



*Living Our*  
• FOUNDER'S VALUES •

**Human Rights Report  
Full Year 2018**

### 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.

We are committed to identifying and mitigating salient human rights risks through supplier screening, assessments, third-party audits, supplier engagement, direct worker feedback, on the ground interventions, and collaborative partnerships, taking appropriate action in accordance with our policies, Code of Conduct, and international and national human rights standards.

Forced labour is one of these issues and we recognize it to be pervasive and profound in its ability to affect the lives of workers, families, and communities. Along with other salient human rights risks within our supply chain we are committed to continuing and increasing our efforts to eradicate abuses and violations.

### Our Business

Kellogg is a global consumer goods company with 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.



#### 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

### 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.

Kellogg is committed to, aligned with, 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](#), [2018 Responsible Sourcing Milestones](#), and [2018 Global Sustainable Palm Oil Milestone](#) updates.

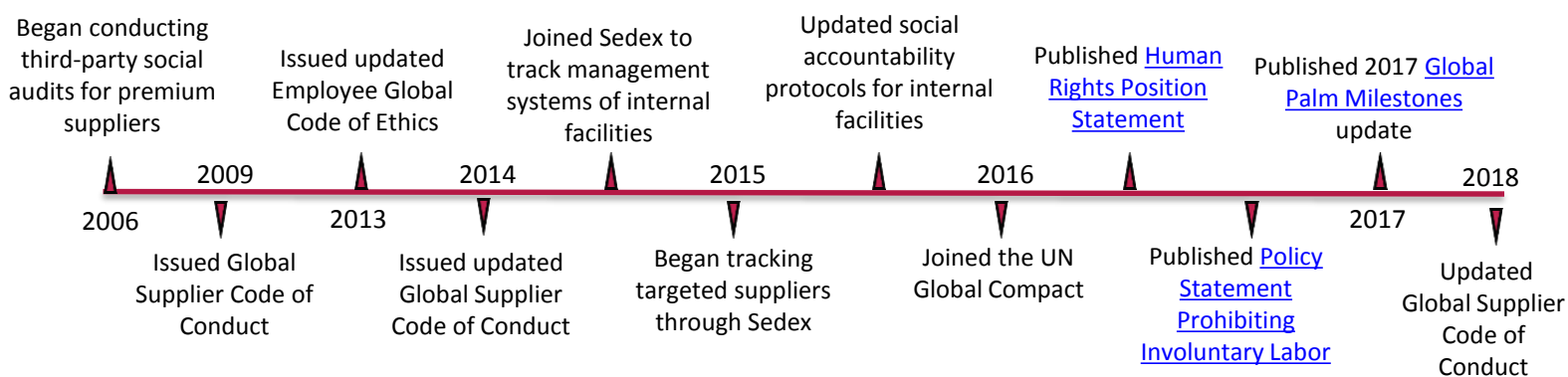
### Governance Structure for Human Rights

At the board level, human rights, including forced labour and modern slavery, are 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.

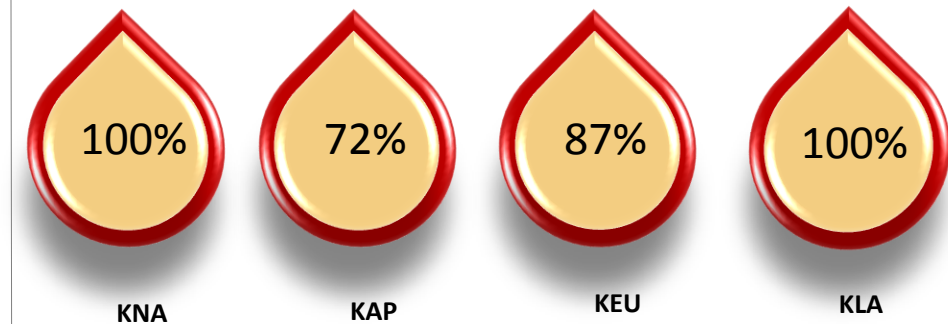
At the daily work level these topics are managed collaboratively by our Sustainability, Procurement, Legal, Human Resources, Supply Chain, and Ethics and Compliance functions. Each group is involved in various capacities and have different aspects of responsibility.

### Timeline of Activity



### Progress To Date: Own Operations

*Kellogg Company Manufacturing Sites with completed Self Assessment Questionnaire (SAQ) Gap Analysis, by Region*



- Completed registration, SAQ gap analysis, and cross-functional review for all Kellogg-owned facilities
- 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

**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

### MyHR Portal:

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.

Complaint Topic	# Received
<i>Manager/Employee Relations</i>	95
<i>Fraud / Theft</i>	37
<i>Discrimination</i>	60
<i>Conflict of Interest</i>	23
<i>People Safety - Policy Violation</i>	24
<i>Retaliation</i>	21
<i>Harassment</i>	36
<i>Falsification of Data or Records</i>	15
<i>Forced Labor</i>	0
<i>Total</i>	311

## 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.

2018 Hot Line Complaints as of 12/31/2018*	
Number of Complaint Tickets Received	174*
Number & Percent of Complaint Tickets Closed	153 (88%)
Number & Percent of Complaint Tickets Substantiated	20 (11%)

\*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 2018 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. We know that there is no one-size-fits-all solution in this space and we are continually looking to improve our methods to ensure we are utilizing our resources to best advance the cause of human rights in the many regions that we operate.

