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## Kellogg's Global Sustainable Palm Oil Approach

Palm oil continues to be an ingredient of particular focus for Kellogg Company in our responsible sourcing efforts. Palm oil is grown and produced in Southeast Asia and is widely used in foods, soaps and cosmetics. The rapid expansion of palm oil production has been associated with human rights violations and the destruction of tropical forest habitats and peat lands.

Although Kellogg uses a very small amount of palm oil globally, we have been working since 2009 to improve the sustainability of palm oil and we continue to support responsible sourcing of palm oil through our Global 2020 Sustainability Commitments. All of the palm oil we use is sourced through a combination of the Roundtable of Sustainable Palm Oil (RSPO) Certified Segregated supply chain, RSPO Mass Balance mixed-source supply chain and the purchase of RSPO Credits.

In addition, Kellogg is committed to working with our global palm oil suppliers to source fully traceable palm oil to known and certified sources that are environmentally appropriate, socially beneficial and economically viable. Our supply chain engagement helps to deliver Kellogg's support to the Consumer Goods Forum's resolution to achieve zero net deforestation by 2020 and the creation of action plans supporting the eradication of forced labour, in alignment with the widely embraced guidance provided by the United Nations Guiding Principles on Business and Human Rights.

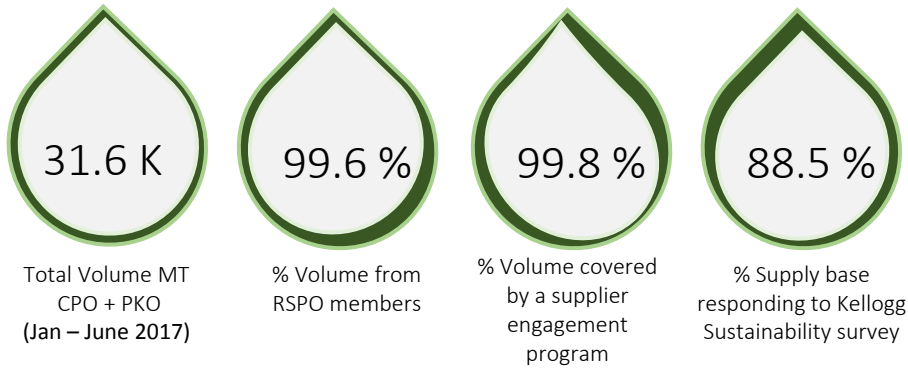
As we are made aware of any supply chain violations of our policies and principles, we work with the suppliers to understand and take corrective actions. If the concerns are not adequately addressed, we take action to remove them from our supply chain. To learn more about our commitments, please see our [Global Sustainable Palm Oil Policy](#).

