



2020 Kellogg's Responsible Sourcing Verification Report

December 2020

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Scope of Verification

The scope of this verification visit was to assess compliance of the flint corn purchased in 2019 for the production of European corn flakes in 2020, to the criteria outlined in the Responsibly Sourced Program. The newly developed Group Verification was used, which allows for a sampling-based approach based on a System Assessment, when collecting survey responses from growers. As there are no growers interviews during the verification, the main focus of the verification was on the supplier and their supporting evidence into the practices of growers supplying into the Kellogg’s supply chain. One key document was the Kellogg Grower Survey (“KGS”). The KGS was collected by the supplier from a sample of growers supplying into the supply chain. The verifier evaluated the KGS’ to understand the farmer data and how it was collected.

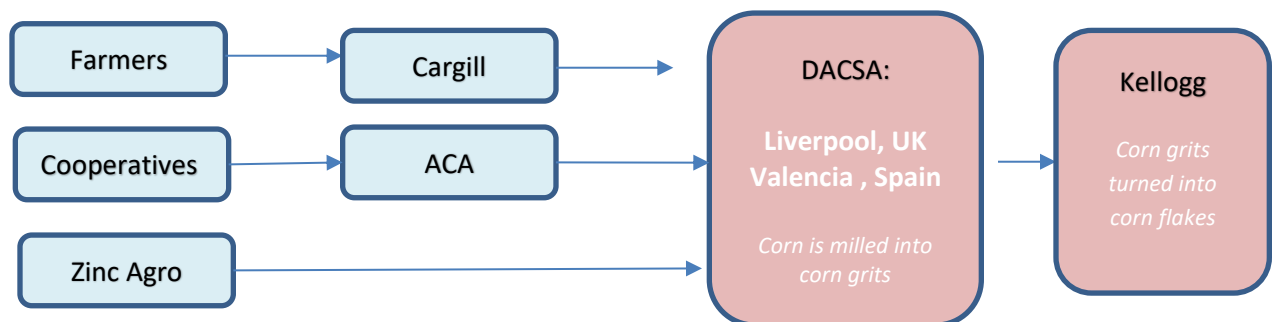
Summary of Supply Chain

DACSA is a large milling company that aggregates corn and rice among other crops. DACSA purchases flint corn from 3 suppliers in Argentina (Cargill 60%, ACA 35%, and Zinc Agro 5%), and in turn sells this corn to Kellogg. DACSA does not directly source from the farmers, but rather purchases raw material from the farmer cooperatives (like ACA) and/or grain companies who contract farmers (like Cargill). The number of aggregators/suppliers from which DACSA purchases flint corn from changes minimally year on year. The groups within the cooperative are required to fill out a Group System Assessment, which analyzes the complexity (and risk) associated with each group. This results in a mandatory number of hectares that should be represented through the surveys. In this case, the DACSA team surveyed more than the required hectares.

Although DACSA does not hold direct contracts with the growers, DACSA was aware of which growers were involved in the production of flint corn. This is because flint corn is a specialty crop, which is not generally grown in Argentina¹. DACSA provides monetary support to several of the growers involved in the project. At DACSA’s milling facilities, the corn is milled into corn grits, which are purchased and used by Kellogg to produce Kellogg’s corn flakes.

Kellogg purchases between 70,000 and 80,000 metric tons of flint corn grits from DACSA on an annual basis. About 80% of this volume comes from DACSA’s U.K. facility in Liverpool and about 20% comes from their operations in Valencia, Spain.

Figure 1: Visual representation of the supply chain



¹ Argentina grows mainly GMO corn. Flint corn is non-GMO.

Summary of Non-conformities

There were no non conformities found during the verification.

Findings per level of assessment

The sections below highlight all other findings at the three levels which were verified (Kellogg, supplier, grower).

Kellogg-level findings

Kellogg-level information was verified through a tele-conference and an exchange of documents from Kellogg to Control Union. The following were the result of this document review and interview with Kellogg representative(s). No non compliances were found.

