

# Palm Oil Traceability Protocol

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## 1. Introduction

PepsiCo is committed to doing business the right way and to realize zero deforestation and respect for human rights in all our company-owned and -operated activities and global supply chains. PepsiCo is a member of the RSPO, and is working in collaboration with our suppliers to support sustainable palm oil production throughout our supply chain.

PepsiCo has a goal to achieve 100% traceability to the mill level for all our palm oil and palm kernel oil, and assess suppliers operations and landholdings on PepsiCo's Forestry Stewardship and Land Use Policies and the principles of this commitment by 2016. To achieve this target, PepsiCo has developed this traceability protocol which suppliers of Palm Oil (PO) and Palm Kernel Oil (PKO) should use to report the Oil Mills which are part of the supply chain.

### 1.1. How to use this Traceability Protocol

The traceability protocol consists of the following sections:

- PepsiCo – Traceability Requirements
- Verification Protocol
- Appendixes & Tools

In chapter 2 of this document the traceability requirements for suppliers are described. It details the minimum traceability data to be reported. The approach to gather and collect this data shall be defined by the 1<sup>st</sup> Tier suppliers themselves and not be prescribed by PepsiCo. This ensures that existing traceability systems that meet the minimum traceability expectations of this protocol can be leveraged without duplication of work.

In order to assess the accurateness and credibility of the reported traceability data, 1<sup>st</sup> Tier suppliers will be subject to a risk assessment/verification to define the risk status related to potential failures. In chapter 3 guidelines are provided for recognized verification bodies, including instructions for executing a standardized approach for the independent verification.

The risk status of each supplier will be defined based on the supply chain complexity, transparency and whether a due diligence system is implemented. It should be noted that a high risk level does not mean the traceability data is incorrect. Suppliers with a complex supply chain can still obtain a low risk status when risk mitigating measures have been implemented as part of a due diligence system. The protocol describes several aspects of a due diligence scheme which should not be considered as obligatory, but could improve the risk status of the supplier.

## 2. PepsiCo - Traceability Requirements

In order to support the traceability goals PepsiCo has established, suppliers are requested to report to PepsiCo every quarter on all oil mills connected to the deliveries of Palm Oil (PO) and Palm Kernel Oil (PKO) and their derivatives. Depending on the supply chain complexity, this will require cooperation amongst the supply chain operators to obtain the desired traceability.

### 2.1. Traceability definition

The PepsiCo reporting requirements aims to align with existing traceability initiatives, in order to increase efficiency and avoid duplication of work. Therefore the definition of traceability as used by PepsiCo is based on the outcome of the traceability working group of the Sustainable Trade Initiative (IDH, in Dutch “ *Initiatief voor Duurzame Handel*”):

- *Traceability is defined as knowing all palm sources within one’s supply chain all the way to plantation level (incl. smallholders) and traceability to the oil mill is an intermediary step in achieving full traceability.*

For PepsiCo’s initial 2016 target, traceability to the Oil Mill is required. Different methodologies are known to comply with the above traceability definition. It is the responsibility of the supplier to define which methodology is most appropriate for its supply chain, provided that the system complies with the minimum reporting requirements detailed in this section. In addition, useful tools are provided by PepsiCo (e.g. reporting spreadsheet) which can be used by suppliers to implement traceability in their supply chain or improve their current traceability method. For suppliers that have achieved full traceability and report the data to PepsiCo, no further measures are required.

### 2.2. Supply Chain Actors / Stages

To start implementing traceability within the supply chain, the first crucial step is to define the different stages/actors that are (potentially) part of the supply chain. For this protocol we define the following stages<sup>1</sup>:

- Oil Palm Grower / Palm Plantation
- Oil Mill
- Crushing site (PKO)
- Storage location
- Primary Refinery
- Secondary Refinery
- Trader
- Manufacturer
- 1<sup>st</sup> Tier supplier
- End user

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<sup>1</sup> Further clarification of the stages are given in Appendix V – Definitions and Abbreviations

Note that one single actor can cover multiples stages. For example a processing plant can cover both primary refining and secondary refining, and also have storage locations.

### 2.3. Stepwise traceability

The palm oil supply chain usually consists of thousands of palm growers/plantations and mills, a limited number of primary refineries, and thousands of upstream actors (e.g. secondary refineries, traders, manufacturers). Therefore the primary refineries have the most control and ability to influence the ultimate origin of the oil mill. Many first refineries are even vertically integrated with particular Oil Mills ensuring full traceability. Some refineries however still struggle to achieve 100% traceability when purchasing oil from traders/aggregators who operate between the oil mills and the refinery.

The role of the 1st tier suppliers, who do not typically engage directly with palm plantations and palm oil mills, is to communicate the requirements and empower the upstream actors up to the “First Aggregators” to collect and report accurate data (see figure 1). The First Aggregator is an operational site (primary refinery or storage location of a trader) which purchases and physically collects the oil from the Oil Mills and therefore always has full insight to all supplying mills.

Once the traceability requirements are communicated to the first aggregator, the list of Oil Mills linked to the shipment of Palm (Kernel) Oil should be reported by the first aggregator back through the upstream actors and the 1<sup>st</sup> Tier Supplier, and ultimately to PepsiCo.

