



Global Sustainable Palm Oil Milestones

Contents



2019 Reporting Year

NURTURE OUR PLANET

- Pg 3
Sustainable Palm Oil Approach
- Pg 4
Our Commitments
- Pg 5-6
Where Are We Now
- Pg 6-7
Supply Chain Engagement

- Pg 8
Top 5 Supplier Review
- Pg 9
Updated Grievance Process
- Pg 10
Wild Asia Smallholder Project

The Takeaway

**Working toward
making sustainable
palm oil the norm,
not the exception**

Kellogg's Global Sustainable Palm Oil Approach



2019 Reporting Year

NURTURE OUR PLANET



The Takeaway
We are committed to sourcing palm oil produced in a manner that is environmentally, socially and economically sustainable. We are supporting the advancement of sustainable palm oil production through direct investment and collaborative industry involvement.

Since 2009, Kellogg has been on a journey to responsibly source palm oil. We have continued to evolve our strategies and actions to ensure that we are incorporating best practices and learnings from our own experiences, our suppliers, peer companies, and industry organizations. In 2020, we updated our [Global Palm Oil Policy](#) and action plans to reflect key interventions that can drive impact at scale. We also released our first standalone [Global Policy on Deforestation](#).

Kellogg uses less than 0.1% of the global palm oil produced. Despite our relatively small footprint in this commodity, as a global, plant-based food company, we have a responsibility to engage our suppliers, our supply chain and our industry to drive faster and more effective action to protect the environment and advance the cause of human rights. Of course, we cannot achieve these goals alone. This is why we are working on multiple fronts to *make sustainable palm oil the norm, not the exception*.

Kellogg is committed to working with our global palm oil suppliers to support the production of sustainable palm oil from sources that are environmentally appropriate, socially beneficial and economically viable. Our supply chain engagement and collaborative industry participation helps to deliver the creation of action plans and executions that support halting deforestation, improving labor practices and supporting smallholders. Our work is aligned with the widely

embraced guidance provided by the United Nations Guiding Principles on Business and Human Rights and the Consumer Goods Forum Priority Industry Principles. To demonstrate our commitment to transparency, we issue bi-annual reports regarding our palm usage that can be found on our [Positions, Policies, and Milestones Reporting](#) web page.

2020 and Beyond – Kellogg Updated Palm Policy

2019 Reporting Year

NURTURE OUR PLANET



The Takeaway
Kellogg is committed to doing our part to drive transformative impact

We are committed to sourcing palm oil produced in a manner that is environmentally, socially, and economically sustainable. We will also support the advancement of sustainable palm oil production through direct investment and collaborative industry involvement. While current certification schemes have been instrumental in expanding and supporting sustainable palm oil production, we are continuing to see issues like deforestation and human rights violations plague this industry. In recognition of this fact, we are seeking to support sustainable palm oil production through a holistic and action-oriented platform.

Kellogg is committed to the following actions to do our part to drive transformative impact:

Certification – Own Operations

- We are committing to work toward 100% RSPO Physically Certified palm oil by 2025
- Through this commitment, we are supporting the need for increased demand of certified material to continue incentivizing suppliers to produce sustainable, certified palm oil
- We will also be refining our sourcing practices to build stronger alliances with key suppliers to foster investment and coordination to achieve long-term, sustainable transformations

Supply Chain Management

- Beginning in 2020, we will work with the [Palm Oil Transparency Coalition \(POTC\)](#) in addition to our current partner, [Proforest](#)
- We will move beyond data collection

and feedback on policies/practices to incorporating action-oriented supplier engagements

- We will start rolling out a new requirement for suppliers: participation in the [No Deforestation, No Peat, No Exploitation \(NDPE\) Implementation Reporting Framework](#)
- This reporting tool is designed to help companies, customers, and suppliers to systematically track progress in delivering NDPE commitments
- We will also maintain the current foundational pieces of our supply chain management program