Criteria		Findings	Corrective Action Plan:
Environmental			
E1	Measured continuous improvement on 100% of acres for product specific ingredient by supplier (include 100% response to main KGS KPIs)	Corn Flakes, Crunchy Nut and Corn Flakes. 79.111 Tons (=80.000 Tons) Recipe inclusion rate: how much grit is in each product. Milling Grits : 52% conversion factor (multiplier for whole kernel corn to grits) 152 tons. Avg yield : 7,6 tons/ ha Total ha: 21.339 HA	None needed
E5	Kellogg engaged in annual support with project plan in place (i.e.. Funding for, trainings, data reporting, expert partnership)	Kellogg partially funds the creation of informational booklets for growers. These booklets are printed in the local language, and cover better production practices. They are presented to the growers during a conference (also sponsored by Kellogg). However, this season 2020 due to the Covid-19 problem, a conference could not be conducted. However, a booklet has been elaborated with the title "Flint corn: Sustainable production and grain quality". Normally, this conference is attended by growers in the region, who source to Kellogg's suppliers (DACSA, and their aggregators). The growers who receive the booklet are the same ones who grow flint corn for these suppliers. Kellogg also supports the growers throughout the project by contracting a professor from University of Rosario, to help growers during their production and to gather information from the growers for the KGS.	None needed
E6	Environmental Risk Assessment (including deforestation and	No change from last years . Biggest risk is not wearing PPE, and worker safety.	None needed

	water) (if high risk, mitigation plan)	Dave will send through a revised version of the risk assessment. Not aware of the issue action team. More of a supplier level, and not at a grower level.	
Governance			
G2	Programs are with contract suppliers of the life of the project (consistency)	Halfway through a 3 year agreement with DACSA. DACSA is a strategic supplier for Kellogg.	None needed
G3	Volume proxy = total sourcing	The conversion rate as indicated by Kellogg (2) was confirmed by DACSA	None needed
G4	3rd party assessment of reputational risk and internal risk assessment	No change from last years: Kellogg's works with Technoserve to identify risks in priority ingredients and each region. This risk assessment is focused on small holders and does not include the Argentina corn supply chain. The risk assessment and outlined action plans for identified risks were considered sufficient.	None needed

Supplier-level findings

Supplier level information was checked at the suppliers' headquarters in Valencia, Spain. This included a document review where existing and relevant documentation for each point was checked. In addition, interviews were held with responsible personnel within the company for this project.

No non-conformities were found at this level.

Criteria:		Findings:	Corrective Action Plan:
Environmental			
E2	Supplier reports to CDP Supply Chain (including Scope 1 & 2 emissions)	DACSA has a CDP (Carbon Discloser Project) based on identifying the nature of the company and establishing annual environmental goals to achieve the reduction of carbon emissions. Based on the collection of data from the factories located in Valencia, Seville and Liverpool, "Strategic Plans" are developed on issues related to the Carbon Footprint, setting social and Sustainable Objectives and setting deadlines for achieving them. For the 2019 season, the information was presented on 31/07/2019 (confirmed on 31/07/2019), and for this 2020 season, the information was presented on 20/08/2020 (confirmed on 20/08/2020). There is no third party verification of the program so far (that means, the level has been not calculated by the program to date).	None needed

		<p>Likewise, the DACSA plant located in Portugal has an EIC certificate (Declaration PAS 2050: 2011, signed on 30/09/2019). This certification is related to the reduction of energy consumption and the Carbon Footprint.</p> <p>Related to Environmental issues, DACSA's roadmap also includes water security for the Liverpool and Valencia plants (related to reducing water consumption).</p>	
E5	<p>Kellogg engaged in annual support with project plan in place (ie. Funding for trainings, data reporting, expert partnership)</p>	<p>DACSA takes part and helps fund workshops and trainings for the growers. These workshops are periodically performed. Previously, workshops used to cover just agronomic practices related to the production of flint corn in Argentina. Currently, this workshops are incorporating aspects related to the responsibly Sourced Criteria (like the use of EPP and other health and safety topics), market, DACSA has carried out booklets / brochures with Kelloggs participation - Flint corn: Sustainable production and grain quality, Efficient nitrogen management in Flint Corn and Optimizing the management of Flint Corn crop (among others). DACSA collaborates with ACA and Cargill seedlings in improving varieties and qualities of them. Economically support by DACSA and Kelloggs through the University (testing in the fields to improve varieties). Variety trials of the DK7210VT3Pro and NT426 varieties have been carried out in the 2020 season by the University of Rosario (on the suppliers' farms).</p>	None needed
Social			
S1	<p>3rd party validation of compliance to social accountability programs</p>	<p>DACSA has completed a 4-pillar SMETA audit (crop monitoring, audit plan, reception, sampling and analysis, shipping) in Liverpool, Sevilla, Valencia and Poland. Approved in May / 2018, it must be validated every 3 years.</p> <p>Eg. Liverpool: certificate ZS1074787 (code ZAA407434599 conducted on 23/07/2019), Valencia: certificate ZAA404181299 (conducted on 16/05/2018) Poland: certificate ZS1011447 (code ZAA406070948 conducted on 26/03/2019).</p>	None needed
S3	<p>All suppliers have signed the Kellogg Code of Conduct</p>	<p>Signed by DACSA on 17/10/2019 (by Sara Lopez Gimenez - Food Safety Director of the Group) corresponding 2019/2020 season.</p>	None needed
Governance			
G1	<p>Farms with the above criteria must sell into</p>	<p>DACSA is involved with growing 15.160,40 has (ACA) + 14.751 has (Cargill) + 1.400 has (ZyncAgro), Total surface: 31.311,40 has of flint corn. 237.966,64</p>	None needed