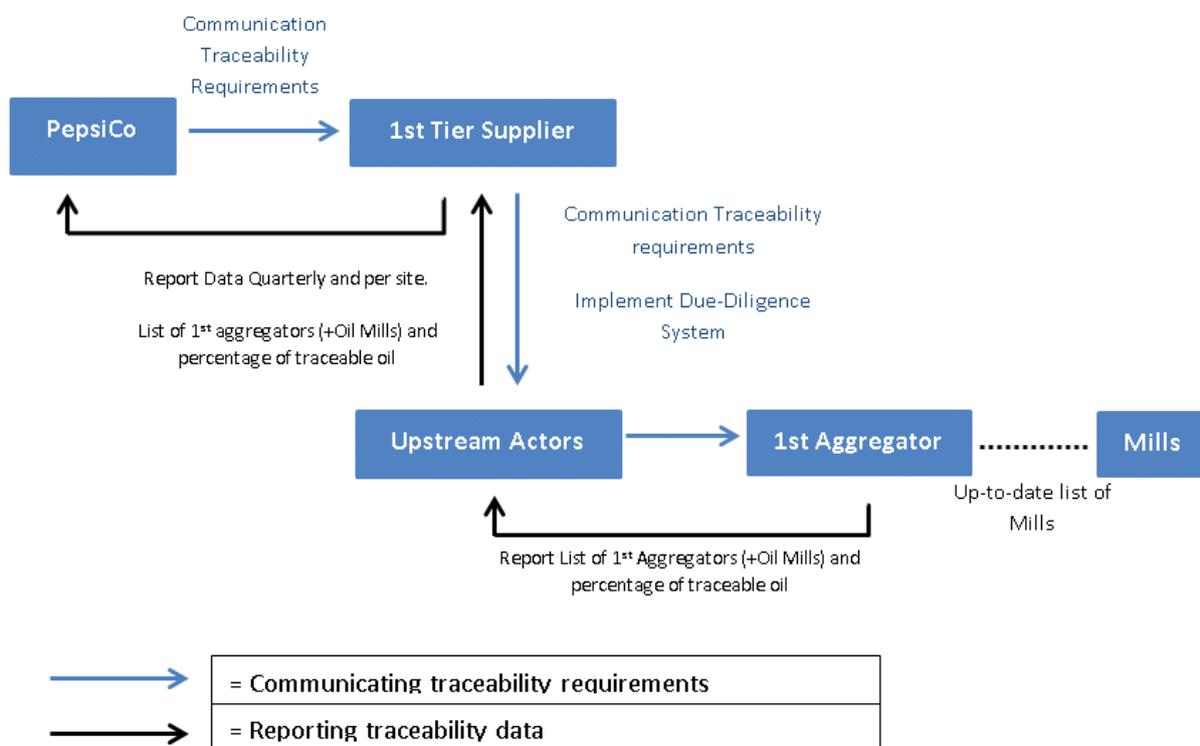


Figure 1: Implementing Traceability Requirements

- Example Supply Chain



Figure 2: Example Supply Chain

In the above example the primary refinery is classified as the First Aggregator since it directly purchases palm oil from 50 different Oil Mills. The First Aggregator is required to maintain and communicate the list of supplying oil mills to the secondary processor. The secondary refinery, which in this example is also the 1<sup>st</sup> tier supplier, should collect this information and report to PepsiCo every quarter the list of Oil Mills that are part of their supply chain. In case there are unknown sources in the supply chain it should also be reported the total percentage of the oil which is traceable to the Oil Mills. In this case stepwise traceability from the First Aggregator through to PepsiCo is achieved.

## 2.4. Reporting traceability data

In order to implement stepwise traceability, please find below the minimum requirements listed.

### 2.4.1. First Aggregators

For all entities that are part of the PepsiCo Supply Chain and that purchase and physically collect oil directly from the Oil Mills, the following requirements are applicable per operational site<sup>2</sup>:

- Maintain a list of all Oil Mills who have delivered palm oil in the past year. For each Oil Mill the list should include
  - o Name
  - o Geo-coordinates
  - o Parent company (if applicable)
  - o Certification/verification status (if applicable)
- The list of Oil Mills should be updated every quarter, provided new Palm Oil Mills are involved in the supply chain, and reported to the downstream buyer. If no Oil mills have been added the old list shall remain valid.
- The specific volume supplied by each Oil Mill does not have to be reported
- The list should include all Oil Mills who have physically delivered to the First Aggregator. It is not acceptable to exclude specific Oil Mills from the list.

<sup>2</sup> Operational, processing or logistical facility on a geographical location with precise boundaries within which products can be mixed.

