

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 and evolve our responsible sourcing efforts in this space. All of the palm oil we use is sourced through a combination of RSPO Certified Segregated material, RSPO Certified Mass Balance mixed-source material, and the purchase of RSPO Credits.

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 the eradication of forced labour, in alignment 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.

When we are made aware violations of our policies, principles, or grievances within our supply chain we will work with suppliers to understand and take corrective actions. If concerns are not adequately addressed, or action and improvement are not forthcoming, we take action to have these entities removed from our supply chain. To learn more about our commitments, please see our [Global Sustainable Palm Oil Policy](#) and Global Supplier Code of Conduct.

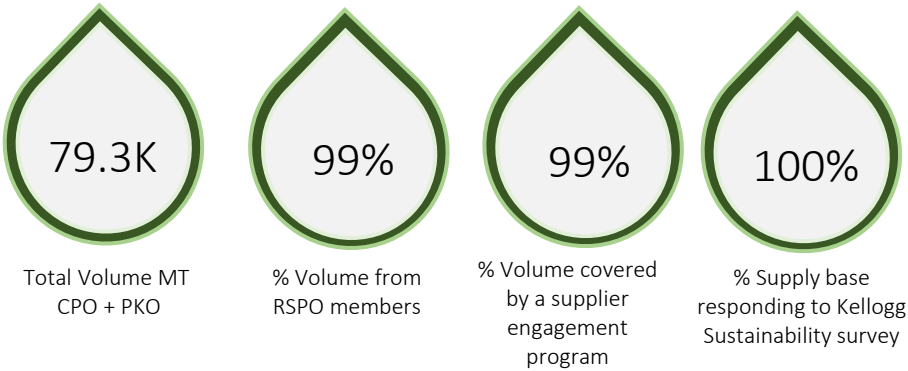


GLOBAL SUSTAINABLE PALM OIL MILESTONES

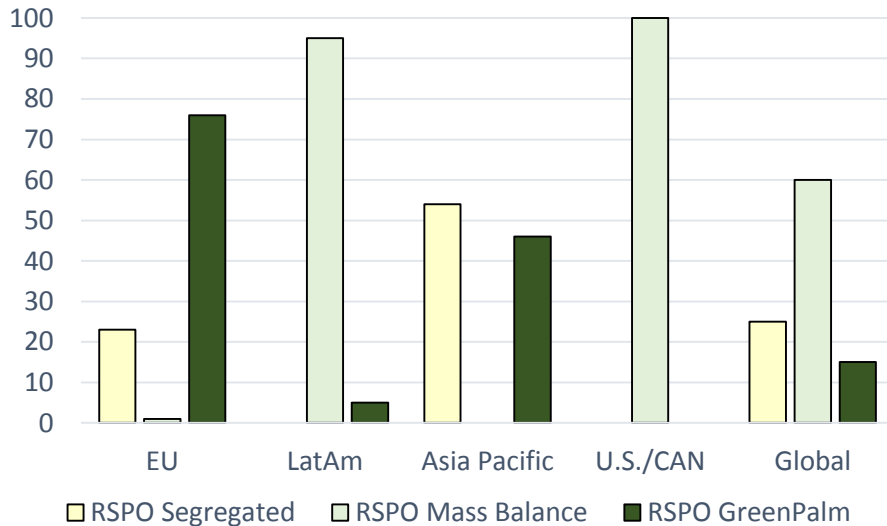
2018 FULL YEAR



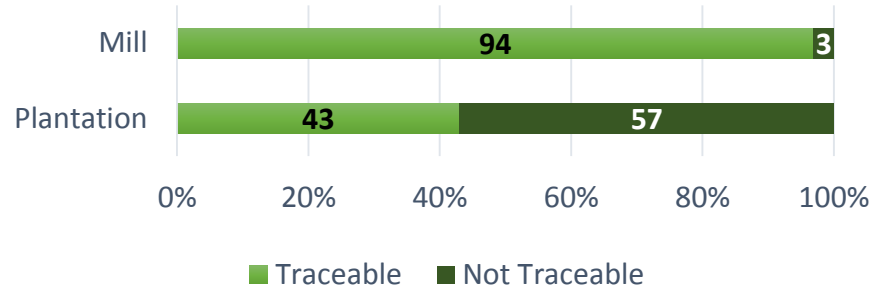
Sourcing and Engagement



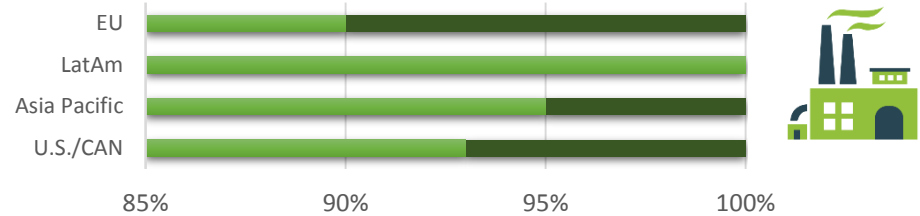
CPO and PKO Percent Certified



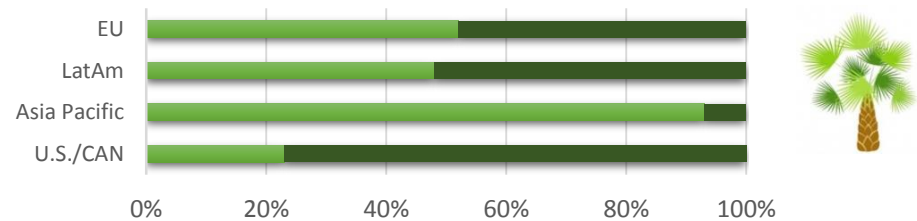
Global Kellogg Traceability



Traceability to Mill by Region



Traceability to Plantation by Region



Supply Chain Highlights

- Kellogg continues to increase the percentage of procured RSPO certified sustainable palm oil from physical supply chains
- Traceability to mill decreased from 97% in 2017 to 94% in 2018
- Traceability to plantation increased from 39% in 2017 to 43% in 2018
- Kellogg has 27 total T1 palm suppliers (though some share the same parent company)
- 11 companies provide 95% of total 2018 procured volume