	Kellogg supplier (on average)	<p>tons/year of corn are grown. Average yield: 7,6 tons/ha.</p> <p>Season 2019/2020, DACSA sold 79.111 tons of Flaking grits (coming from 152.130 tons of corn raw material) to Kellogg's so far.</p> <p>Milling Grits : 52% conversion factor (multiplier for whole kernel corn to grits).</p> <p>DACSA is able to deliver higher (verified) quantities than contracted.</p>	
G2	Programs are with contract suppliers of the life of the project (consistency)	<p>DACSA produces flint corn with 3 suppliers (ACA, Cargill and ZyncAGro). There are contracts signed with each of them for a long term (2 or 3 years). Eg. DACSA framework agreement 2020 with ACA signed on 11/05/2017 (to be served from 01/03/2020 till 18/02/2021). Total amount: 10.000 tons.</p> <p>Also, DACSA has contracts signed with Kellogg for 3 years (called: Long Time Agreement base contract): Eg. 9 contracts signed to serve a total quantity of 79.111 tons.</p>	None needed
G3	Volume proxy = total sourcing	<p>DACSA is involved with growing 31.311,40 Ha of flint corn. From this, 237.966,64 tons of corn are grown (raw material).</p> <p>Season 2019/2020, Kellogg has contracted to DACSA 79.111 tons of corn (grits).</p> <p>The method of volume tracking used was the mass balance approach. All of the corn sold to Kellogg's is involved in the project. The volumes that DACSA sells to Kellogg represent only a fraction of the corn purchased from the growers (through DACSA). DACSA is able to deliver higher quantities than contracted (sustainable).</p> <p>DACSA works with COTECNA, SGS and CONTROL UNION to verify the identity of the corn. This companies evaluate the production of the corn at each stage, by visiting farmers involved in the project (at least once). At the time of shipment, the corn is traced back to the supplier of the supplier from which DACSA purchases from.</p> <p>A successful traceability test is conducted from one shipment from ACA. COTECNA nr report AV/2000258 (dated 24/06/2020). 11.000 tons Corn Flint.</p>	None needed

Farmer-level findings

Farmer level information was checked at the supplier’s headquarters by comparing paper surveys with the aggregated data sheet supplied by Kellogg.

Total number of surveys	29
Total HA reported on	31,311.40
Representing total HA for claim	
Total surveys checked	29

The chart below shows the calculation for each criteria, as conducted by the verifier after reviewing the survey responses with the supplier.

KPI	“Yes” % HA represented
Minimum/no till	100%
Cover crop/permanent cover	48%
Buffer Strips (Wind break rows and/or erosion barriers)	5%
Nutrient Management Plan	94%
Soil Tests Nutrient Applied Number of applications	
Laser Leveling	15%
Rainfed Irrigation	100%
IPM	100%
Deforestation	100%
Legal Use of Land	100%
Trainings health and safety	100%
Use of EPP	100%

Criteria:	Findings:	Corrective Action Plan:	
Environmental			
E3	<ul style="list-style-type: none"> Implemented conservation practices to this threshold (must meet 4 of 6) <ul style="list-style-type: none"> >60% conservation tillage 	<ul style="list-style-type: none"> •Conservation tillage: includes No till and minimum tillage: (100%) <ul style="list-style-type: none"> ACA: 94% No till (represents 23% of the total area) - 6 % Minimum till (represents 1,5% of the total area) - CARGILL: 100% No till (represents 69% of the total area) - ZincAgro: 100% No till (represents 23% of the total area). 	None needed

