Every pallet type shall have an agreed specification that is made available to supplied sites
- heat treated pallet supply need to be agreed on country / region specific basis and follow local regulation

2. General conditions of the pallet warehouse:

- When storing inside, the storage area has to be closed to prevent pest entry
- Food storage / consumption are not permitted inside the pallet storage area
- A cleaning program for the storage area including overhead structures and walls needs to be in place and shall include minimum frequencies and verification activities
- All lamps should be protected against shatter to avoid glass contamination of pallets
- A documented pest control program shall be in place and shall include bi-monthly inspections for rodents and monthly insect control and monitoring activities to avoid pallet infestation. In case of increase in pest activity the control measures need to be intensified in order to eradicate potential infestation sources
- . Pesticides: Only approved pesticides shall be used. A pesticide is considered approved if all of the following criteria are met.
 - Compliance with all local laws.
 - Application methods follow label instructions.
 - Suitable for use in a food manufacturing or storage warehouse (label).
 - Not categorized by the Pesticide Action Network
http://www.pesticideinfo.org/Search_Products.jsp#ProdSearch (PAN) as a BAD Actor Product. The search should first be performed utilizing the pesticide's active ingredient. If there are no results the search should be done by the products trade name, or if applicable the products EPA registration number
- Rodenticides shall not be used inside the pallet storage area. Glue traps may be used inside storage areas for rodent control.

3. Dry cleaning of pallets:

- The supplier shall perform mechanical / dry cleaning in every pallet which has transferable contamination
- After cleaning, a visual inspection shall be carried out to ensure compliance to specification.

4. Materials:

- **WOOD:** only approved chemicals by the EU as an anti-blue sap stain treatment by countries where legislation existed prior to BPD98/8EEC (Biocide Directive), no use of chlorinated phenols or phenol based pallet cleaning agents. In compliance for use within food and drink manufacturing and distribution industry.
- **COMPOSITES:** Pallet blocks, using wood chips to ensure a controlled manufacturing process, causing no risk for foreign material exposure at point of usage. Bonding agent to comply with EN 312/1 Class E1.
- **PAINT:** water based emulsion in compliance with standard EN-71-3 Safety of Toys Specification for the migration of certain elements.
- **INKS:** Solvent based inks may be used for print marking of pallets or timber. Ink complies with the relevant EU Legislation 2004/42/EC Paints Directive and 1999/13/EC Solvents Directive.
- **NAILS:** Standard (carbon steel) wire complies with 94/62/EC Packaging and packaging waste limits of content and concentrations of heavy metal.
- **Phytosanitary** compliant pallets for international export to countries requiring wooden packaging that meets the International Standard for Phytosanitary Measures (ISPM 15). Pallet timber has been heat treated to a core temperature of 56 °C for 30 minutes in accordance with ISPM 15 and marked with the International Plant Protection Convention (IPPC) symbol, ISO country code and approved treatment provider registration number. The IPPC mark is the basis for authorizing the entry of wood packaging without further need of paper declarations of treatment or phytosanitary certificates. The mark is applied to two visible surfaces.
- Supplier must analyze TBF and TBA (Tribomo Phenol and Tribomo Anizol) in 80 pallets, only for Brazil, on an annual base. For supplies in other countries, local legislation requirements (e.g.: Brazil follows the ABNT policy) must be followed and the analysis results must be sent to Mondelez.

5. Moisture:

- MEU: Supplied Pallets have average moisture content equal to or less than 28%rH. Single measurement points at incoming pallet inspection process have max 35%rH.
- All regions outside of MEU: supplied pallets have an average moisture content equal to or less than 28% rH.
- Supply points that require Pallets with a lower moisture content need to be agreed and documented

6. Critical defects:

6.1 Pallets with following defects will be rejected following the defined visual inspection process for Mondelez in 6.2 (utilizing the incoming vehicle check list for pallet deliveries). Defects need to be recorded and escalated following the complaint escalation process.