- These 11 companies are above 80% compliant with ALL Kellogg policies, with exceptions in areas of specific reference to peat development management
- 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



Supplier Engagement

Since we began biannual reporting of supplier performance against our palm policy in 2015, we have seen significant improvement in responsiveness and data quality. However, some small and medium suppliers continue to lag behind in traceability, transparency, adequate NDPE policies, and robust social policies for their own operations and supply chains. Grievance reporting and disclosures remain consistent opportunities for improvement.

In response to our 2018 reporting conclusions, and the continued evolution of meaningful engagement and action occurring in the palm industry, we are reevaluating our Sustainable Palm Oil strategy to better support our supply chain partners and more effectively leverage our collaborative efforts to drive sustainable and scalable change.

We continue to be committed to working with our suppliers, our peers, industry groups, and civil society to identify issues and support best practices and remediation/mitigation efforts. Despite improvements in reporting, awareness, and technological solutions we know that transparency and traceability remain challenges in this area. Opaque organizational structures and the inability to identify or assign operational responsibility for upstream supply chain actors are issues that we continue to struggle with downstream. 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. While we seek to evolve our corporate strategy to incorporate industry learnings and changes to date, and better leverage our resources both individually and collectively, we will continue to expect our suppliers, and their respective supply chains, to honor and adhere to our current policies and Global Supplier Code of Conduct.