	<ul style="list-style-type: none"> • >40% cover crops and/or continuous cover • >20% buffer strips • >40% have a nutrient management plan in place • >50% practice laser leveling • >20% conservation irrigation practices (drip, channel, rainfed) 	<p>According to the overall calculation between the three suppliers, 100 % is reached based on the provided "2020 Kellogg Grower Survey".</p> <ul style="list-style-type: none"> •Cover crops and / or continuous cover: Stubble Retention + Permanent Soil Cover + Cover Crops: (48%) Cargill: Reached 48% (3 farmers has not answered anything) - ACA: Reached 10% (12 suppliers have not answered anything) - ZincAgro: 0% (2 farmers have not answered anything). According to the overall calculation between the three suppliers, 48% is reached based on the provided "2020 Kellogg Grower Survey". •Buffer strips: (5%) Cargill: reached 5% (11 farmer has not answered this question) - ACA: 0% (No farmer has answered this question) - ZincAgro: 0%. (Has not answered). According to the overall calculation between the three suppliers, 5% is reached based on the provided "2020 Kellogg Grower Survey". • Soil analysis (94%): Only one Cargill farmer does not conduct soil tests (although he does have the resources to conduct soil tests). The rest of the suppliers have answered that they carry out soil analysis and the results help them to make decisions. •Nutrient management plan (94%): Only two of the providers have not answered the question. •Laser leveling (15%): Only 4 suppliers (representing 15%) perform laser leveling. Of the total of suppliers, 2 have not answered this question. •Conservation irrigation practices (0%). None of the suppliers practices irrigation for the requested crop. 	
E4	<p>Implemented conservation practices to this threshold (all should be met)</p> <ul style="list-style-type: none"> • 100% implementing an integrated pest management plan • 100% no deforestation 	<p>According to the provided "2020 Kellogg Grower Survey", 100 % of the suppliers has an Integrated Pest Management (IPM). 100% of the suppliers have answered that they use Integrated Pest Management practices. However, 4 of them (representing 3% of the total), have declared that they are educated themselves using books or the internet. The rest have received formal training.</p> <p>100% of the farmers have signed a self- declaration of non-deforestation and legality right of the land. Deforestation and legality of land use are not currently within scope for the Kellogg Grower Survey.</p>	None needed

	<ul style="list-style-type: none"> 100% legal right to farm the lands 		
Social			
S2	<p>Farm workers are supported by</p> <ul style="list-style-type: none"> 100% are trained in Health & Safety 100% indicating the use of PPE 	<p>Health and safety trainings: All "yes" answers were counted. Producers associated with 93% of the hectares represented have answered "yes", thus they or their farm workers have regular access to health and safety training. 7 suppliers (representing 7% of the total area) have not answered the question. These suppliers declare that they have no contract workers. The question states: "Do you and workers on your farm have regular access to health and safety training?" It is not possible to know if the farmers have received training in Health and Safety. None of the answers has been "no".</p> <p>Use of PPE: All the answers have been "yes" (100% of the farmers indicated the use of PPE). However, 2 farmers state that they did not receive formal training in the use of PPE (representing 6% of the total production area).</p>	None needed

Conclusions

Control Union (CU) greatly appreciated the cooperation from the representatives of Kellogg and DACSA during the duration of this verification. Both parties provided the transparency needed to successfully verify the supply chain as “responsibly sourced.” CU concludes that the flint corn used for the production of corn flakes on the European market in 2021 was sourced responsibly in 2020 as per the criteria in the Responsible Sourcing program of Kellogg.

For future verifications, CU recommends Kellogg to consider having an on-farm portion of the verification, so as to assess growers’ survey answers with in-person assessments from the field.

Control Union Certifications North America LLC.