# 2017 H1 GLOBAL SUSTAINABLE PALM OIL MILESTONES

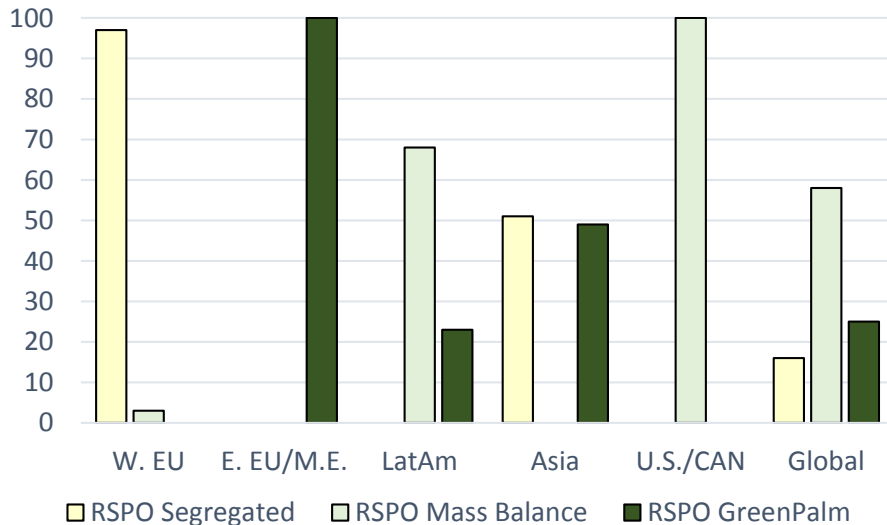


January 2017 – June 2017, addendum added April 2018

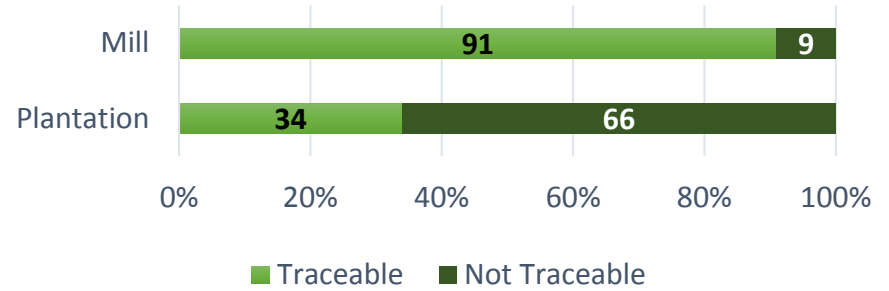
## Sourcing and Engagement



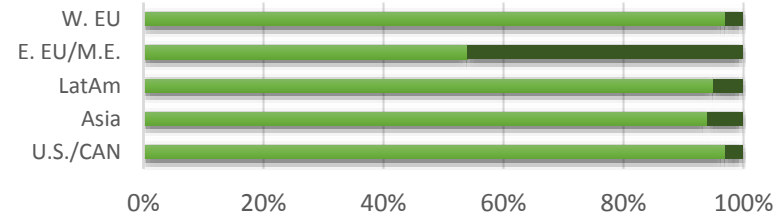
## CPO and PKO Percent Certified



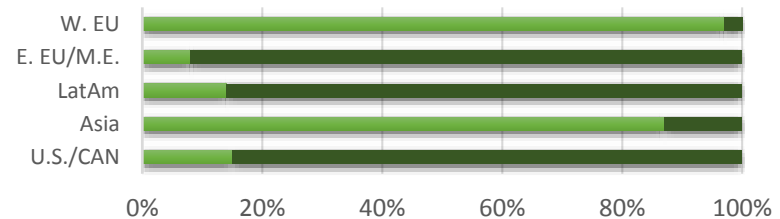
## Global Kellogg Traceability



## Traceability to Mill by Region



## Traceability to Plantation by Region



## Supply Chain Highlights

- Traceability to mill increased from 89% last year at this time to 91% in the first half of 2017
- Traceability to plantation increased from 28% to 33% over this same time period
- 89.6% of suppliers sufficiently report on grievances in their supply chains
- 17.9% of suppliers sufficiently report on procedures for FPIC, protection of forests and peat lands, HCSA, and labour and human rights
- Kellogg is currently reporting against 9 of the 13 Manufacturer indicators outlined in the [Ceres Reporting Guidance For Responsible Palm](#) and is working with Proforest to expand reporting in future years
- Reporting includes all palm oil and palm kernel oil sourced by Kellogg globally in the first half of 2017
- Total volume remained relatively consistent globally from first half of 2016 to first half of 2017



## Supplier Engagement

Since we began biannual reporting of supplier performance against our updated palm policy in 2015, we have seen significant improvement in responsiveness and participation. However, some small and medium suppliers continue to lack traceability and transparency, adequate NDPE policies, and robust policies for their own operations and supply chains. Grievance reporting and disclosures remain ongoing issues.

We are committed to working with our suppliers and Proforest to identify gaps and support best practices and remediation efforts. We have worked closely with our Russian and Egyptian suppliers to address gaps and further continuous improvement. In addition, we [recently partnered with Wilmar, BSR](#), and other peer companies to support a series of workshops targeting small/medium suppliers in Sumatra and Kalimantan to communicate best practices and heighten awareness of issues such as wage management, employment contracts, and grievance mechanisms.