In 2018, Kellogg has:

- Conducted 20 SMETA 4-Pillar audits for higher risk direct suppliers
- Conducted 7 SMETA 2-Pillar audits for on-site contracted labour providers
- Continued 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 (see our *biannual Sustainable Palm Oil Milestones for more information*)

### 2018 Supply Chain



**In-Scope Direct Suppliers linked via Sedex**



**In-Scope Indirect Suppliers linked via Sedex**



**In-Scope Suppliers with all Kellogg supplying sites registered**

### 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
- In 2018, Kellogg also began using the service SmartRisk to send real-time risk alerts gleaned from various online sources to our Procurement department and other related functions to increase response time to issues as they become known
- 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: Fighting Child Labour in Cocoa Farming Communities in Ghana**

In September 2018 Kellogg partnered with supplier Barry Callebaut to kick off a two-year pilot program aimed at remediating and mitigating the risks of child labour in the cocoa farming community of Bonsu Nkwanta, Ghana. The project consists of a package of interventions designed to provide educational support to the children of cocoa farming families, teacher support to local educators, farmer support, and community support. The pilot program design is predicated on the idea that to fight child labor holistic community wide solutions are required and that by supporting families and communities we can empower people with the resources they need to benefit from sustainable long-term change. Rather than quick fix solutions that do not address the root causes of these issues, the complexities and individualities of specific communities, and the needs of families we seek to affect lasting change and lay the foundation for future success.

The community and its leaders have taken pride in being selected and their support has led to results above and beyond those expected. The District Child Labor Committee (DCLC), which was convened through this program, has been active in making the best use of program inputs and the community's eyes are on the children, teachers, and school, helping to increase effectiveness.

Key learnings to date are being incorporated throughout the implementation of the program. The local Technical Officer has reported seeing change in the community as a whole, beyond immediate beneficiaries. By combining individual child and family-level inputs with those for the community, the benefits of the program multiplied. The community buy-in that was achieved at the beginning of the program has been critical to its success.

### **Progress To Date:**

- The Parent Teacher Association indicated that school attendance has improved due to the meals being supplied in school
- Seven children who had previously dropped out of school have resumed schooling due to the project. Participant children have even started showing up early for school, which has compelled other children to do so as well.
- Because teachers are receiving incentives, the village Chief has taken it upon himself to ensure that teacher attendance is high.
- The DCLC has started nightly sessions under the solar street lamp to ensure that children are all doing their homework.

In the first six-months of program implementation the following activities have been completed:

Activity	Achievement
Uniforms delivered	100 uniforms
Bookbags delivered	100 bookbags
School kits delivered	100 school kits
Teaching kits delivered	10 teaching kits
Bicycles delivered	5 bicycles
Motivational income provided	1st term payment x 5 teachers
Farmers who received weeding services	30 farmers
Farmers who received pruning services	
% of borehole complete	
% of solar streetlight installation complete	100%
Ministry of Welfare Visits	4 visits
People identified for DCLC	11 members
Meetings of the DCLC	2 meetings held
Rules of DCLC defined	Rules defined



### **Supply Chain Engagement: Supporting Smallholders and Women in Ecuador**

In 2018 Olam and Kellogg partnered to improve the livelihoods of cocoa farmers and their communities in Ecuador through the development and dissemination of training materials designed to improve agricultural practices, increase crop diversification, and develop cocoa and non-cocoa seedling nurseries. The project is focused on the cocoa growing regions of Guayas, El Oro, Los Rios, Santo Domingo, Marabi, and Esmeraldas.

The cocoa applications detail how to select and nurture high-yielding cocoa varieties with the highest probability for success. The non-cocoa section will teach farmers about growing other seedlings that are either directly beneficial for the farm (such as shade trees) or can provide an alternative source of income (such as citrus fruits). The overall goal is to develop small-holder farmers' resiliency to climate change and support women in the communities through gender empowerment with targeted workshops.

Access to non-cocoa seedlings is an essential component to improve biodiversity at the farm-level and helps to build a farm's resilience to extreme weather conditions by:

- Providing access to shade to help cocoa plantations withstand periods of unusually intense heat and sunlight, whilst improving retention of soil moisture in times of drought
- Improving access to plants and trees that serve as natural barriers to reduce the spread of disease in times of excess rains and humidity

Access to new crops improves the diversification of household income, meaning risk is distributed over a larger number of income streams. This is a key component to improving the income and economic stability for smallholder farmers.