### 2.4.2. Downstream Supply Chain actors (if applicable)

For the downstream actors/stages, who are buying the oil from the First Aggregators, the following requirements are applicable per operational site:

- Communicate the traceability requirements to the upstream Supplier(s) / First Aggregator(s)
- Implement an administrative system for each operational site to:
  - o Collect and maintain the list of First Aggregator(s) linked to the incoming shipments (incl. up-to-date list of Oil Mills)
  - o Track the total % of traceable oil to Oil Mills for each quarter (see section 2.5)
- Report every quarter to downstream buyers:
  - o The total % of traceable oil to Oil Mills for each quarter (see section 2.5)
  - o All First Aggregators (incl. list of Oil Mills) that are linked to the traceable volume.
    - The information must be reported accurately and completely. It can be presented on a single document or a range of documents like delivery/shipping documents or specific traceability documentation (see Appendix I for voluntary reporting template)

### 2.4.3. 1<sup>st</sup> Tier Suppliers

For the 1<sup>st</sup> Tier Suppliers to PepsiCo the following requirements are applicable per operational site:

- Communicate the traceability requirements to the upstream Supplier(s) / First Aggregator(s)
- Implement an administrative system for each operational site to:
  - o Maintain the list of First Aggregator(s) linked to the incoming shipments (incl. up-to-date list of Oil Mills)
  - o Track the total % of traceable oil to Oil Mills for each quarter (see section 2.5)
- Report every quarter to PepsiCo:
  - o The total % of traceable oil to Oil Mills for each quarter (see section 2.5)
  - o All First Aggregators (incl. list of Oil Mills) that are linked to the traceable volume.
    - The information must be reported accurately and completely. It can be presented on a single document or a range of documents like delivery/shipping documents or specific traceability documentation (see Appendix I for voluntary reporting template)
- In case any failures are being observed on data already has been reported to PepsiCo, these should be communicated during the next reporting to PepsiCo. In this case it should be clearly indicated which changes are applicable.

## 2.5. Defining percentage of traceable oil

To define the traceability percentage, all incoming traceable palm oil within the last quarter are calculated as the percentage of the total incoming traceable and non traceable palm oil. Within this timeframe, the percentage has to be calculated according to the following formula:

$$Pt (\%) = At / (At + An) * 100$$

**Pt:** Percentage of traceable palm oil

**At:** Amount of traceable palm oil

**An:** Amount of non-traceable palm oil

If there are upstream suppliers reporting different percentages, the average percentage value for all received volume has to be calculated according the following formula:

$$Pt \text{ avg} (\%) = \sum (Pt_i * VR_i) / TVR$$

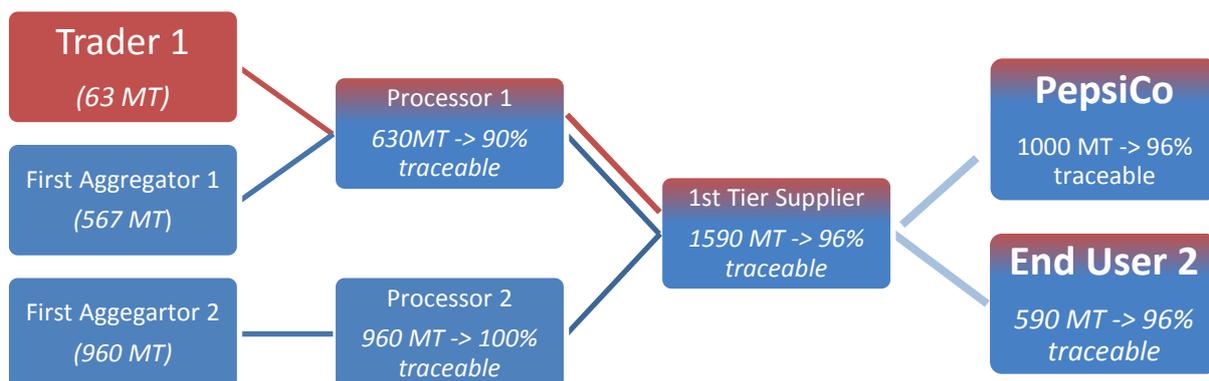
**Pt avg:** Average percentage of traceable palm oil

**Pc<sub>i</sub>:** Percentage of traceable products of supplier X<sub>i</sub>

**VR<sub>i</sub>:** Total volume received from supplier X<sub>i</sub>

**TVR:** Total volume received (traceable + non-traceable)

### Example



In the above example the 1<sup>st</sup> tier supplier is sourcing 1600 MT palm oil from two processors (Processor 1 and Processor 2). Processor 2 is sourcing directly 960MT palm oil from First Aggregator 2 from which it has received an up to date list of Oil Mills. Processor 1 is sourcing 567MT palm oil from First Aggregator 1 from which the list of mills being received and another 64MT from Trader 1 without any traceability data received. As part of the percentage methodology, Processor 1 is allowed to physically mix the untraceable palm oil of Trader 1 and the traceable palm oil First Aggregator 1. As a result, the outgoing deliveries to PepsiCo of 1000MT can be claimed by PepsiCo with a traceability percentage of 96% provided the 1<sup>st</sup> Tier Supplier reports to PepsiCo the two First Aggregators and all Oil Mills which are supplying these two First Aggregators.

Based on the formula above the calculation for the 1<sup>st</sup> Tier Supplier will be as follows:

$$\begin{aligned}
 Pt \text{ avg} (\%) &= \sum (Pt_i * VR_i) / TVR \\
 &= ((90\% * 640MT) + (100\% * 960MT)) / 1600 \\
 &= 96\%
 \end{aligned}$$

### 3. Verification protocol

In this chapter the guidelines are described for the verification of the traceability data as reported by 1<sup>st</sup> Tier suppliers, based on the requirements as detailed in chapter 2. The PepsiCo Palm Oil Traceability Requirements request suppliers to report quarterly all the sources (oil mills) connected to the deliveries of Palm Oil (PO) and Palm Kernel Oil (PKO) and their derivatives. During a third-party evaluation, a recognized verification body will review the accuracy and credibility of the reported data.

