

Deforestation Context

Deforestation has been identified as the second leading cause of climate change, behind fossil fuel consumption, accounting for roughly 10% of global greenhouse gas emissions¹. Deforestation also contributes to the loss of biodiversity, desertification, soil erosion, flooding and livelihood disruption for forest dependent communities. Knowing this, in 2010, Kellogg Company and other members of the Consumer Goods Forum (CGF) approved a resolution to “achieve zero net deforestation” by 2020². In 2014, Kellogg Company, along with 200 other peer companies, NGOs, governments and indigenous community groups endorsed the New York Declaration on Forests, which pledged to halve the rate of deforestation by 2020, eliminate deforestation by 2030, and restore millions of acres of degraded land³.

Despite widespread support, these ambitions have not been achieved. Since 2010, deforestation rates have climbed, particularly in tropical primary forest⁴ areas. More than 58 million hectares of global forest have been lost due to commodity driven deforestation⁵ from 2010 to 2018. Activities associated with the growing and production of palm oil, soy, paper and pulp and cattle ranching are the primary causes of agricultural commodity related deforestation⁶.

There are many reasons for why deforestation has not declined or ceased:

- Lack of coordination by companies and organizations resulting in siloed intervention strategies and disjointed initiatives;
- Focus on individual supply chains and suppliers versus addressing complex, interconnected root causes;
- Inconsistent national government enforcement of existing regulations;
- Increasing import of goods by countries with weak regulations regarding responsible sourcing;
- Complex supply chains that hinder efforts for full traceability of goods and materials;
- Opaque supplier company ownership structures that make it difficult to identify those accountable for deforestation violations; and
- Large-scale initiatives, like certification, that have not sufficiently integrated smallholder farmers and forest dependent communities.

Even though illegal deforestation has not stopped, there has been some progress over the last decade. Certification schemes used for palm oil and timber have shifted 20% of production to more sustainable methods and are seeing wider adoption throughout multiple industries⁷. Demand signals from investors and consumers continue to increase as

¹<https://www.rainforest-alliance.org/articles/relationship-between-deforestation-climate-change>

²<https://www.theconsumergoodsforum.com/initiatives/environmental-sustainability/key-projects/deforestation/>

³<https://forestdeclaration.org/>

⁴ Natural, mature forests that have not been cleared and regrown in recent history (i.e. the past 30–50 years)

⁵ Long-term, permanent conversion of forest and shrub land to a non-forest land use such as agriculture (including oil palm), mining, or energy infrastructure (<https://science.sciencemag.org/content/sci/361/6407/1108.full.pdf>)

⁶<https://science.sciencemag.org/content/361/6407/1108>

⁷<https://www.weforum.org/agenda/2019/01/we-have-a-year-to-halt-deforestation-heres-how-to-do-it/>

these issues gain more attention from mainstream stakeholders, further solidifying the benefits of responsible sourcing efforts. In the palm oil industry, almost all major suppliers and producers have adopted and are implementing No Deforestation, No Peat, No Exploitation (NDPE) strategies and have mostly eliminated deforestation within owned operations. Supply chain traceability and transparency has greatly improved in some areas. Many companies and brands, like Kellanova, are publishing more information around high-risk commodities, such as mill lists for palm oil sourcing⁸. Increased satellite monitoring programs have helped identify the exact location of deforestation activities, tracked tree cover change over time and shown where resources should be focused.

As Kellanova, we are taking these learnings from the past and applying them to the future. Approaching issues like deforestation with a collaborative and transparent approach is key for driving long-term, transformative change.

Kellanova Approach

As a global food company, we know we have a responsibility to engage our supply chain, our suppliers and our industry to drive faster, more effective action to combat deforestation. We have focused our deforestation-related efforts on palm oil, soy and paper and pulp. Although we are a small user of palm oil and soy from high-risk regions, these commodities have been identified through materiality assessments and stakeholder consultations as having significant social and environmental risk.