Top 5 Supplier Overview (75% Global Volume)

AAK	ADM	BUNGE-LODERS-CROKLAAN	CARGILL	SIME DARBY
<ul style="list-style-type: none"> • 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 • Does not provide public grievance disclosure but acknowledges tracking internally • 99% traceability to mill • 21% traceability to plantation 	<ul style="list-style-type: none"> • ADM NDPE Policy • Human Rights Policy • Grievances and Resolutions Summary Table • Global Palm Oil Traceability and Mill List • H1 2018 Palm Progress Report • 73% traceability to mill • 12% traceability to plantation • 100% environmental policy compliance • 92% social policy compliance 	<ul style="list-style-type: none"> • 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 • 100% traceability to mill • 44% traceability to plantation • 100% environmental policy compliance • 92% social policy compliance 	<ul style="list-style-type: none"> • 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 • 99% traceability to mill • 29% traceability to plantation • 89% environmental policy compliance • 83% social policy compliance 	<ul style="list-style-type: none"> • 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 • 92% social policy compliance

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 Consumer Goods Forum 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 and continues to engage on subsequent criteria updates.

Supply Chain Details

RSPO Supply Chain Model	% of Total Volume			
	2015	2016	2017	2018
RSPO Certified Segregated	7%	16%	16%	25%
Mass Balance	69%	46%	58%	60%
RSPO Certificates	24%	38%	25%	15%

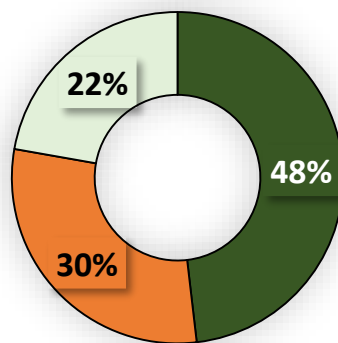
Suppliers Comprising 95% of Purchased Volume			
Supplier	Region	% Traceability mill	% Traceability plantation
Cargill	Global	99%	29%
Sime Darby Jomalina	Asia-Pac	100%	100%
ADM	North America	73%	12%
Bunge	Global	100%	44%
AAK	Global	99%	21%
Olenex	W. E.U.	100%	100%
EFKO	Russia	100%	68%
United Oil	Egypt	98%	15%
Corbion	North America	100%	54%
Lonza	North America	99%	18%
Wilmar	Global	74%	16%

Policy Compliance

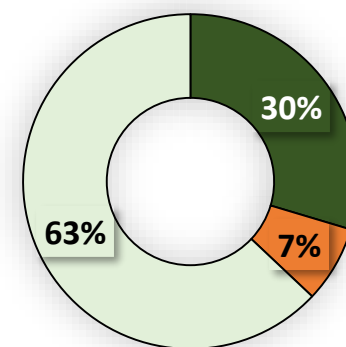
Kellogg reviews the policies, communications, and actions of palm oil suppliers bi-annually. Having robust policies outlining their commitments shows us that our supply chain partners share our views regarding responsible sourcing and are working toward achieving sustainable and scalable change in this space.

- 81% of suppliers have at least one public commitment related to sustainability and/or social criteria
- 44% have a well-defined sustainability implementation with supporting evidence
- Larger, global suppliers continue to lead with active reporting against No Deforestation, No Peat, and No Exploitation (NDPE) policies
- Small and medium suppliers lack adequate sustainability reporting and struggle demonstrating compliance to Kellogg policies
- These suppliers account for less than 5% of total global procured volumes
- We continue to partner with these suppliers to educate and train on the adoption and implementation of sustainable best practices for own operations and supply chains

Suppliers With Reported Grievance Procedures



Suppliers With Public Grievance Tracking



- Yes, confirmed
- Yes, unconfirmed
- No or No data

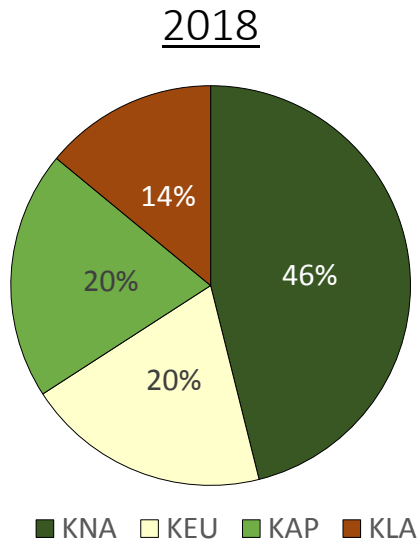
* Remaining 5% volumes are from the following suppliers: Agropalma, Ajwa, Barentz, Besler, Buriti, El Safwa, Fuji Oil, Graincorp, IFFCO, Lipidos, Lotte, Mays, Rikevita, Solution Creation, SolPro, Stratas, Team Solutions

2019 Divestiture Implications

Kellogg Company announced on April 1, 2019 that it has reached a [definitive agreement](#) to sell selected cookies, fruit and fruit-flavored snacks, pie crusts, and ice cream cones businesses to the Ferrero Group and its related companies ("Ferrero"), a global confectionary group.