Impact Incubator and Jurisdictional Approaches

- We support and use certified palm oil but we think this is only part of the solution to making sustainable palm oil

the norm, not the exception

- Smallholders and forest communities contribute 40% of the global palm oil supply but are under-supported by most current programs
- This is why we are going directly to these farmers and communities, with trusted NGOs, to provide resources and support
- We are taking our learnings from the past ten years and applying them to our future actions
- To see transformative change we need to address issues like deforestation and human rights, holistically and collaboratively
- We are identifying opportunities to invest in Jurisdictional Approaches to work on environmental and social issues from multiple fronts

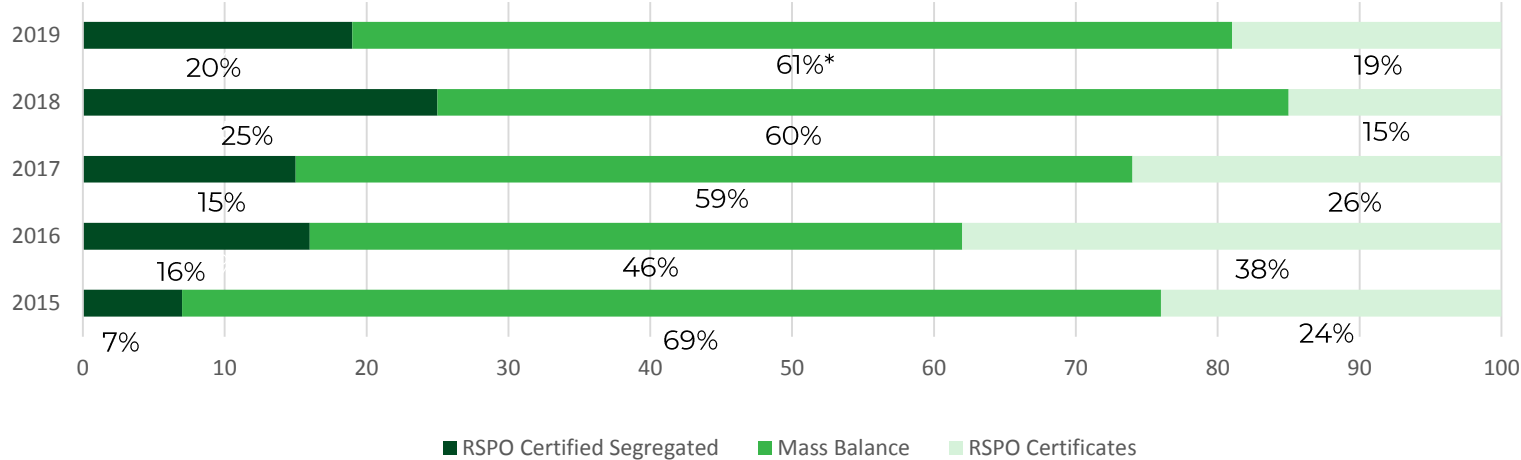
Progress Update: Certified Sustainable Palm Oil Procurement