The protocol is written primarily for verification bodies, which will be hired by the suppliers to assess the risk status and verify the reported traceability data. However, it might also be used by (upstream) suppliers as reference for implementing the Traceability Requirements as it might provide insight in the scope and methodology of verification.

#### 3.1. Overview of the Verification Process

In line with the PepsiCo Palm Oil Traceability Requirements, the 1st Tier supplier is responsible for reporting the Traceability Report including the list of palm oil mills which are part of their supply chain. For those suppliers who are applying one of the PepsiCo recognized traceability systems, programs or schemes, the 1st Tier supplier shall automatically be categorized as low-risk supplier and no further verification shall be required. If a system is not yet included in the list it can be send to PepsiCo for recognition. Please find the most recent list of recognized schemes in Appendix IV, which also indicates recognition process for new programs.

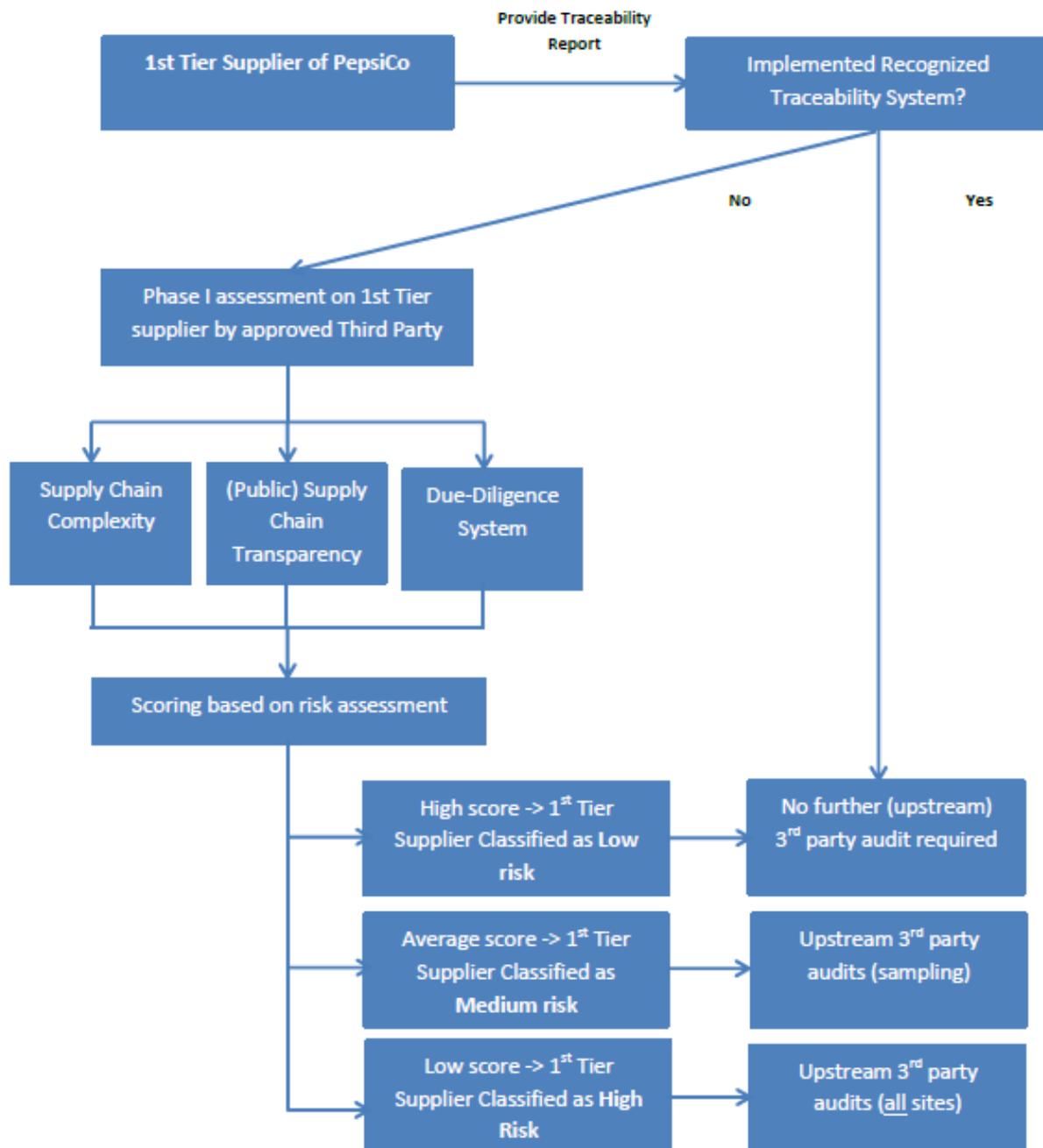
For all other suppliers, the following verification phases are identified to verify if the reported traceability data is credible and accurate:

Phase 1: Focus on the *1st Tier supplier* and the status of conformance with the PepsiCo Palm Oil Traceability Requirements

Phase 2: Focus on the *upstream actors* along the supply chain of the 1st Tier supplier up to the source (oil mill)

For both phases, a verification report template has been prepared by PepsiCo and shall be provided to the recognized verification bodies.