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Annex I: Photos



Photo 1: Example of training material created with Kellogg's, DACSA, and consultants

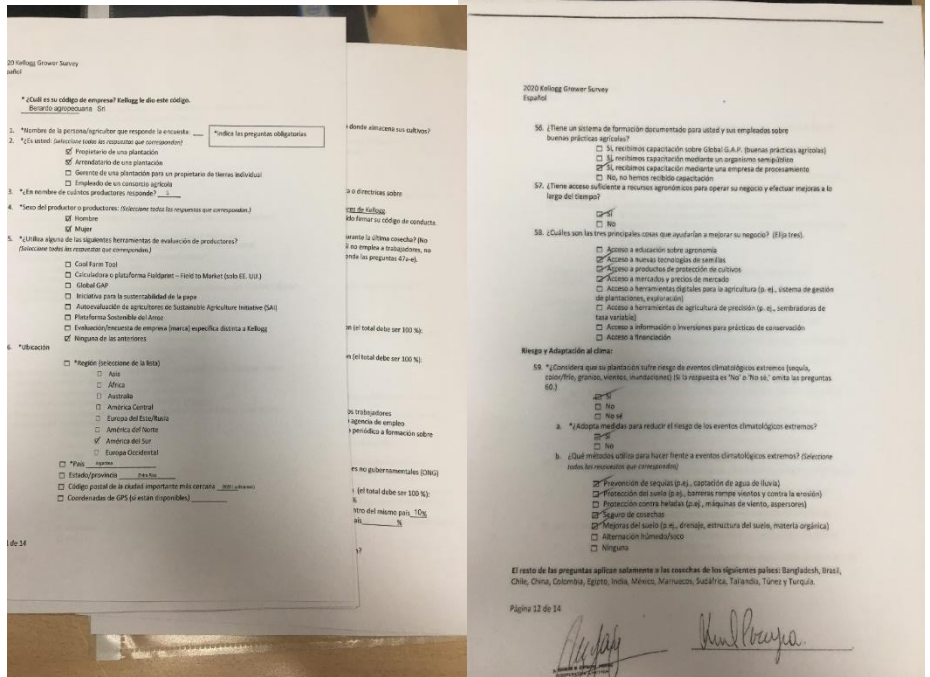


Photo 2: Examples of completed surveys – signed by the growers who completed them.

Buenos Aires, Jueves 05 de Marzo de 2020
ACA COOP. LTDA. 2020
 CLIENTE: ACA COOP. LTDA.
REPORTE DE LOTES

ID	Fecha Siembra	Hect.	Ubicación Satelital	Productor	Lugar	Establecimiento	Híbrido	Lindero Oeste	Lindero Este	Lindero Norte	Lindero Sur
149	6/9/2019	93.60	S32°30'19,62" W59°08'33,44"	BERARDO AGROPECUARIA	ROSARIO DEL TALA, Entre Ríos	EL JAGUAL	ACA 514	MONTE/RASTROJO DE SORGO	MONTE	RASTROJO	RASTROJO DE MAIZ
154	15/9/2019	91.00	S32°53'46" W59°42'12,13"	BERARDO AGROPECUARIA	GUALEGUA Y, Entre Ríos	GRAL NAZAR	ACA 514	CAMPO NATURAL	CAMPO NATURAL	MAIZ TARDIO	CAMPO NATURAL
153	17/9/2019	130.00	S32°51'50,49" W59°44'56,67"	BERARDO AGROPECUARIA	GUALEGUA Y, Entre Ríos	GRAL NAZAR	ACA 514	CAMPO NATURAL	SOJA	MAIZ TARDIO	CAMPO NATURAL
155	17/9/2019	68.50	S32°53'14,47" W59°41'11,86"	BERARDO AGROPECUARIA	GUALEGUA Y, Entre Ríos	GRAL NAZAR	ACA 514	TRIGO	TRIGO	TRIGO	CAMPO NATURAL
151	20/9/2019	86.00	S32°39'26,13" W59°38'33,64"	BERARDO AGROPECUARIA	GUALEGUA Y, Entre Ríos	SANTA CATALINA	ACA 514	CAMPO NATURAL	SOJA	SOJA	MAIZ
151	20/9/2019		Lindero SO	BERARDO AGROPECUARIA	GUALEGUA Y, Entre Ríos	SANTA CATALINA	ACA 514	CAMPO NATURAL	SOJA	SOJA	MAIZ
152	21/9/2019	75.30	S32°39'24,9" W59°39'34,68"	BERARDO AGROPECUARIA	GUALEGUA Y, Entre Ríos	SANTA CATALINA	ACA 514	SOJA	SOJA	SOJA	MAIZ
152	21/9/2019		Contra lindero Sur	BERARDO AGROPECUARIA	GUALEGUA Y, Entre Ríos	SANTA CATALINA	ACA 514	SOJA	SOJA	SOJA	MAIZ

Photo 3: Example of crop production records, showing seeding date, variety, location of farm.