Transparency and traceability remain challenges, deforestation and peatland development are still occurring among pockets of third-party providers, and the rights of workers and indigenous peoples are still being compromised in some regions. We encourage and expect our suppliers to report publicly on their traceability information and all relevant grievances, including action plans and outcomes.

Moving forward, we will continue to strengthen our engagement and support for our supply partners and for their supply chains. We will partner with suppliers to ensure that our policies and requirements are clearly communicated, and we will continue to take action on violations as well. The consequences of violating or failing to meet our standards will result in removal from our supply base.

# 2017 H1 GLOBAL SUSTAINABLE PALM OIL MILESTONES



January 2017 – June 2017, addendum added April 2018

## Top 5 Supplier Overview (79% Global Volume)

AAK	ADM	BUNGE	CARGILL	SIME DARBY
<ul style="list-style-type: none"> <li>• <a href="#">AAK Sustainable Palm Oil Policy</a></li> <li>• <a href="#">Corporate Social Responsibility Policy</a></li> <li>• <a href="#">2017 Progress Report on Sustainable Palm Oil</a></li> <li>• NDPE Policy and disclosure information available in annual progress report</li> <li>• Global mill list disclosed privately but not publicly</li> <li>• Does not provide public grievance disclosure but acknowledges tracking internally</li> <li>• 98% of PO, PKO, and derivatives are traceable to mill</li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">ADM NDPE Policy</a></li> <li>• <a href="#">Human Rights Policy</a></li> <li>• <a href="#">Issues and Resolutions Summary Table</a></li> <li>• <a href="#">Global Palm Oil Traceability and Mill List</a></li> <li>• <a href="#">H1 2017 Palm Progress Report</a></li> <li>• 98% of PO is traceable to mill</li> <li>• 96.6% of PKO is traceable to mill</li> <li>• Review of grievance reporting appears to be missing key issues that have been publicly reported to be present within their supply chain to mill</li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">Bunge Palm Oil Sourcing Policy</a></li> <li>• <a href="#">Non-Deforestation Policy</a></li> <li>• <a href="#">Global Labor Policy</a></li> <li>• <a href="#">Grievance Summary List</a></li> <li>• <a href="#">Global Palm Oil Sourcing Update</a></li> <li>• <a href="#">Transparency Hub</a></li> <li>• Global mill list disclosed privately but not publicly</li> <li>• 92% global traceability to mill</li> <li>• 14% global traceability to plantation</li> <li>• Acquired 70% stake in Loders Croklaan in September 2017</li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">Cargill Policy on Sustainable Palm Oil</a></li> <li>• <a href="#">Labor and Land Rights</a></li> <li>• <a href="#">Direct Supplier Grievances</a></li> <li>• <a href="#">Sustainable Palm Oil Progress Update</a></li> <li>• NDPE requirements included in Sustainable Palm Policy</li> <li>• Global mill list disclosed privately but not publicly</li> <li>• 89% of PO is traceable to mill</li> <li>• 96% of PKO is traceable to mill</li> <li>• 56% of PO is traceable to plantation</li> <li>• 34% of PKO is traceable to plantation</li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">Sime Darby Human Rights Charter</a></li> <li>• <a href="#">Good Agricultural Practices Policies</a></li> <li>• <a href="#">Sustainability Report 2016</a></li> <li>• Global mill list disclosed privately but not publicly</li> <li>• Reports traceability through <a href="#">Open Palm</a> but detailed information is only available to key clients</li> <li>• Does not provide public grievance disclosure</li> <li>• 96.7% of PO and 100% of PKO is traceable to mill</li> <li>• 80.5% of PO and 81.7% of PKO is traceable to plantation</li> </ul>

## Industry Engagement

- [RSPO Membership and Engagement](#)
- [NASPON Membership and Engagement](#)
- [New York Declaration on Forests Signatory](#)
- [Tropical Forests Alliance 2020 Partner](#)
- [Consumer Goods Forum Deforestation Signatory](#)
- [Ceres Guidelines Contributor](#)

We are committed to advancing and supporting the sustainable palm oil industry. Kellogg is an active member of the RSPO Human Rights Working Group, the CGF Palm Oil Taskforce, and a founding member of the North American Sustainable Palm Oil Network. Kellogg also supported the CGF with review and recommendations to the RSPO Principles & Criteria to strengthen and enhance the criteria, particularly how it relates to forced labor and human rights issues.