The overview below illustrates the complete verification process of Phase I and Phase II:



## 3.2. Phase I verification approach

Based on the diversity of the suppliers and supply chains, 4 different verification categories and subsequent indicators have been defined. The definition of each indicator is given below and shall be used during the Phase I verification. The final outcome of each indicator shall be used to define the final risk status of the supplier. The exact scoring methodology is provided in Appendix III.

Verification Categories	
1	Supply Chain Complexity
2	Due-Diligence System
3	(Public) Supply Chain Transparency
4	Recognized Traceability Systems

### 3.2.1. Supply Chain Complexity

Verification bodies should assess the supply chain complexity, limited to the supply chain(s) for which traceability is claimed to PepsiCo. The supply chain complexity is the number of entities and facilities along the supply chain in combination with the level of variability in suppliers. At a minimum, verification bodies should consider the following:

- **Number of Legal Entities**

The number of legal entities shall be determined by the number of companies that have *legal ownership* of the product. Legal entities that have no physical possession of the product should also be included here. In case of outsourced activities (e.g. subcontractors for storage, transport or other activities) these entities shall be excluded for the calculation in case they do not take legal ownership of the product. For the scoring during Phase I risk assessment it is relevant to include all entities between PepsiCo and including the First Aggregators. The Oil Mills can be excluded from the calculation.

- **Number of Operational Facilities**

The number of operational facilities shall be determined by the number of outsourced and owned facilities that have physical possession of the product along the supply chain. It includes both storage sites and processing sites. For the scoring during Phase I risk assessment it is relevant to include all (outsourced) sites between PepsiCo and the First Aggregators. The Oil Mills can be excluded from the calculation.

- **Variety in Supplier Base**

The variety in supplier base is defined on the frequency that new upstream suppliers are becoming part of the supply chain. It should be analyzed if the 1st Tier supplier has a fixed number of suppliers or if regularly from new suppliers and / or First Aggregators are involved.

### 3.2.2. Due-Diligence System

Verification bodies should assess the existence of a due diligence system. A due diligence system is a set of measures to improve the credibility of data. An effective due diligence system may consist of the following:

#### - *Warranty*

A warranty is a type of guarantee with which the 1st Tier supplier assures the implementation of the PepsiCo Traceability Requirements along the suppliers in the supply chain. In addition to the audit rights which should be transferred in the supply chain, the following additional measures could be taken:

- Terms of Contract: compliance to the PepsiCo Reporting Requirements could be explicitly included in Terms of Contract as a delivery requirement. The terms should also include a reference that the same conditions should be applicable to all upstream supply chain actors.
- Self-Declaration: In addition or instead of the contract terms, the upstream suppliers could be requested to sign a self-declaration where they commit to implement the traceability requirements. Within such self-declarations suppliers can also inform which mitigating measures they have taken to ensure credibility of the data provided.

Without any warranty as provided by the supplier the received traceability data would be processed on “good faith” which results in a higher risk.

#### - *Supplier Risk-Assessment*

A supplier risk-assessment is an analysis in which the 1st Tier supplier assesses the possibility of failure of implementation of the Traceability Requirements by suppliers along the supply chain to the mill level. A successful supplier risk-assessment checks if suppliers along the supply chain are aware of the difficulties and gaps in fulfilling the PepsiCo Traceability Requirements.

#### - *Supplier Training*

A supplier training is a clear action in which the 1st Tier supplier provides education to their upstream suppliers ensuring that supply chain actors are familiar with the Traceability Requirements and have skills and knowledge of ways of implementation. For the scoring during Phase I assessment a distinction is made between training direct suppliers and training all involved supply chain actors up to the first aggregators.

#### - *Supply Chain Audits*

Supply chain audits are valuable to assess the compliance with the Traceability Requirements. Three different types of audits can be identified:

- Internal audit/1st party audits are used to confirm or improve the effectiveness of the management system. They are executed internally by employees of the auditee

and are used to declare that an organization complies with a reference standard. First party auditors should be genuinely independent and free of bias. The scope of the internal party audits is the verification of the compliance of the traceability data. It is not obligatory by PepsiCo, but in order to improve the risk status the internal audits should be executed at least once per year.

- Second party audits are external audits. They're usually done by customers or by others. The scope of the second party audits is the verification of the compliance of the traceability data. It is not obligatory by PepsiCo, but in order to improve the risk status the second party audits should be executed at least once per year and should include all legal entities including the first aggregators.
- 3rd party audits are external audits. They are performed by independent organizations such as verification bodies or regulators, qualified for this purpose, as indicated in Appendix IV. The scope of the 3rd party audits is the verification of the compliance of the traceability data. It is not obligatory by PepsiCo, but in order to improve the risk status the 3rd party audits should be executed at least once per year. In case of multiple supply chains it is allowed to apply a random sample (based on the square root), as long as all involved legal entities including the first aggregators are part of the audit scope. In case shortcomings are observed, the sampling must be doubled.

#### - ***Implemented Certification Programs***

Certain certification or verification programs contain traceability requirements similar to the PepsiCo Traceability Requirements. If any of these schemes are already implemented it shall reduce the risk of failures. Examples of such schemes are:

- Roundtable on Sustainable Palm Oil (RSPO)
- Indonesian Sustainable Palm Oil (ISPO)
- Malaysian Sustainable Palm Oil (MSPO)
- Renewable Fuel Standard (RFS2)
- International Sustainability Carbon Certification (ISCC)
- UTZ Certified

For the scoring during the verification a distinction is made between compliance to the Traceability program by the direct upstream suppliers and full supply chain compliance including the First Aggregators.