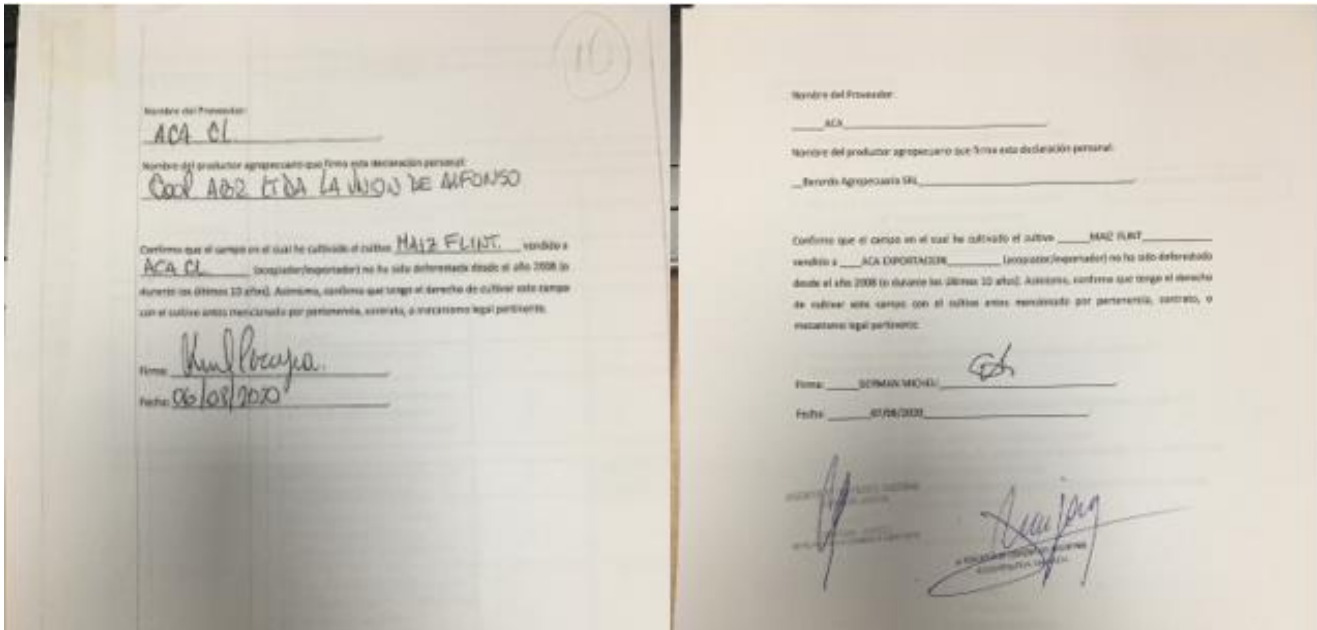
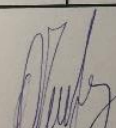
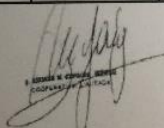


Photo 4: Examples of the Farmer verification statements, indicating that the growers have not participated in any deforestation and the lands that they farm on are being used legally.

ACA 8

Info general			
Nombre del Acopio	Berardo Agropecuaria		
País	Argentina		
Fecha	05/08/2020		
Persona de Contacto	Germán Micheli		
correo electrónico de contacto	gmicheli@bsrl.com.ar		
Complejidad	Compra sus granos directo de productores, o de traders?	SI	
	Cual es el % de productores y de traders?	100% PRODUCTORES	
	Cuantos productores/traders le suministran grano?	1	
Contratos	Existen contratos firmados entre productores/traders/grupos firmados?	SI	
	Los mapas de los campos son guardados?	SI	
	Existe una lista de productores que muestre el tamaño y la posición donde cada productor se encuentra?	SI	TODOS LOS LOTES ESTAN GEOREFERENCIADOS
Compromiso	Existe un método para guardar datos de volúmenes producidos?	SI	PLANTA SILO Y SILO BOLSA
	Existe una lista de productores, mostrando los volúmenes suministrados por cada productor?	SI	
	Existe un método para comunicarse con todos los productores de su grupo en cuanto a compromiso y responsabilidad de suministro de grano?	SI	

ASOCIACION DE AGROPECUARIAS ARGENTINAS
 COOPERATIVA LIMITADA
OSCAR L. TORIGLIO
 Jefe Coordinación y Evaluación
 Sucursal Rosario

Photo 5: Example of risk assessment for the group level