- a) Pest infestation (pests dead or alive)
- b) Unacceptable moisture:
 - greater than 28% average content for all regions outside of MEU
 - MEU: greater than average 28%, greater than 35% rH for single measurement points at incoming pallet inspection process.
- c) Snow, ice or standing water
- d) Glass slinters, loose nails or staples
- e) Off-odours (e.g. fish, taint, chemicals)
- f) Unacceptable level of dirt, dust, visible remainders or chemicals, glue, oil or pieces of other material (e.g. cement, packaging materials, etc.)
- g) Protruding nail heads (max 3mm in tolerance)

- h) Any Missing Elements
- i) Baseboards that are not securely nailed
- j) Cross-grain splits running the full width of the board
- k) Open horizontal splits across any block
- l) Greater than 50% of missing wood across the nail area, reference product specifications for missing wood tolerances.
- m) Any form of transferable contamination presenting a risk of taint, damage to product or risk for foreign material exposure or potential harmful to human health.
- n) The pallet has major structural defect that could lead to a pallet collapse or serious health, safety or quality implications, or the pallet has been contaminated rendering it unusable
- o) Fresh paint / out of defined specification parameters paint
- p) Spillage not allowed in liquid state, or if dry and transferable
- q) Pallet does not comply to specification**

6.2 Incoming Pallet inspection process:

Quality Check I Checks before unloading the full truck

Delivery



- Check the first six stacks of the delivery (10 pallets) in "X" form before unloading
- Check attracted pallets (Moisture / Quality)

Moisture Check



- Visual Check
- Search for discoloration
- Check eye catching pallets with moisture meter
- Touch check

Quality Check



- Search for Quality issues according specification
- Especially critical defects

Note: on random basis additional check similar to checks I-VI from the middle or back of the truck should be done and documented.

Quality Check II (Moisture) Checks before unloading the full truck



Moisture check on:

- On top boards
- On blocks
- On under boards



- Check attracted pallets in detail (following page)
- MEU: Supplied Pallets have average moisture content equal to or less than 28% rH. Single measurement points at incoming pallet inspection process have max 35% rH. All regions outside of MEU: supplied pallets have an average moisture content equal to or less than 28% rH

Quality Check II (Moisture Detail) Checks before unloading the full truck



- The meter should be held with both probes embedded to the same depth approx. 3mm.
- Avoid knots, nails or other fasteners, stained areas of the wood
- Take pictures of moisture values <21 %

Quality Check III (Quality Specifications I) Checks before unloading the full truck Example Critical Defects

Unsecured Base Joints

- Baseboards not securely nailed to blocks, where the board is detached from the block, thus affecting structural integrity of the pallet.



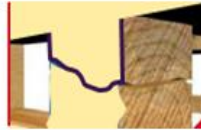
Splits

- Open splits running fully across or diagonal width of key structural components – base boards and stringers breaking the board into separate parts.



Block Horizontal Splits

- Horizontal splitting across the whole section of the blocks causing the top deck and bottom deck assembly to divide into separate parts.



Missing Material

- Greater than 50 % missing material in the nail zone – any element on the pallet.



Missing Components

- Full piece component missing from the pallet assembly.



Contamination

- Any form of transferable contamination presenting a risk of taint, damage to product or potential harmful to human health.



Example Acceptable Defects

Chips – All Boards

- Width: 35 mm at widest point.
 Length: Maximum to far edge of centre block on pallet external edges. For stringers and 1200 side baseboards the chip can be on the internal face.
- Edge chips 10 mm wide along full length of any perimeter board.
- Two shorter chips are allowed on same board providing combined length does not exceed maximum length.

Splits

- Can run at a right angles or diagonally, the full width of board providing the board is securely nailed each end (stringer to block) and the board surface is level on either sides of the split.
- Allowed on intermediate top deck boards only.



Nails

- Although care is taken to ensure nail heads are hammered down to board surface, nail heads can work loose with handling and raise above the surface.
- A raised nail head up to 3 mm above the surface is not critical for general pooling applications.
- Visible nail shanks are allowed if partly embedded into the chipped board edge or position of nail does not present a hazard.
- NO protruding nail points on perimeter edges or underside of stringers.



Perimeter Alignment

- Minor protrusion of the pallet perimeter is allowed up to 10 mm. The footprint nominal dimension (1200 x 1000 mm) shall not exceed plus 10 mm in length and width by any component protrusion or diagonal misalignment of the base or top deck.



High bay compatibility

pallets are designed to operate and perform within a production and warehouse environment where chain, roller conveyors and pallet profilers are installed to protect the customers products and equipment.
 Pallets must be suitable for High Bay warehouses.

Quality Check IV (6 stacks checked)



→ If 5 pallets of the first six stacks are attracted with Quality issues refuse the truck if possible (enough stock available). Otherwise accept the truck and sort the pallets out.

- Supplier has to deliver a new truck within maximum 12 hours
- Take pictures, fill the "Quality Conformance Control Sheet" and raise a complaint to Supplier.
- Inform Supplier and Procurement, Quality MDLZ in copy.