# 2017 H1 GLOBAL SUSTAINABLE PALM OIL MILESTONES

January 2017 – June 2017, addendum added April 2018



## Supply Chain Details

RSPO Supply Chain Model	% of Total Volume		
	2015	2016	2017
RSPO Certified Segregated	7%	16%	16%
Mass Balance	69%	46%	58%
Green Palm Certificates	24%	38%	25%

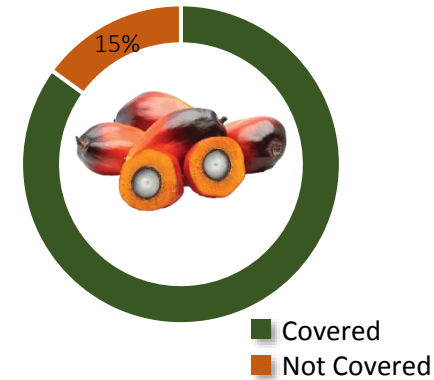
Suppliers Comprising 95% of Purchased Volume			
Supplier	Region	% Traceability mill	% Traceability plantation
Cargill	Global	100%	15%
Sime Darby Jomalina	Asia-Pac	100%	97%
ADM	North America	97.80%	0%
Bunge	Global	92%	14%
AAK	Global	98%	28%
Olenex	W. E.U.	100%	100%
EFKO	Russia	0%	0%
United Oil	Egypt	99%	0%

Remaining 5% volumes are from the following suppliers: Ajwa, Barentz, Besler, Buriti, Caravan, Goodman Fielder, Hudson & Knight, IFFCO, Induxtra, Integro, Lipidos, Loders, Lonza, Lotte, Rikevita, Shangai Oils, Solution Creation, Stratas, Team Solutions

## Policy Compliance

- Larger, global suppliers continue to lead with active reporting against No Deforestation, No Peat, and No Exploitation (NDPE) policies
- Small and medium suppliers, particularly in Russia and Egypt, lack adequate, or any, NDPE commitments of their own and struggle demonstrating compliance to Kellogg policies
- We continue to partner with these suppliers to educate and train on the adoption and implementation of our NDPE policy
- Kellogg recognizes any supplier activity occurring after the conversion cut-off date of 12/31/2015 that contradicts NDPE requirements to be a violation of our [Global Palm Policy](#) and takes necessary actions to address or remove from our supply chain

Volume Sourced from Suppliers with NDPE Policy



Company	Grievance	Status
<b>Indofood/Salim Group</b>	Primary forest clearance including peat land, labor issues including child labor, health and safety standard non-compliances, minimum wage payment violations	Indirect exposure to Kellogg through the supply chain operations of multiple suppliers. Kellogg continues to directly engage with these suppliers to track progress as Indofood and its partners work to remediate issues.
<b>Wilmar</b>	Minimum wage payment violations, use of quotas, working hour violations, child labor, illegal pesticide use, gender discrimination	Indirect exposure to Kellogg through the supply chain operations of multiple suppliers. Direct exposure through trading relationship related to joint venture operations to supply palm oil for Pringles sold in China. Though the procured volume represents less than 1% of Kellogg's global palm use, we are actively engaged with <a href="#">Wilmar to remediate issues</a> directly and through third-party support.
<b>FELDA Global Ventures</b>	Document withholding, forced labour, health and safety violations, lack of use of PPE, minimum wage payment violations	Indirect exposure to Kellogg through the supply chain operations of multiple suppliers. Kellogg continues to directly engage with these suppliers to maintain pressure on FGV to remediate issues.
<b>HSBC</b>	Primary forest clearing, peatland and HCV development, permit irregularities, lack of FPIC, child labour, minimum wage payment violations, health and safety standard violations, significant social conflict	Indirect exposure to Kellogg through the supply chain operations of multiple suppliers. HSBC funds multiple palm oil groups, including Indofood/Salim Group. Kellogg continues to engage with our suppliers associated with HSBC or its affiliate groups to maintain pressure on both HSBC and the individual companies to remediate identified issues and amend policies and procedures.