2019 Reporting Year

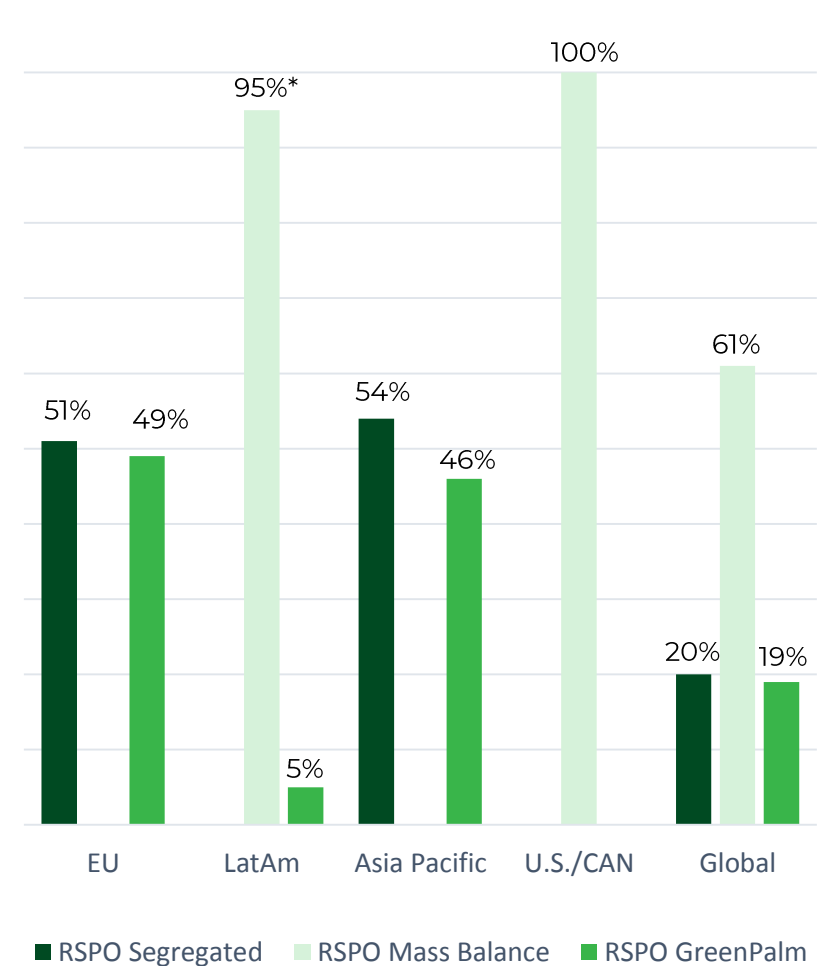
NURTURE OUR PLANET

Percent Volume by RSPO Supply Chain Model / Year



81%* of the palm oil Kellogg purchases is certified as RSPO Certified Segregated or Mass Balance. The remaining 19% is certified through the purchase of RSPO Certificates. We are working to transition all RSPO certificates to physically certified material by 2025. Current barriers include lack of local availability and reformulation requirements.

CPO and PKO Percent Certified FY 2019



* LatAm mass balance volumes pending supply chain certification; delays to audit due to Covid situation in Brazil

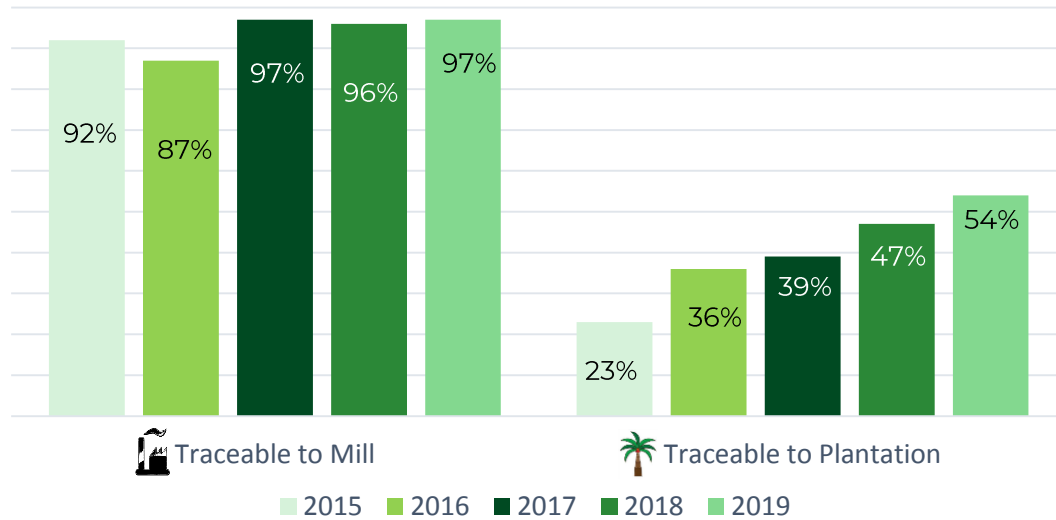
Progress Update: Supply Chain Engagement



