



*Living Our*  
• FOUNDER'S VALUES •

**PROGRESS AGAINST FORCED LABOUR**  
Full Year 2017

### Our Commitment

As a global corporate citizen, we are committed to upholding and advancing the cause of human rights.

Through our responsible sourcing program we focus on social issues that address violations of the international, regional, and corporate human rights standards that we support and promote.

Forced labour is one of those issues and we recognize it to be pervasive and profound in its ability to affect the lives of workers, families, and communities. We are committed to identifying and mitigating these risks through supplier screening, assessments, third-party audits, supplier engagement, direct worker feedback, and collaborative partnerships, taking appropriate action in accordance with our policies, Code of Conduct, and international and national human rights standards.

### Our Business

Kellogg is a global consumer goods company that manufactures and markets ready-to-eat cereal and convenience foods such as cookies, crackers, savory snacks, toaster pastries, cereal bars, fruit-flavored snacks, frozen waffles, and veggie foods. We have manufacturing operations in 21 countries and directly employ approximately 37,369 people.

We work with over 20,000 Tier 1 suppliers. Agricultural commodities, including corn, wheat, potato flakes, vegetable oils, sugar and cocoa, are the principal raw materials used in our products and carton board, corrugated, and plastic are the principal packaging materials.



*\*This document has been published in accordance with the UK Modern Slavery Act 2015 and CTSCA*

### Policies

In 2016, in recognition of our commitment to protecting and advancing international human rights, we published our [Human Rights Position Statement](#) and [Policy Statement Prohibiting Involuntary Labor](#) outlining our expectations and requirements for both our own operations and our supplier value chain.

Our commitment aligns to, and supports, all internationally recognized human rights as codified in the:

- United Nations Guiding Principles
- Universal Declaration of Human Rights
- International Bill of Human Rights
- ILO core labour standards, as laid out in the following 8 conventions:
  - Freedom of association and the effective recognition of the right to collective bargaining (Convention No. 87 & No. 98)
  - The elimination of all forms of forced and compulsory labour (Convention No. 29 & No. 105)
  - The effective abolition of child labour (Convention No. 138 & No. 182)
  - The elimination of discrimination in respect of employment and occupation (Convention No. 100 & No. 111)
- UN Global Compact's Ten Principles
- OECD Guidelines for Multinational Enterprises

Along with our [Global Supplier Code of Conduct](#) and [Resource Guide](#), these documents provide the foundation for how we do business. Our internal and external due diligence processes are further detailed in our [2016 Sustainability Milestones](#), [2017 Responsible Sourcing Milestones](#), and [2017 Global Sustainable Palm Oil](#) updates.

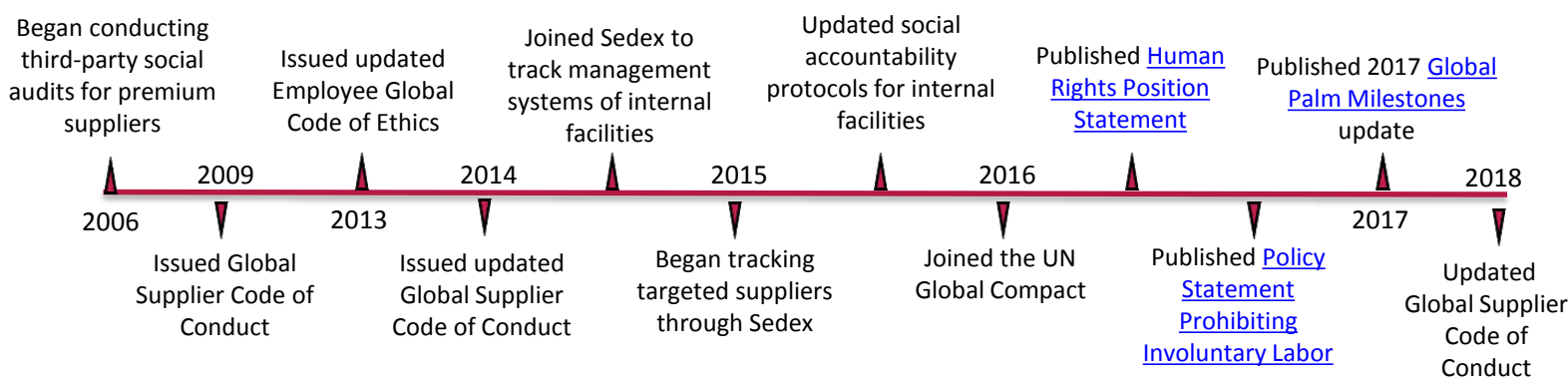
## Governance Structure for Human Rights

At the board level, human rights, including forced labour and modern slavery, is overseen by the Social Responsibility and Public Policy committee, which assists the Board in discharging its oversight responsibilities with respect to certain social and public policy issues.