This will impact palm oil usage across Kellogg and specifically within the North American business unit for 2019 and beyond. Kellogg estimates a potential reduction to KNA Palm Oil Procured Volume of 38 – 54%.

Regional Procured Volume Breakdown



Potential Mill Exposure

- Despite using a small amount of palm oil globally, we still see the potential for indirect exposure to a number of mills
- While 94% of Kellogg procured palm oil volume is traceable to mill through our suppliers, there remains a small percentage that we are unable to definitively identify specific mills
- Kellogg is committed to transparency in sourcing and therefore discloses all potential mills that may or may not be present within our supply chain at any given time, regardless of volume or potential frequency
- Since Kellogg procures palm oil volumes through both mass balance and RSPO credits, we ask our suppliers to disclose all mills that may be potentially present within their own supply chains
- Kellogg’s mill list has been compiled through mill lists sent by suppliers or downloaded from supplier websites (where available)
- We continue to work toward increased traceability and transparency with our suppliers
- In addition to country level data, Kellogg also discloses jurisdictional level information when available (see next page)
- 85% of mills are located in either Indonesia or Malaysia



2018 FY GLOBAL SUSTAINABLE PALM OIL MILESTONES



Countries	Jurisdictions	Number of mills	Percentage of total mills
Indonesia	Riau	226	13%
Indonesia	Sumatera Utara	181	10%
Malaysia	Sabah	139	8%
Indonesia	Kalimantan Tengah	98	5%
Indonesia	Kalimantan Barat	92	5%
Indonesia	Kalimantan Timur	86	5%
Malaysia	Sarawak	81	4%
Indonesia	Sumatera Selatan	76	4%
Malaysia	Johor	76	4%
Malaysia	Pahang	76	4%
Indonesia	Jambi	74	4%
Malaysia	Perak	51	3%
Indonesia	Kalimantan Selatan	39	2%
Indonesia	Aceh	38	2%
Indonesia	Sumatera Barat	34	2%
Indonesia	Bengkulu	30	2%
Colombia	Meta	26	1%
Malaysia	Selangor	26	1%
Malaysia	Negeri Sembilan	19	1%
Indonesia	Bangka Belitung	18	1%
Thailand	Surat Thani	16	1%
Indonesia	Lampung	15	1%
India	Andhra Pradesh	14	1%
Malaysia	Trengganu	14	1%
Colombia	Cesar	12	1%
Ecuador	Esmeraldas	12	1%
Malaysia	Kelantan	11	1%
Thailand	Krabi	11	1%
Brazil	Pará	10	1%
Colombia	Magdalena	9	0%

Countries	Jurisdictions	Number of mills	Percentage of total mills
Colombia	Santander	8	0%
Ecuador	Santo Domingo de los Tsachilas	8	0%
Indonesia	Sulawesi Barat	8	0%
Papua New Guinea	West New Britain	8	0%
Honduras	Colón	7	0%
Malaysia	Kedah	7	0%
Mexico	Chiapas	7	0%
Colombia	Casanare	6	0%
Colombia	Nariño	6	0%
Indonesia	Sulawesi Tengah	6	0%
Costa Rica	Puntarenas	5	0%
Côte d'Ivoire	Bas-Sassandra	5	0%
Guatemala	Petén	5	0%
Thailand	Chumphon	5	0%
Colombia	Bolívar	4	0%
Côte d'Ivoire	Comoé	4	0%
Ecuador	Los Rios	4	0%
Guatemala	Izabal	4	0%
Côte d'Ivoire	Lagunes	3	0%
Guatemala	Alta Verapaz	3	0%
Honduras	Atlántida	3	0%
Indonesia	Papua	3	0%
Malaysia	Melaka	3	0%
Malaysia	Pulau Pinang	3	0%
Panama	Chiriquí	3	0%
Papua New Guinea	Oro	3	0%
Colombia	Cundinamarca	2	0%
Colombia	Norte de Santander	2	0%
Guatemala	Quezaltenango	2	0%
Honduras	Yoro	2	0%
India	Kerala	2	0%
Indonesia	Kepulauan Riau	2	0%
Mexico	Tabasco	2	0%
Papua New Guinea	New Ireland	2	0%
Peru	Loreto	2	0%
Thailand	Chon Buri	2	0%
Thailand	Nakhon Si Thammarat	2	0%
Thailand	Prachuap Khiri Khan	2	0%