Though deforestation is a global issue, the solutions and actions to curb it must be regionally relevant. It is through this lens that we can accelerate our efforts to protect remaining forests, restore degraded areas and direct funding and investment to efforts that will provide the greatest impact. Using the framework of "Protect, Restore and Fund,"⁹ we will deliver nature-based solutions that take into account both environmental and social elements at the global and local level. We will partner with suppliers, farmers, peers, customers, civil society, communities and governments to protect vulnerable, biodiverse areas and ecosystems. We will work collaboratively to restore degraded forest landscapes and we will fund on the ground efforts to achieve these goals. We know that these are steps in the right direction and achieving a positive forest future will take time, money, effort and the participation of many.

Our deforestation action plan will also support our broader corporate goals, outlined in our [Kellanova's Better Days™ Promise strategy](#), including creating a climate-positive future, conserving natural resources and creating resilient supply chains for generations to come.

Protect & Restore

Forests are an essential part of our global environment. They provide invaluable services to

⁸ <http://crreport.Kellanovacompany.com/download/Kellanova+Mill+List+2018.pdf>

⁹ <https://www.youtube.com/watch?v=TL2swGjau8w>

the planet and support the livelihoods of more than a billion people¹⁰. Yet, since the industrial revolution, almost half of global forests have been lost or degraded because of human activity and only 15% of intact forests remain¹¹. We must protect our remaining forests and actively restore vital areas of forests and ecosystems that have been lost or degraded. Not only do forests directly support 25% of the world's population, they are a valuable ally in the fight against global warming. Deforestation accounts for 10% of global carbon emissions. However, healthy forests have the potential to mitigate 23% of global emissions with appropriate management¹².

As a result of the lessons we have learned over the last decade, we have designed our current approach to prioritize both larger holistic, multi-stakeholder regional projects and smaller scale direct interventions to more effectively protect and restore forests.

On the Ground Interventions

We must participate in jurisdictional and landscape approaches that drive industry collaboration, multi-stakeholder inclusivity and avoid duplication of actions. Projects should seek to incorporate elements of either forest protection, restoration or a combination of both. To identify right-fit projects that will allow Kellanova support to be the most impactful, we are collaborating with groups such as Tropical Forest Alliance 2020, the Consumer Goods Forum, NGOs and others.

In addition to jurisdictional and landscape approaches, we will collaborate on focused projects that provide direct support to smallholder farmers and forest communities. We acknowledge that past and current supply chain models have not adequately allowed for the participation, input and support of independent smallholders and forest reliant communities. Lack of access to resources such as fertilizer, high quality plants and best practice cultivation techniques has meant that the majority of independent smallholder operations are not achieving their full yield potential. This has led to additional land conversions and, at times, illegal deforestation¹³. By addressing the root causes of deforestation activities and supporting community-based interventions, we hope to provide access to high quality inputs and best practice farming techniques to increase yields of existing plots and integrate smallholders into supply chains more directly.

For all areas, we recognize the right of forest communities to self-determination, as codified in the [United Nations Declaration on the Rights of Indigenous Peoples \(UNDRIP\)](#), including the right to freely pursue economic, social, and cultural development through the management and use of natural resources such as forests¹⁴.

¹⁰ <http://www.fao.org/forestry/livelihoods/en/>

¹¹ <https://www.wri.org/our-work/topics/forests>

¹² <https://www.wri.org/blog/2018/10/numbers-value-tropical-forests-climate-change-equation>

¹³ <https://www.wri.org/blog/2018/04/intensification-smallholder-farmers-key-achieving-indonesia-s-palm-oil-targets>

¹⁴ <https://www.forestpeoples.org/en/guiding-principles/343>

Supply Chain Management

Along with these new engagement models, we will continue to execute the foundational parts of our current supply chain management and risk mitigation programs, including requiring suppliers to:

- Adhere to our Global Supplier Code of Conduct¹⁵, which includes expectations regarding business integrity, quality, health and safety, labor standards, sustainability and land use, and management practices;
- Adhere to the principle of Free, Prior and Informed Consent of Indigenous Peoples¹⁶;
- Adhere to and advance the CGF Priority Industry Principles¹⁷;
- Support Kellanova requests for collaboration, information, or action related to sustainability issues;
- Begin referencing the Accountability Framework¹⁸ to drive standardized reporting methods.