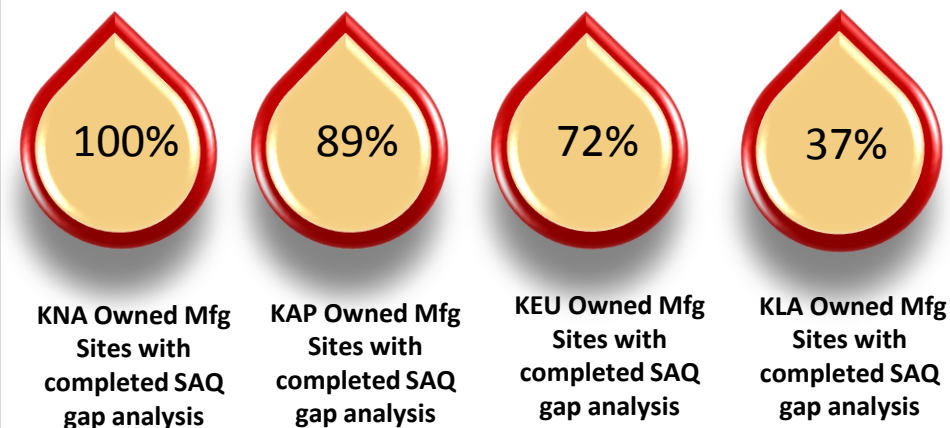
At the executive level, these issues are overseen by the Chief Sustainability Officer, who reports to the Senior Vice President of Corporate Affairs. We also convene a cross-functional team comprised of Sustainability, Communications, Human Resources, Procurement, EHS, and Legal that meets monthly to assess and track our global activities and inform policy and strategy regarding human rights. Each group is involved in decisions related to salient industry issues such as child labor, forced labor, freedom of association and collective bargaining, health and safety, land rights, water and sanitation, and women's rights.

At the daily work level these topics are managed collaboratively by our Sustainability, Procurement, Legal, Human Resources, Supply Chain, and Ethics and Compliance functions. Each group is involved in various capacities and have different aspects of responsibility.

## Timeline of Activity



## Progress To Date: Own Operations



## 2017 Summary: Own Operations

- Completed full registration, SAQ gap analysis, and cross-functional review for all Kellogg-owned facilities in North America and Asia Pacific
  - EMEA and Latin America in process for 2018
- Full review of North American policies and procedures implementation at all owned manufacturing facilities
  - Results will inform next version of Global Code of Ethics
- Continued cascade of direct training to executive leadership in target functions on human rights in the supply chain

### Definitions:

- KNA: U.S. and Canada
- KAP: Asia Pacific, Sub-Saharan Africa, and India
- KEU: Europe, Russia and Northern Africa
- KLA: Mexico, Central and South America



**Violations of our Code of Ethics, Supplier Code of Conduct and of our corporate policies are not tolerated. We expect that any such breaches are reported, wherever they occur across our entire value chain, so that non-compliant activity can be eradicated or prevented.**

## Progress on Grievance Mechanism Systems

- **2017** - All employees received a refresher on the Global Code of Ethics content through quarterly training
- **2018** – Continue global review and resolution of Hot Line complaints, increase public reporting about the grievance process and outcomes, and promote availability of the Hot Line through internal communications to employees and contractors in our facilities
- **2018 – 2019** Continue Regional Partnership to identify and implement opportunities for improvement and explore pathways to promote the Hot Line beyond our employees and contractors

	Complaint Topic	# Received
<b><u>MyHR Portal:</u></b>  The myHR portal provides employees with the ability to report or manage any people-related concerns or activities from 6 a.m. until 1 a.m. Eastern time, Monday through Friday.	<i>Manager/Employee Relations</i>	69
	<i>Fraud / Theft</i>	37
	<i>Discrimination</i>	69
	<i>Conflict of Interest</i>	30
	<i>People Safety - Policy Violation</i>	27
	<i>Retaliation</i>	25
	<i>Harassment</i>	21
	<i>Falsification of Data or Records</i>	13
	<i>Forced Labor</i>	0
	<i>Total</i>	291

## Our Ethics Hot Line

Our Ethics Hot Line offers a confidential way for employees, suppliers, and contractors to ask questions and report concerns in relation to ethics, compliance or any other requirements in our Code immediately and anonymously 24 hours a day, 7 days a week. The Hot Line is operated for Kellogg by a third-party, confidential reporting company and always available to over 30,000 Kellogg employees in 18 countries in the caller's local language. The operator will listen to concerns or inquiries and provide a written summary to the Office of Ethics and Compliance for assessment and further action, as appropriate.