#### - ***Quality Control***

Quality control is a procedure to check the quality of data provided by upstream actors. Even without upstream audits or warranty a quality assessment on the data received can be performed based on the following indicators

- High quality: Punctual delivery of data, list of Oil Mills clearly delivered without any conflicting or confusing data
- Limited quality: Delayed delivery of data, frequent changes/updates of the delivered data, lacking information, unclear reporting template

- ***Management System***

Management system refers to the way in which the supplier controls and handles the information regarding traceability. In this context, the management system is a system to manage information of suppliers inside the company. Examples of items which could be part of a management system:

- Up to date procedures covering the implementation of the PepsiCo Reporting Requirements
- Up to date records and reports that demonstrate compliance with the reporting requirements
- Identification of roles and responsibilities for the implementation of the PepsiCo Reporting requirements

**3.2.3. Supply Chain Transparency**

Verification bodies should assess the commitment of the supplier in terms of product traceability. Supply chain transparency indicates the insight and visibility of information about sourcing locations (oil mills) in combination with the readily availability of such information for the public. Supply chain transparency includes:

- ***Public Traceability Commitment***

A public traceability commitment is an assurance of the 1st Tier supplier to comply with the PepsiCo Traceability Requirements. This commitment is openly communicated to the public (e.g. website).

- ***Traceability Publications***

Traceability publications are all published documents describing the supply chain and/or sources of the product (oil mills). As a minimum the Traceability Publications should include the information of the mills included in the supply chain

**3.2.4. Verification Outcome (Phase I)**

The outcome of the Phase I verification will provide insight in the accuracy and credibility of the Traceability Report provided by the 1st Tier supplier. Subsequently, based on this outcome, Verification Bodies will be able to determine the necessity of conducting upstream audits (Phase II) in the supply chains of the 1st Tier supplier.

During the verification each indicator will obtain a certain score. The exact scoring per indicator is indicated in Appendix III of this protocol.

The sum of the number of points per indicator is the total score which will determine the risk classification of the 1st Tier supplier. This can be found in the table below. Generally, a high score represents a low risk of traceability failure; while a low score represents a high risk of traceability failure. This score does not represent the status of compliance by the 1st Tier supplier but only determines the necessity to conduct up-stream audits.

**High Score > 200 Points = Low Risk:**

**Note: A low risk classification can only be reached when the 1st Tier supplier works with a recognized traceability system (Appendix IV) or when the due-diligence system is fully implemented.**

The risk of incorrectly reported traceability data up to the source is relatively low, which means:

- Verification Bodies shall perform Phase I assessment to the 1st Tier supplier once every calendar year to check compliance with the PepsiCo Palm Oil Traceability Requirements (Except when a recognised system is implemented). After the first Phase I assessment, the following annual verifications can be performed remotely when no significant structural changes have occurred to the supply chain complexity or due diligence system.
- There is no need to do *upstream audits*;

**Average Score 75<->200 = Medium Risk**

The risk of incorrectly reported traceability data is medium, which means:

- An approved verification body shall perform a Phase I assessment to the 1st Tier supplier once every calendar year to check compliance with the PepsiCo Palm Oil Traceability Requirements. After the first Phase I assessment, the following annual verifications can be performed remotely when no significant structural changes have occurred to the supply chain complexity or due diligence system.
- An approved verification body shall perform upstream audits; suppliers along the supply chain of the 1st Tier supplier (up to the oil mill) will be subject to third-party verification to check implementation and traceability of the product. Verification should be conducted according the sampling methodology as described in section 3.3.

**Low Score <75 Points = High Risk**

The risk of incorrectly reported traceability data is high, which means:

- An approved verification body shall perform a Phase I assessment to the 1st Tier supplier once every calendar year to check compliance with the PepsiCo Palm Oil Traceability Requirements. After the first Phase I assessment, the following annual verifications can be performed remotely when no significant structural changes have occurred to the supply chain complexity or due diligence system.
- Verification Bodies need to perform upstream audits; all suppliers along the supply chain of the 1st Tier supplier (up to the oil mill) will be subject to third-party verification, to check implementation and traceability of the product.

### 3.3. Phase II Verification

Based on the outcome of the Phase I, the 1st Tier supplier obtains a Risk Status (low, medium or high) that will determine the next steps on the verification process. The Phase II verification shall focus on the actual correctness of the reported data and includes verification on the upstream actors along the supply chain of the 1st Tier supplier up to the oil mills.

- Low risk status

For 1<sup>st</sup> Tier-suppliers which have obtained a Low risk status it is considered that they comply with the traceability requirements and no additional investigation or upstream audits are needed until the next risk status assessment is carried out. Medium risk status

When Medium risk status is obtained, it is required to verify the correctness of the reported traceability data by auditing the upstream suppliers based on a risk based sampling selection. In this case at minimum the square root of all legal entities involved in the Supply Chain of PepsiCo should be selected for compliance verification as part of the Phase II verification. The selection should always be performed by the verification body and cover all involved supply chain actors and at minimum one First Aggregator.