→ If less than 5 pallets are attracted with Quality issues start unloading the full truck.

- Extend the Quality check from 10 pallets to another 10 pallets (randomly from the whole delivery → 20 pallets in sum).

7. Quality Review / Scorecard

7.1 Each region shall have a detailed Scorecard agreed with the supplier, which has to be reviewed on a monthly basis and consolidated up to a Global view, published quarterly.

7.2 The Scorecard shall contain as a minimum:

- A 12 month rolling approach YTD
- Complaints by defined Category and location
- Number / Volume of deliveries
- Number / Volume of rejected deliveries
- Status of Complaints: raised / open / responded / closed out
- Number of customer site audits performed from the supplier with score and type / number of nonconformities

8. Pallet quality audits

8.1. The quality audit process shall follow an ad hoc approach, based on low performance (<98,0% of complaints vs. issued) facilitating the scorecard (point 7)

8.2 Only one audit per location

8.3 2 weeks notification time, to allow Mondelēz representative participation

8.4 Signed contract and pallet specifications shall be the basis of the audit

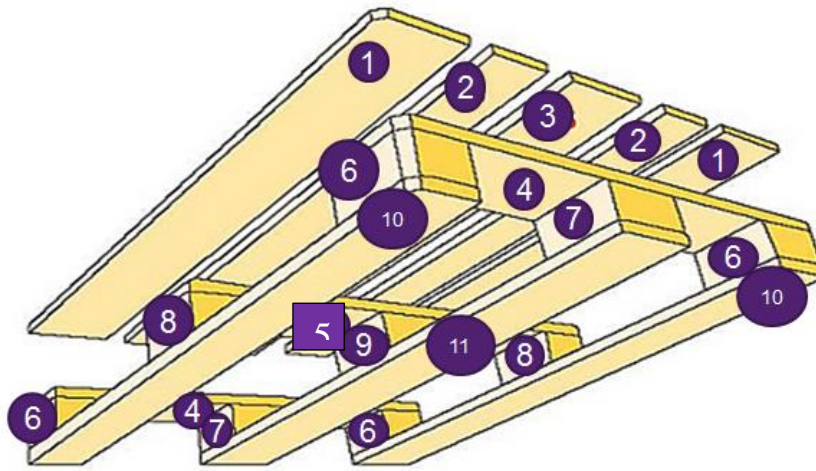
8.5 Audit report including non conformities shall be provided to Mondelez within 2 weeks after the audit and corrective actions need to be documented.

9 Complaint process

- 9.1 Every region need to follow a standardized complaint escalation process, supplier shall define contacts in their organization the complaints shall be provided to for further action.
- 9.2 Complaints need to be followed up and closed out in timely manner

Complaint process Documentation I

- Please document the findings on the Quality conformance control sheet



Complaint process Documentation II

QUALITY CONFORMANCE CONTROL SHEET																				
Date:					Auditor:					Sample amount:										
Type of Control:	Quality																			
Chop DN Number:					Location:															
Checked amount of pallets																				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Top Boards	1																			
	2																			
	3																			
	4																			
Brings	1																			
	2																			
	3																			
	4																			
Blocks	1																			
	2																			
	3																			
	4																			
	5																			
	6																			
	7																			
	8																			
	9																			
	10																			
	11																			
Base Boards	1																			
	2																			
	3																			
	4																			
	5																			
	6																			
	7																			
	8																			
	9																			
	10																			
	11																			
Full Pallet	1																			
Incremental damage	1																			
Legend of Defects																				
C	Chip	FBN	Free standing nail																	
ME	Missing Element	PN	Protruding nail																	
HN	Horizontal Split	BN	Birding nail																	
VS	Vertical Split	W	Wet surface water, snow, ice, liquid																	
WM	Wrong Material	AP	Cosmetic general appearance																	
DFL	Deflected Board (needs replacing)	S	Squareness																	
SU	Secondary split (needs replacing)	CT	Contamination																	
MA	Misaligned element	RO	Respirable contamination																	
KN	Knot	WC	Washable contamination																	
RN	Raised nail head	ID	Incremental damage (impact chip)																	
		ZZ	Change element in conditioning																	

- Every part of the pallet has a number which is described above
- Enter the identified humidity or type of defect (Legend of defects)

Attention

- Report all complaints (general quality, moisture, delayed deliveries, etc.) to the supplier with Procurement in Copy
- Provide pictures, Quality conformance control sheet, copy of the delivery note and short statement
- Pallets are delivered on clean, well maintained, free from pests, closed trailers