## Kellogg Action to Date: 2017 - 2018

### April 2017

- Partnered with the worker voice company LaborLink to pilot the AIM Progress/Sedex Impact Measurement tool to measure and assess worker well-being at a palm oil processing facility through direct worker feedback using mobile technology. This work was reported publicly in our [Progress Against Forced Labor Milestones](#) report issued in June 2017. Follow-up actions included additional training to address gaps found during the assessments.

### May 2017

- Joined CGF Social Committee's Palm Oil Taskforce focused on addressing human rights, including forced labour, in the palm oil supply chain through collective action.
- Kellogg sustainability team met with Wilmar sustainability team to discuss Wilmar's program with Verite and how they are closing gaps, building capacity and implementing management systems in their own plantations.

### June 2017

- Joined the Roundtable for Sustainable Palm Oil's Human Rights Working Group and is an active participant to drive changes to membership requirements for human rights issues both in person and in phone meetings.
- Published our biannual milestones update, the 2017 Global Palm Milestones report, covering January to December 2016 data and progress. This report includes a full list of all global palm oil suppliers, as well as updates on sourcing, supplier engagement, traceability, palm industry engagement, policy compliance and grievance status.
- Published our annual Progress Against Forced Labor Milestones report issued in June 2017, which reported on the worker voice survey with four suppliers, one of which was a Kellogg palm oil supplier in Indonesia.

### October 2017

- Submitted extensive comments to the RSPO Principles and Criteria consultation process focused on human rights.

### November 2017

- Kellogg sustainability team met with Wilmar sustainability team to discuss progress since May and interest in co-funding the small and medium scale supplier workshop during the RSPO RT15.
- Wilmar-BSR Supplier Workshop held in Medan Indonesia, with 60 participants representing 30 supplier companies, as well as Head of Labour Department for North Sumatra Province, with resulting report reviewed by Kellogg.

### December 2017

- Became a founding member of the RSPO's North American Sustainable Palm Oil Network, creating a dialogue in North America, focused on respecting human and labor rights, local communities and biodiversity throughout the palm oil supply chain.

### January 2018

- Signed agreement with Wilmar and BSR to conduct small- and medium-scale supplier training workshops (retro-active to November workshop), focused on addressing and mitigating labour issues, wages, employment status and grievances.
- Wilmar-BSR Supplier Workshop held in Pekanbaru Indonesia, with 53 participants representing 33 supplier companies, as well as Head of Labour Department for Riau Province, with resulting report reviewed by Kellogg.
- Published our biannual milestones update, the 2017 Global Palm Milestones report, covering January to December 2016 data and progress. This report includes a full list of all global palm oil suppliers, as well as updates on sourcing, supplier engagement, traceability, palm industry engagement, policy compliance and grievance status, where you will note specific reference to the concerns highlighted by Amnesty International for our supply into China from Wilmar.

### March 2018

- Further discussions with Wilmar & BSR regarding next steps from the supplier workshops as well as the continued work in response to concerns from Amnesty International.

## Supplier Engagement: Response to Grievances

Starting in 2017, in response to investigative reports, we have been taking action with our suppliers and external partners regarding palm oil supplier Indofoods. We have been working closely with our direct suppliers to review engagement strategies and actions to remediate identified issues. Our first tier suppliers have assessed the direct and indirect exposure of their supply bases to Indofoods. As of the end of 2017, indirect exposure to Indofoods within our supply chain has been eliminated as a result of supplier action with the exception of Cargill and EFKO. To address this remaining gap we have engaged leadership from both organizations.

- EFKO - We continue to build awareness and capacity to aid in traceability and transparency for identifying and managing potential risk exposure from indirect suppliers within their value chain
- Cargill - Maintaining sustained engagement and communication including top to top discussions regarding Kellogg expectations, requirements, and next step actions

In addition to decreasing exposure to Indofood, we can confirm that our exposure to the company REPSA has been eliminated as a result of the actions taken by our suppliers. All major suppliers have suspended future business until current issues have been effectively and acceptably remediated and a comprehensive action plan put in place to ensure the protection and respect of all workers and their representatives.