Example: Based on the supply chain as given in section 2.5 (page 7), in total 4 different legal entities are part of the PepsiCo Supply Chain of the 1<sup>st</sup> Tier-Supplier:

- First aggregator 1
- First aggregator 2
- Processing plant 1
- Processing plant 2

Based on the square root formula, at least 2 entities should be selected for verification of which one First aggregator and one Processing plant. Considering the fact that Processing Plant 1 is more complex (due to percentage of traceable oil) then Processing Plant 2, the verification body should therefore select Processing plant 1 and first aggregator 1 for verification.

In case shortcomings are observed to the reported data at any of the selected entities, the sampling size should be doubled. This process should be continued until all entities involved are being audited.

- High risk status

If the 1<sup>st</sup> Tier supplier gets a High risk status, it is required to verify the correctness of the reported traceability data by auditing the upstream suppliers. Due to the high risk status, all legal entities as part of the PepsiCo Supply Chain must be audited.

## Appendix I: Reporting template (traceability data)

A reporting template (Excel) has been developed to deliver the desired traceability data of the PepsiCo reporting requirements. In the section below a few screenshots are provided on the structure of the template. The template provided should be considered as a voluntary tool, since equivalent templates which are already implemented by suppliers providing the same data are also accepted by PepsiCo.

- Quarterly traceability overview

	B	C	D	E	F
1					
2					
3	<b>Supplier information</b>				
4	Supplier name:				
5	Country:				
6	Country:				
7	Contactperson				
8	Email				
9	Phone number				
10	Year:				
11	Quarter:				
12	Volume supplied (MT):				
13	Traceability percentage:				
14	First Aggregator (FA)		Indicate below if FA is in scope (Y/N) - Oil Mills to be included in specific tab page		
15	First Aggregator 1 [Name / reference]				
16	First Aggregator 2 [Name / reference]				
17	First Aggregator 3 [Name / reference]				
18	First Aggregator 4 [Name / reference]				
19	First Aggregator 5 [Name / reference]				
20	First Aggregator 6 [Name / reference]				
21	First Aggregator 7 [Name / reference]				
22	First Aggregator 8 [Name / reference]				
23	First Aggregator 9 [Name / reference]				
24	First Aggregator 10 [Name / reference]				
 <span>Quarterly traceability overview</span> / <span>First Aggregator 1</span> / <span>First Aggregator 2</span> / <span>First Aggregator 3</span> / <span>First Aggregator 4</span> / <span>First Aggr</span>					

- Traceability data per First Aggregator

	B	C	D	E	F
1	First Aggregator Name/Code:				
2	Mill Name	Geo Coordinate / Longitude	Geo Coordinate / Longitude	Parant company (if applicable)	Certification / Verification status
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
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14					
15					
16					
17					
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24					

## Appendix II: Phase I Verification documents

Verification Indicators	Traceability documentation
No. of Operational Facilities	Purchase orders, contracts, delivery notes and/or material specification
No. of Legal Entities	Purchase orders, contracts, delivery notes and/or material specification
Variety in Supplier Base	Traceability data connected to consignments
Warranty	Legal contract, official communications, agreements, delivery specifications
Supplier Risk Assessment	Risk assessment report.
Supplier Training	Supplier training records.
Supply Chain Audits	Documentation related to audits (1 <sup>st</sup> /2 <sup>nd</sup> /3 <sup>rd</sup> party audits)
Valid Certificates	Documents of relevant certification programs/schemes such as RSPO, RFS-2, ISPO, MSPO, ISCC, FoodREG or other.
<b>Quality Control</b>	
Management System	Procedures manual/overview of responsibilities
Public Traceability commitment	Traceability statement on corporate website or any other media source.
Traceability publications	Documents describing in detail the supply chain and/or origin (oil mills).

## Appendix III: Verification Scorecard

Through the evaluation of the traceability documentation, verification indicators obtain a value that will give the total score of 1st Tier supplier of PepsiCo.

Verification Categories	Verification Indicators	Scoring	Points (P)
1 Supply Chain Complexity	No. of Operational Facilities	< than or equal to 4 facilities	15
		Between 5 and 10 facilities	10
		> than or equal to 10 facilities or unknown amount	0
	No. of Legal Entities	1 entity	100
		Between 2 and 4 entities	15
		> than or equal to 4 units or unknown amount	0
	Variety in supplier base	< than or equal to once per 12 months or never (fixed)	15
		Between once per 6 months and once a month	10
		> than or equal to once a month	0
	2 Due-Diligence System	Warranty	Included in Terms of Contract
Self-Declaration			15
Only communication (good-faith) or no warranty			0
Supplier Risk Assessment		Risk-assessment till mill-level	10
		No risk-assessment	0
Supplier Training		Training of all actors in supply chain	25
		Training to only direct upstream suppliers	15
		No supplier trainings	0
Supply Chain Audits		Third-party audit (External)	200
		Second-party (Sub-internal)	40
		First-party (Internal)	20
		No Supply Chain Audits	0
Certificates		Implemented	10
		Implemented only at 1 <sup>st</sup> tier supplier	5
		No certificates obtained	0
Quality Control	High Quality	15	
	Limited Quality	0	
Management System	Procedure manual in place	15	
	No procedure but traceability part of management system	10	
	No procedure or other form of system to manage and control traceability data	0	
3 (Public) Supply Chain Transparency	Public commitment	Public accessible	15
		No public available	0
	Traceability publications	Public traceability publication available	25
		Public traceability publication not available	0