Countries	Jurisdictions	Number of mills	Percentage of total mills
Thailand	Trang	2	0%
Thailand	Trat	2	0%
Cambodia	Kaôh Kong	1	0%
Colombia	Antioquia	1	0%
Colombia	Valle del Cauca	1	0%
Côte d'Ivoire	Abidjan	1	0%
Ecuador	Manabi	1	0%
Ecuador	Orellana	1	0%
Ecuador	Pichincha	1	0%
Gabon	Estuaire	1	0%
Gabon	Ngounié	1	0%
Ghana	Eastern	1	0%
Ghana	Western	1	0%
Guatemala	Escuintla	1	0%
Guatemala	Guatemala	1	0%
Guatemala	San Marcos	1	0%
Honduras	Cortés	1	0%
India	Karnataka	1	0%
Indonesia	Papua Barat	1	0%
Indonesia	Sulawesi Selatan	1	0%
Indonesia	Sulawesi Tenggara	1	0%
Malaysia	Kuala Lumpur	1	0%
Mexico	Veracruz	1	0%
Nicaragua	Atlántico Sur	1	0%
Nigeria	Edo	1	0%
Nigeria	Ondo	1	0%
Papua New Guinea	Milne Bay	1	0%
Papua New Guinea	Morobe	1	0%
Peru	San Martín	1	0%
Philippines	Palawan	1	0%
Solomon Islands	Guadalcanal	1	0%
Thailand	Kanchanaburi	1	0%
Thailand	Narathiwat	1	0%
Thailand	Pattani	1	0%

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 Reported Supply Chain Grievance List

Name	Parent company	RSPO member	Country of grievance	Grievance raiser	Campaign start date (or most recent allegation)	Summary issues raised
Aceydesa	Aceydesa	Yes	Honduras	N/A	2017	Land grabbing, Criminality (drug trafficking and armed paramilitaries)
Anugerah Langkat Makmur	ALAM Group	No	Indonesia	The Jakarta Post	2019	Violating Law No. 18/2013 on the prevention of forest clearing and destruction, Law No. 39/2014 on plantations and Law No. 32/2009 on environmental protection and management.
Bangun Sempurna Lestari	Bangun Sempurna Lestari	No	Indonesia	N/A	2017	Deforestation
Karya Bakti Agro Sejahtera	Bumitama Gunajaya Agro	Yes	Indonesia	Greenpeace	2017	Deforestation, No permits for development, Failure to meet timetables for RSPO certification (company level)
Katingan Central	Agrosubur	No	Indonesia	N/A	2017	Wage issue: workers are working 7-12 hours/day with salary of IDR 47k to IDR 65k, indication of forced labour, women slavery, inadequate health and safety and medical treatment, failure to protect pregnant women and provide healthcare for them; water pollution; land rights abuses
Kelampai	Eagle High Plantations	Yes	Indonesia	Greenpeace	2017	Peat, Burning
Kotawaringin	Bumitama Gunajaya Agro	Yes	Indonesia	N/A		Illegal operations, Failure to compensate communities, Labor termination, Police intimidation
Perkebunan Lembah Bhakti	Astra Agro Lestari	No	Indonesia	N/A		Deforestation