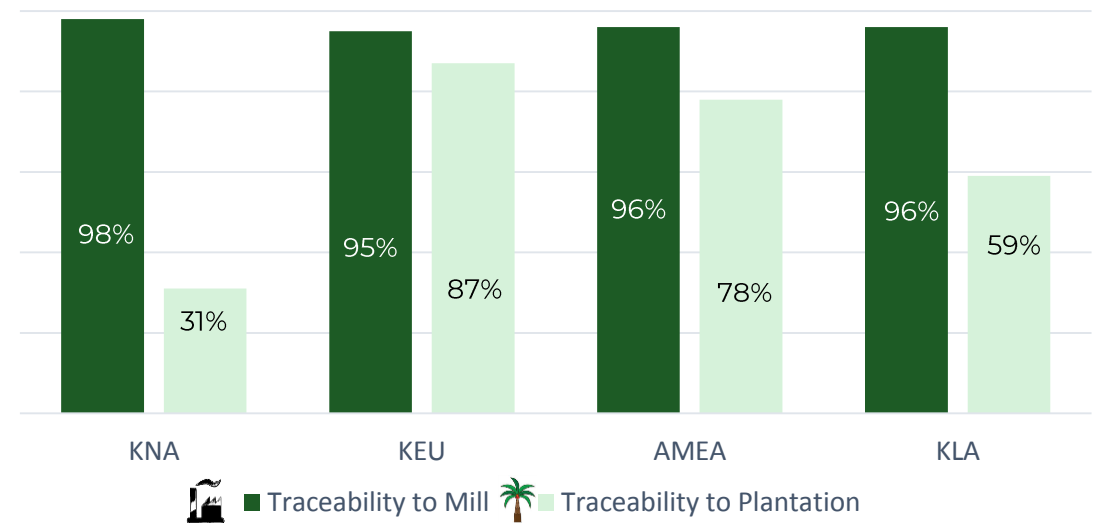
2019 Reporting Year

NURTURE OUR PLANET

Traceability to Mill and Plantation Year on Year



Traceability to Mill and Plantation by Region



- We continue to work with all TI suppliers to report on traceability to mill and to plantation and assess compliance with Kellogg policies and requirements
- Overall, traceability continues to improve as larger suppliers work toward better visibility into their supply chains to both mill

and plantation

- Traceability to mill is stable across all four regions, North America, Europe, Asia Pacific, and Latin America
- Tractability in North America lags other regions due to sourcing all physically certified RSPO Mass Balance material

- Traceability data from small to medium size suppliers and traders/brokers continues to be an issue that needs further attention in our, and the global, supply chain
- 4 of 28 suppliers did not report traceability and we are working to engage with them to better support data

collection and improve sourcing practices

- Suppliers provide traceability and policy data once a year through a Proforest survey and are issued a scorecard detailing good practices and opportunities for improvement

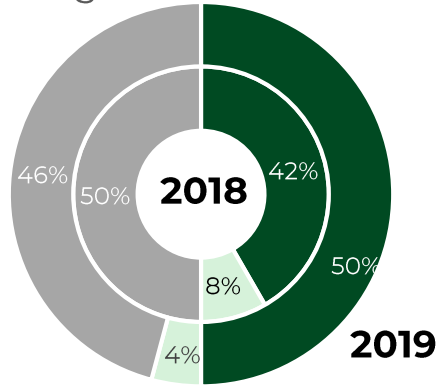
Progress Update: Supply Chain Engagement



2019 Reporting Year

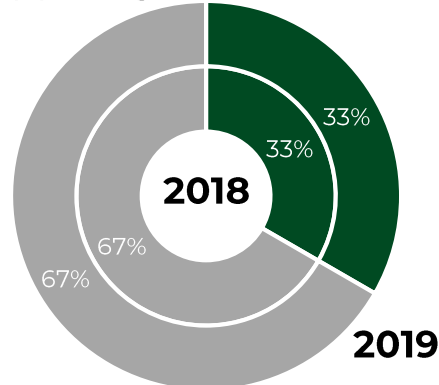
NURTURE OUR PLANET

Supplier grievance mechanisms



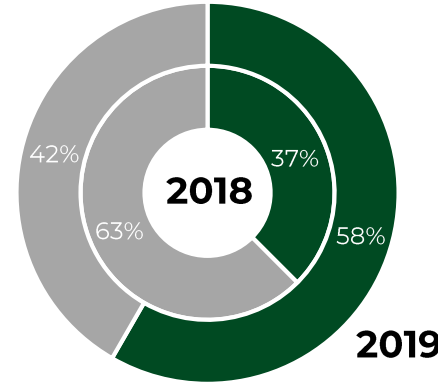
- Suppliers with grievance mechanism
- Suppliers with partial grievance mechanism
- Suppliers with no known grievance mechanism