Complaints and inquiries are assigned to regional compliance leads for review and resolution, consistent with our investigation protocols. Most investigations can be completed quickly. Our goal is to complete investigations within 30 days. However, completion timelines may vary depending upon additional factors such as the availability of witnesses, etc. Appropriate action is taken, based on investigation findings. Lessons learned are leveraged to prevent and detect future misconduct, ensure compliance, and identify any other opportunities for improvement.

2017 Hot Line Complaints as of 12/31/2017*	
Number of Complaint Tickets Received	251
Number & Percent of Complaint Tickets Closed	227 (90%)
Number & Percent of Complaint Tickets Substantiated	67 (30%)

\*No Forced Labor Complaints



## Our Supply Chain

We are committed to partnering with our peers and suppliers to find solutions to the issues present within our global supply chains. Engaging and partnering with our suppliers is essential to our work in the areas of human and workplace rights. We set clear expectations, seek to drive accountability, and assess potential and actual risk that our supply chain operations may cause or contribute to, both directly and indirectly.

In 2017 we continued to expand our human rights and forced labour monitoring and compliance verification processes both internally and externally to build upon our current systems.

- Completed second round of **Farm level audits** for targeted farms within Turkey apple supply chain to assess processes and interview migrant workers
- Shared learnings from **worker voice survey** pilot across the Global Procurement department.
  - The pilot was performed at 4 supplier factories in India and Malaysia to gather information about program implementation change rate tracking through worker well-being assessments
- Began mapping beyond tier 1 risk for global sugar cane suppliers including locations of sourcing, mills and refineries, and ports of export
- Continued to engage suppliers, measure progress, and provide guidance to suppliers to improve traceability and grievance reporting within the palm oil supply chain.
- More information on this engagement can be found as part of our biannual Sustainable Palm Oil Milestones, [here \[LINK\]](#).

## 2017 Supply Chain



**In-Scope  
Ingredient  
Suppliers tracked  
via Sedex**



**In-Scope  
Packaging  
Suppliers tracked via  
Sedex**



**In-Scope  
Direct  
Suppliers  
with an up to  
date third-  
party audit**

## Assessing Risk

- Kellogg utilizes a combination of publicly available indices from reputable sources and Sedex to assess forced labour risk for supplier operations
- Risk factors include regional location of operations, sector or commodity, degree of salience to industry identified issues, and supplier specific information
- Targeted facilities are asked to complete a robust self-assessment detailing policies and procedures related to labor practices to identify gaps that could indicate the possibility of or potential for human rights abuses or nonconformance
- Audits include on site worker interviews according to SMETA best practice guidance, including determining the percentage of workers interviewed

### **Kellogg priority ingredient by high risk country source According to U.S. Department of Labor ILAB\***

Commodity	Country
Sugar Cane	Brazil, Colombia
Cocoa	Ghana, Cote d'Ivoire
Vanilla	Madagascar
Palm Oil	Malaysia, Indonesia



**HIGH RISK COUNTRY/GOOD  
COMBINATION LOCATIONS\***

\*Based on [DOL ILAB](#)

### **Supply Chain Engagement: Sugar Cane**

Kellogg recognizes that sugar cane has unique risks, including environmental challenges, human rights risks, and risks to smallholder farmers and workers. This requires different strategies for each region in which we source sugar cane. Our usage of sugar cane is primarily in the Americas and in Asia Pacific.

- In 2017 Kellogg again partnered with Proforest to begin mapping our global sugar cane supply chain. This includes identifying beyond tier 1 locations such as farms, mills, and ports of export. From this information we are developing targeted engagement plans based on levels of risk present within supplier operations.
- In Latin America, Kellogg was part of a stakeholder group with Solidaridad and Bonsucro to improve labor conditions in the sugar cane supply chain. Kellogg's partnership with Solidaridad helped to fund the development of training materials which will reach approximately 25,000 workers for the 2017/2018 growing season in Latin America. These materials focus on helping train sugar cane workers on occupational health and safety, productivity of cane cutters, and addressing concerns of child labor.

- Kellogg co-sponsored supplier capability building training focused on human rights and forced labour in Mexican supply chains. Participants ranged from cane grower representatives, sugar company management, traders and refiners, NGOs, brands, and representatives from 4 Mexican Government Secretariats.
- To increase industry partnerships and collaboration Kellogg is taking part in an industry group led on-the-ground project to improve cane cutter working conditions in the Veracruz region of Mexico through improvements to water, rest, and shade. We have partnered with peer companies, industry-group AIM-Progress, La Gloria Mill, and implementation coordinators ABC Mexico to build field shade shelter tents, increase access to potable water, provide additional PPE, and facilitate training for workers to learn best practices. This project will directly impact 2,100 field workers and indirectly impact over 4,000.