#### **Progress To Date:**

- 43 Farmer Field Schools held on implementing and managing a cocoa seedlings nursery
- 26 Farmer Field Schools held on implementing and managing vegetable nurseries
- 758 farmers received training material and attended trainings – 302 women and 456 men
- 5 nurseries producing a total of 35000 plants
- 5000 seedlings planted
- 8 vegetable nurseries set up in different communities

#### **Next Steps:**

There has been tremendous success of the initial work with the communities in setting up nurseries and through providing both the technical and financial support to farming communities. Training modules and Farmer Field Schools will continue to be rolled put over the next two years.



### **Supply Chain Engagement: Improving nutrition, supporting income diversification, and promoting Women's Empowerment for Smallholders in India**

TechnoServe and Kellogg Company announced the expansion of a training program in India to improve incomes for thousands of smallholder maize and wheat farmers - particularly women - to enhance their skills in climate-smart agriculture and better support their communities.

This work supports Kellogg's global signature cause platform, *Breakfasts for Better Days™*, by focusing on climate-smart agriculture (CSA) techniques to improve livelihoods. Also, investing in opportunities for women leads to additional benefits at the household level and beyond. In addition to training women farmers on CSA, the program seeks to increase the role women play in the farm economy while also enhancing the nutritional intake of households by training women in organic kitchen gardening.

The project helps women establish backyard gardens using organic inputs and farming practices for four nutritionally diverse crops at a time. With fresh produce in the garden, women gain access to better quality vegetables at home, saving travel time and money while diversifying their families' access to essential nutrients.



Through this partnership, TechnoServe and Kellogg are helping to improve smallholder farmers' incomes and resilience in Madhya Pradesh. More than 2,060 women have received training in kitchen gardening and backyard vegetable cultivation that can provide an additional source of income as well as nutritious produce. The training modules cover nutrition and sustainable gardening practices such as field preparation, low-cost organic fertilizer preparation, and post-harvest care of vegetables.



Saroj Bai is a female farmer from rural Madhya Pradesh, and like many smallholder farmers her family survives on agricultural income. The average nutrient consumption in this part of India is below the recommended dietary intake. She struggled to include vegetables in her family's daily meal, and could incorporate them less than three times a week due to low output from her kitchen garden. Using conventional methods meant low productivity due to poor quality soil and pest and rodent attacks



*Seed bed in Saroj 's OKG*



*"I have increased the area of my organic kitchen garden. I want my family to consume vegetables in every meal. The program has given us— the female farmers of the community— confidence that we can consume vegetable in every meal and also earn income by selling the produce from OKG."*

Saroj Bai connected with TechnoServe's Smart Agriculture project and was one of the female farmers who were trained on OKGs in the third phase of the project. By applying practices she learned through these trainings such as of nursery management, preparation of organic growth promoters, and organic pest repellants the production from her garden quickly improved and she was able to produce a variety of vegetables. Within four months, her family was eating vegetables more than five days a week.



## **Supply Chain Engagement: Supporting Wilmar and BSR with Supplier Workshops in Indonesia**

Beginning in February 2017 BSR began working with a major palm oil buyer to successfully convene a forum with Wilmar and other leading palm oil producers focusing on key labor issues and root causes in Indonesia. The forum enabled discussion & shared understanding of some of the industry's most salient labor issues:

BSR subsequently worked with Wilmar and several key buyers such as Arla Foods, Colgate-Palmolive, Kellogg, Nestle, and Unilever to discuss these issues and gather input from Wilmar's suppliers through supplier workshops held from November 2017 –May 2018 in Indonesia. Kellogg participated in the Jakarta workshop to directly communicate our approach to sustainability, relevant policies, and expectations of our suppliers and associated upstream supply chains.



### **Participants included:**

- Approximately 170 persons from Wilmar's supplier companies participated in the 3 workshops held over 7 months in Medan, Pekanbaru, and Jakarta, Indonesia
- Speakers included representatives from government, unions, civil society, business organizations, buyers and plantations

### **Key Topics of Engagement included:**

- External stakeholder concerns and expectations (supported by Amnesty International material and Better Work Indonesia)
- Brand and customer expectations and policies for suppliers and upstream supply chain actors
- Training and discussion regarding Minimum Wage vs Living Wage
- Labor laws
- Invisible labor
- Child labor
- Comparison case studies from other industries (tea, banana, cocoa)
- Worker contracts
- Casual workers and permanent workers
- Grievance mechanisms
- Labor unions and Bipartite organizations



Berapakah jumlah uang yang diperlukan Pak Anton untuk memenuhi kebutuhan hidup keluarganya selama satu bulan?



### 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. We remain 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 those that need to improve or remove those that fail to meet expectations of engagement. 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, through robust policies and procedures to ensure the fair and appropriate representation of all affected stakeholders.

### Our Action Plan

#### OWN OPERATIONS

- Continue 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
- Develop and implement internally initiated third-party audit cadence for owned facilities to verify on site processes and review implementation procedures on a case by case basis

#### 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
- Partner with Elevate to reassess salient human rights risks and develop targeted engagement plans for supplier segments

#### 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](#) – Human Rights Working Group
- [North American Sustainable Palm Oil Network](#)
- [United Nations Global Compact](#)
- [United Nations Women's Empowerment Principles](#)
- [SEDEX](#) – various work groups including Forced Labour