Supplier grievance tracking



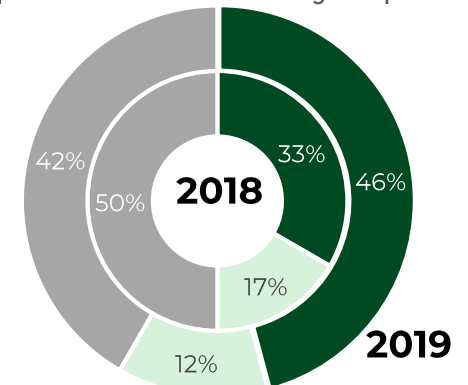
- Suppliers with grievance tracking
- Suppliers with no known grievance tracking

Supplier RS policies



- Suppliers with adequate RS policy
- Suppliers with no/inadequate RS policy

Supplier sustainability reporting



- Suppliers with sustainability reporting
- Suppliers with partial sustainability reporting
- Suppliers with no sustainability reporting

- Beginning in 2019, in partnership with Proforest, Kellogg began issuing supplier scorecards to reduce redundancy in reporting for our suppliers and to facilitate communication and engagement

- Supplier scorecard issuance and review supplements annual reporting and policy compliance assessments
- Scorecard engagement is supported by data collected in Q2 and provided in an easy to digest summary format with detailed Factsheets

- to explain methodology and results
- To date, small and medium suppliers have lacked adequate sustainability reporting and struggle demonstrating compliance to Kellogg policies

- Though these suppliers account for less than 20% of total global procured volumes we are continuing to support and, when possible, provide additional resources for continuous improvement

Progress Update: Top 5 Supplier Details



2019 Reporting Year

NURTURE OUR PLANET

AAK

- [AAK Sustainable Palm Oil Policy](#)
- [Corporate Social Responsibility Policy](#)
- [2019 Progress Report on Sustainable Palm Oil](#)
- NDPE Policy available in annual progress report
- Global mill list disclosed publicly
- 100% traceability to mill
- 21% traceability to plantation
- 80% environmental policy compliance
- 90% social policy compliance

ADM

- [ADM NDPE Policy](#)
- [Human Rights Policy](#)
- [Grievances and Resolutions Summary Table](#)
- [Global Palm Oil Traceability and Mill List](#)
- [H1 2018 Palm Progress Report](#)
- 96% traceability to mill
- 19% traceability to plantation
- 90% environmental policy compliance
- 85% social policy compliance

BUNGE-LODERS

- [Bunge Loders Croklaan Palm Oil Sourcing Policy](#)
- [Non-Deforestation Policy](#)
- [Global Labor Policy](#)
- [Integrated Grievance List Update for Bunge Loders Croklaan](#)
- [Palm Oil Dashboard](#)
- Global mill list disclosed
- 97% traceability to mill
- 41% traceability to plantation
- 90% environmental policy compliance
- 80% social policy compliance

CARGILL

- [Cargill Policy on Sustainable Palm Oil](#)
- [Labor and Land Rights](#)
- [Direct Supplier Grievances](#)
- [Sustainable Palm Oil Progress Update](#)
- NDPE included in Sustainable Palm Policy
- Global mill list disclosed
- 100% traceability to mill
- 43% traceability to plantation
- 80% environmental policy compliance
- 83% social policy compliance

SIME DARBY

- [Sime Darby Human Rights Charter](#)
- [Good Agricultural Practices Policies](#)
- [Sime Darby Sustainability Report 2018](#)
- [Open Palm Traceability Dashboard](#)
- [Sustainability Journey](#)
- Global mill list disclosed
- 100% traceability to mill
- 100% traceability to plantation
- 100% environmental policy compliance
- 90% social policy compliance

Industry Engagement

- [RSPO Membership and Engagement](#)
- [NASPON Membership and Engagement](#)
- [Palm Oil Transparency Coalition](#)
- [Tropical Forests Alliance 2020 Partner](#)
- [Consumer Goods Forum](#)
- [Ceres Guidelines Contributor](#)

We are committed to advancing and supporting the sustainable palm oil industry. Kellogg is an active member of the Palm Oil Transparency Coalition, the Consumer Goods Forum Palm Oil Taskforce, and a founding member of the North American Sustainable Palm Oil Network. We participate in a number of other palm oil related industry group workstreams and maintain a relationship with global and local NGOs.