### **Supply Chain Engagement: Organic Apples -Turkey**

In 2015, Kellogg conducted a risk assessment of its Turkish organic apple supply chain after identifying the operational region in Turkey as potentially high risk. Verisk Maplecroft assessed the level of exposure within the supply chain. Upon review, we determined more investigation was needed regarding issues of migrant worker rights, forced labour, debt bondage, child labour, wages, and working hours.

In 2016, we collaborated with our broker, primary supplier, and audit firm Control Union to assess the presence of, and/or potential for, salient human rights risks within the suppliers' overall operations.

The assessment consisted of on-site visits, interviews with farmers and workers, and document review during the 2016 harvest season to directly reach workers and assess risk due to the influx of temporary labourers during harvest activities.

Auditors identified risks related to health and safety, unpaid labour due to indirect payments made by farmers to crew leaders not being documented or tracked, and forced labour due to the lack of written contracts between workers and farmers.

After reviewing the findings, with input from Kellogg and Control Union, our supplier took the lead to improve annual training and implement best practices to address these issues among its farmers and their workers.

In the fall of 2017, a second round of on site assessments and interviews were conducted. Control Union found that 94% of the farms visited were now in full compliance with farm chemical storage and disposal protocols vs 35% from 2016. This improvement can be attributed to updated and targeted training conducted by the supplier for contracted farmers and to the supplier's new system of coordinating direct container collections from farms.

During the 2016 harvest, it was noted that worker payments were made to a crew leader or representative who would then distribute wages to individual workers. At that time, there was no oversight or confirmation that the payments were being made in full or in a timely manner to workers. To mitigate the risk of potential wage payment discrepancies, the supplier now requires documentation and signatures from harvest workers confirming receipt of payment.

Interviews with workers in 2017 confirmed they were aware of the new system, knew how much they were being paid, and when payments were to be made. This provided greater transparency to the payment process and allowed workers more flexibility in the method and timing of payment.



### Moving Forward

As we continue our responsible supply chain journey we will continue to build awareness and share best practices regarding salient human rights issues throughout our operations. In the coming year we are committed to further expanding our efforts to increase visibility and transparency into the lower tiers of our highest risk areas and commodities.

We will also seek ways to better partner with our suppliers to ensure that all within our value chain operate in accordance with our policies and requirements and provide guidance or remove those that need to improve. We know that the tools to build a sustainable and ethical supply base are often found through activities deemed to be “beyond compliance”. We will continue increasing our efforts, policies and procedures to ensure the fair and appropriate representation of all affected stakeholders.

### Our Action Plan

#### OWN OPERATIONS

- Complete full registration, SAQ gap analysis, and cross-functional review for all owned manufacturing facilities
- Develop a robust recruitment agency assessment program to ensure compliance and protection for contracted workers in our Asia Pacific facilities
- Conduct direct training workshop with global supply chain partners to recognize root causes and trends within compliance verification documents such as audits and self-assessment questionnaires

#### SUPPLY CHAIN

- Continue our bi-annual survey and supplier engagement programs for our high risk categories palm oil and sugar cane to understand supplier capabilities and status and look for collaborative opportunities
- Continue to sponsor and coordinate on-the-ground supplier capability building programs such as the water, rest, shade project in Mexico and the workshops for small to medium palm oil suppliers in SE Asia
- Disseminate our revised Global Supplier Code of Conduct and Guidance to all suppliers

#### EXTERNAL ENGAGEMENT

- Continue to lead and support various workgroups within the industry to help facilitate best practice sharing and awareness of the most efficient and relevant methods for mitigating risk and protecting workers throughout the supply chain
- Continue to partner with peer organizations to bring to life new initiatives and leverage the collective influence and resources we have as a group to support our overlapping supply chains through continuous improvement

### CGF Priority Industry Principles On Forced Labor

Kellogg supports the CGF Priority Industry Principles on Forced Labour for both our own operations and our suppliers. As with other policies, we require the dissemination and adherence of these principles throughout our supply chain.



### External Engagement

- [AIM-PROGRESS](#) – Leadership Team and Human Rights Workstream Co-Chair
- [Consumer Goods Forum](#) (CGF) – Multiple work groups including Palm Oil Taskforce
- [Roundtable on Sustainable Palm Oil](#), including Human Rights Working Group
- [North American Sustainable Palm Oil Network](#)
- [United Nations Global Compact](#)
- [United Nations Women's Empowerment Principles](#)
- [SEDEX](#) – Worker Well-Being Impact Co-Chair