We recognize the ongoing challenges associated with deforestation and peatland development and the necessity to uphold and protect the rights of workers and indigenous people. This is why we expect our suppliers to report publicly on traceability to mill and plantation and all identify all grievances, including action plans and outcomes. Moving forward, we will continue to strengthen our engagement and support for our supply partners, and for their supply chains, to achieve full adherence to these requirements

To address the endemic risks present in the palm industry, we support collaborative work to address underlying issues. This is why Kellogg has taken action with suppliers, such as Wilmar, and within the RSPO to drive impactful and sustained changes to address and mitigate issues across the industry.

**To fully support ongoing collective efforts to increase transparency and accountability within the palm oil industry, we are releasing our full 2017 mill list.** This list includes mills which may be part of the Kellogg extended supply chain due to RSPO Mass Balance purchases of palm oil.

## Investigative Process

When grievances are raised either publicly or directly to Kellogg, we begin an investigative process to evaluate and address the issues raised, including:

- Convene relevant Rapid Response Team investigation team
  - Internal subject matter experts with the right knowledge, objectivity and discretion
- Conduct investigation
  - Determine facts through interviews, evidence assessment from NGO partners, supplier information regarding the grievance, action plan and next steps
- Corrective Action
  - If necessary, the team will recommend corrective actions for the supplier and Kellogg
  - Actions may include impacts to purchasing, supplier termination, investment in program creation, or additional auditing
- Provide Feedback
  - Inform complainant party of outcomes and/or next steps
- Monitor and reassess the situation, at a minimum, twice yearly basis to coincide with Kellogg corporate tracking and reporting

## Supplier Action: Indofood

Supplier	Status
AAK	AAK doesn't source directly from Indofood, however Indofood mills are included in the list of mills from which AAK suppliers have sourced. AAK has asked their suppliers <b>not to buy</b> from the mills involved in the issues. AAK has sent a letter to the COO and Secretary General of RSPO expressing concern about the speed of handling this complaint and the impact to the reputation of the RSPO and its members. AAK is working with the RSPO complaints panel to determine next steps. Kellogg will continue to work with AAK on their action plan.
Bunge	Bunge has indicated that they have asked their trading partner to <b>suspend</b> Indofood from their supply chain and this has been confirmed. Indofood may appear on our mill lists as earlier shipments echo in these lists.
Loders	Loders Croklaan <b>suspended</b> Indofood in April 2017. Loders has asked their trading partner that sources from Indofood continue this suspension. Indofood may appear on our mill lists as earlier shipments echo in these lists.
Cargill	Cargill does not source directly from Indofood, but are impacted through their suppliers. Cargill has indicated that they have not suspended purchases from all Indofood mills within their supply chain and will not independently verify the grievance that has been brought forth. Instead they will rely on the RSPO's process. Indofood continues to communicate their commitment to complying with the RSPO investigation. Kellogg is disappointed with this approach and will be working with Cargill to strengthen their action plan
GAR	Kellogg does not source directly from GAR however we have indirect exposure through our supply chain. GAR has <b>stopped sourcing</b> from Indofood. GAR recently conducted a labor site visit to an Indofood operation and has an action plan in place to address gaps observed. No major non-compliances were observed.
Sime Darby	Sime Darby Plantation does not purchase any supplies directly from Indofood. However, Indofood mills are linked to raw materials supplied by a third party trader to Hudson & Knight (H&K) in South Africa. Sime Darby's supplier in South Africa has relevant No Deforestation, No Peat and No Exploitation policies and has recently informed us that they have <b>ceased new purchases</b> from Indofood.
Wilmar	Wilmar has <b>stopped sourcing</b> from Indofood. Kellogg continues to actively work with Wilmar to improve policies, procedures and programs in their owned operations and across their supply chain. We have been investing in capability training on human rights issues with Wilmar for suppliers in their supply base as well as for their own plantations. We will continue to engage them to assess their compliance to NPDE commitments.