* These suppliers make up over 72% of procured palm volumes. Remaining volumes are from the following suppliers: Agropalma, Arma, Ajwa, Alsafwa,, Barentz, Besler, Capol, EFKO, Goodman Fielder, GrainCorp, IFFCO, Kerry Ingredients, Lipidos, Lonza, Lotte, Mays, Olenex, Rusagro, Stratas, Team Foods/Solutions, Wilmar

Progress Update: Grievance Process



2019 Reporting Year

NURTURE OUR PLANET

- 1 When a grievance is reported, assess Kellogg's exposure and contact all affected Tier 1 suppliers for response to allegations and context of supply chain connections - *4-week maximum*
- 2 Update grievance tracker for external reporting with the group, location, and issue - *Immediate upon verification of complaint and exposure assessment*
- 3 If verified, affected supply chain actor must provide time-bound action plan for remediation either directly to K or to the T1 supplier(s) and issue a public response to the grievance complainant - *4-week maximum*
- 4 If the action plan fails to address the issues, or is not executed to satisfaction, notification will be given to affected T1 suppliers requesting a 6-month suspension of the group from supply chains - *1-week maximum upon receipt of action plan*
- 5 If needed, create a work plan with affected T1 suppliers regarding timeline for full group removal – *3-month maximum for timeline for full removal, to be determined on a case-by-case basis*
- 6 After a 6-month suspension, upon the group's full removal, Kellogg and T1 supplier(s) shall review progress against original grievance and determine next steps: reinstatement, suspension extension, or permanent supply chain removal. Next step assessment to be based on third-party verification of remediation to original grievance – *1-month maximum for internal review, assessment and communication of next steps to relevant parties*
- 7 All actions are to be updated as soon as possible in the live grievance tracker, outlining issue, supplier and remediation actions, including timeline for review or expected completion

The Takeaway
Live Grievance Tracker can be found [here](#)

For reference, a grievance is a perceived wrong that is subjective and can be anything that an individual or group feels is unfair in policy or action.

Handling grievances requires sensitivity and bespoke processes in order to establish the trust of stakeholders.

It requires a different kind of communication method such as a grievance mechanism.

A grievance mechanism is a series of steps for identifying and resolving concerns that have been raised by stakeholders such as workers and/or farmers.

What does NDPE mean?



No development of High Carbon Stock (HCS) Forest



No development of High Conservation Value (HCV) Areas



No burning following our No Burn Policy. This policy also follows RSPO commitment under Principle 5.5



Reduction of Greenhouse Gas (GHG) Emissions



WAGS makes available the local support to local mills, traders and communities, to meet global sustainability requirements. RSPO (or other standards) are used to encourage the producers by giving them more recognition or market access for better value.



In 2020, Kellogg began a partnership with the NGO Wild Asia through our Impact Incubator, funding work directly with smallholders to increase market access and support the production of sustainable palm oil. It is part of Wild Asia Group Scheme (WAGS) program which has the goal to increase the production of sustainable palm oil by small producers and to help them connect to global markets.

This program will directly support funding and training of independent smallholders in Malaysia who are improving their production, social, and environmental performance and transitioning to grow certified sustainable palm oil as well as support sustainable agriculture training with the goal of improving producer yields with fewer inputs.

Key Actions

- Support funding for WAGS Malaysia certification and technical program to maintain and grow CSPO volumes from small producers
- Support the establishment of Bio-intensive agriculture farms to improve yields and improve income for smallholders

Target Outcomes

- Inclusive of smallholder producers
 - Certified sustainable
- Deforestation free, conflict free
 - NDPE compliant
 - 100% traceable (farm to mill)
- Support for transition to BIO Farms

The Takeaway
Kellogg is committed to partnering with organizations like Wild Asia, a Malaysian-based non-profit focused on impact driven social enterprise.