<b>4</b> Recognized Traceability Systems	Traceability ensured via one of the approved systems	200
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## Appendix IV: Recognized traceability systems and Verification bodies

Please find below an overview of Recognized Traceability Systems and third party Verification bodies to prove compliance with PepsiCo Reporting Requirements:

### List of Recognized Traceability systems

- *No traceability systems are formally approved at this moment. For qualification of a traceability system please send a request to PepsiCo.*

### List of approved verification bodies

To conduct 3<sup>rd</sup> party verification audits, an external body should be assigned which complies with the following conditions:

- Recognized by a national public authority or an accreditation body which is a member of the International Accreditation Forum (IAF)
- Conduct audits in conformity with standard ISO 19011 establishing guidelines for quality and/or environmental management systems auditing
- The workflow of the certification process complies with the requirements of ISO Guide 65 (EN 45 011)
- Conduct audit and certification according to the principles and requirements of ISO 17021: 2006
- Appointment of competent employees which are also qualified to conduct RSPO audits

To conduct Phase I and Phase II verification audits currently the following verification bodies are approved:

- Bureau Veritas
- Control Union
- SGS

In case a verification body is not included in this list, a request can be sent to add the verification body to the above list (Please send approval request to Rob Meyers: [Rob.Meyers@pepsico.com](mailto:Rob.Meyers@pepsico.com))

## Appendix V: Glossary of terms / Definitions

### Reporting requirements

Palm Oil Traceability	Traceability is defined as knowing all palm sources all the way to plantation level and having the ability to follow a uniquely identifiable consignment through the supply chain. Traceability until the Oil Mill level is an intermediary step in achieving full traceability.
ACOP report	Annual Communication Of Progress
RSPO	Roundtable on Sustainable Palm Oil
Delivery	A transfer of ownership from one organization to another

Supply Chain	The series of all processes/steps and entities from the Oil Mill up to PepsiCo
Physical Handling	Receipt, storage and dispatch or a combination of these where there is a risk of mixing certified and non-certified product

### Supply chain operators

Oil Palm Growers / Palm Plantation	Producer of the Fresh Fruit Bunches that are harvested from the Palm Tree
First Aggregator	Operational site of an entity which purchases and aggregates the palm products directly from the Oil Mill.
Crushing plant	Facility for crushing palm kernels to produce PKO and PKE
Oil Mill	Facility where the FFB's are collected to be sterilized and stripped. The palm fruit is pressed to separate the oil from the "cake" (a mixture of kernel and fiber). The oil is then purified and clarified. Outputs: CPO, Palm Kernel.
Refinery (Primary)	Facility where CPO/PKO are refined to remove color, odor, and flavor. Outputs: RBD PO, PFAD, RDB PKO, PKFAD
Refinery (Secondary refining /processing)	Fractionation to separate solid (stearin) and liquid (olein) fractions, Distillation, Hydrogenation, Interesterification, glycerolysis. o Outputs: Olein/Steirin, Emulsifier, Oleochemicals, ..., etc
Trader	Actor in the supply chain which purchases and sells palm products via one of the following options: <ul style="list-style-type: none"> <li>- Physical trading: Trader obtains both Physical and financial ownership of the goods via owned or rented storage locations or processing via tolling agreements</li> <li>- Paper trading: Trader obtains financial/economic ownership without having physical possession of the products.</li> </ul>
Storage location	Storing / aggregating palm products possibly from multiple origins.
1st Tier Supplier	Direct supplier of PepsiCo

Facility	Location or company where product is stored, transported, or processed.
Manufacturer	The manufacturer uses oil palm products for manufacturing products designed and intended for consumption or end use in any way without further repackaging or processing.
Parent company	Organization with has a legal relationship (ownership) of another organization. Example: one parent company can own multiple Palm Oil Mills.

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***Palm Products***

FFB	Fresh Fruit Bunches
PO	Palm Oil
PKO	Palm Kernel Oil
CPO	Crude Palm Oil
CPKO	Crude Palm Kernel Oil
RBD PO	Refined Bleached Deodorized Palm Oil
RDBD PKO	Refined Bleached Deodorized Palk Kernel Oil
Palm Stearin	solid fraction of palm oil that is produced by partial crystallization at controlled temperature
Palm Olein	liquid fraction of palm oil that is produced by partial crystallization at controlled temperature

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***Verification Protocol***

Internal audit/1st party audits	First party audits are used to confirm or improve the effectiveness of management systems. They are executed internally by employees of the auditee and are used to declare that an organization complies with a reference standard. First party auditors should be genuinely independent and free of bias.
2nd party audit	Second party audits are external audits. They're usually done by customers or by others on their behalf but can also be done by regulators or any other external party that has a formal interest in an organization.
3rd party audit	3rd party audits are external audits. They are performed by independent organizations such as verification bodies.
Due diligence system	Due diligence is the process of systematically researching and verifying the accuracy of a statement.
Legal ownership	Economic transaction related to the purchases of the product. An entity having legal ownership of a palm product would have an enforceable claim or title over the product, and should be recognized as such by law.
Upstream actors	Upstream suppliers of the 1st Tier Supplier of PepsiCo (up to Oil Mills)
Upstream audits	Evaluation of compliance with the reporting requirements by the upstream actors

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