We also reaffirm our alignment to definitions outlined in the High Carbon Stock Approach (HCSA)¹⁹. These include, but are not limited to, high conservation areas (HCV), primary forest, secondary forest, high forest cover land (HFCL), degraded land, etc. We will work with our suppliers and their supply chains to halt all new development of High Conservation Value and High Carbon Stock areas, utilizing the HCSA process as a basis.

Fund

Despite their potential for mitigating up to 23% of global carbon emissions, forests only account for 3% of climate mitigation related funding²⁰. The global community must be willing to fund the projects and initiatives necessary to effectively protect and restore forests.

This is why Kellanova has committed to fund initiatives and projects like jurisdictional approaches and support for smallholder farmer and forest communities. We will also drive action within high-risk commodity industries such as palm oil, soy and paper and pulp. Through collaborative partnerships and actions, we will apply our past learnings to ensure a forest positive future.

Commodity-Specific

In addition to our broader strategic actions outlined above, Kellanova is also working within our individual commodity supply chains to drive sustainable practices within our own operations, with our suppliers and within the industry.

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<http://crreport.kellanovacompany.com/download/Kellanova+Company+Global+Supplier+Code+of+Conduct+2018+FINAL.pdf>

¹⁶ <https://www.ohchr.org/Documents/Issues/IPeoples/FreePriorandInformedConsent.pdf>

¹⁷ <https://www.theconsumergoodsforum.com/initiatives/social-sustainability/key-projects/priority-industry-principles/>

¹⁸ <https://accountability-framework.org/>

¹⁹ <http://highcarbonstock.org/wp-content/uploads/2017/05/HCSA-Toolkit-v2.0-Module-1-Introduction-190917-web.pdf>

²⁰ <https://www.wri.org/blog/2018/10/numbers-value-tropical-forests-climate-change-equation>

Palm Oil

We are committed to sourcing palm oil produced in a manner that is environmentally, socially and economically sustainable. Our goal is to see sustainable palm oil become the norm, not the exception. To combat palm oil associated deforestation we have revised and updated our global palm oil strategy.

In our own operations, we will work toward 100% physically certified palm oil by the end of 2025. We will also move beyond transactional purchasing practices and continue to build robust partnerships with key suppliers to achieve our goals. We are also looking beyond certification to support on the ground projects and accelerate the pace of change in this industry. To do this, Kellanova is developing an "Impact Incubator" to support smallholders and forest communities, in recognition of the fact that current certification and supply chain models have not been effectively inclusive of these groups. We will partner with trusted NGO partners and actively seek input from local civil society and community stakeholders to develop this program.

Soy

Globally, the majority of our soy is sourced from low deforestation markets. In 2018, approximately 97% of soy ingredient volumes for our North and South American markets were sourced from low-risk countries. For volumes sourced near high conservation value areas and vulnerable ecosystems, we will continue to push our suppliers to provide more and better traceability data to verify that their operations are neither directly or indirectly associated with illegal deforestation activities. We will also use the CGF's Sustainable Soy Sourcing Guidelines²¹ to engage our soy-based ingredient suppliers and encourage the implementation of strategies that support or incentivize sustainable soy production and avoided land use change.

Our mitigation efforts are primarily focused on the highest risk regions within the Brazilian Amazon, including Mato Grosso and the Cerrado. Suppliers sourcing from Brazil must maintain compliance with the Brazilian Forest Code and are encouraged to consult the IBAMA²² list before secondary purchases. To further signal our support for forest positive solutions and advocate for sensible ecosystem protection at the country level, we are supporters of the Amazon Soy Moratorium (ASM)²³ and signatories to the Cerrado Manifesto²⁴.

Paper/Pulp

We have achieved our goal to source 100% of timber-based packaging material from recycled content or certified sustainable sources²⁵. This includes primary/consumer

²¹ <https://supplychain.edf.org/resources/cgf-sustainable-soy-sourcing-guidelines/>

²² <https://www.encyclopedia.com/humanities/encyclopedias-almanacs-transcripts-and-maps/brazilian-institute-environment-and-renewable-natural-resources-ibama>

²³ <https://www.greenpeace.org/usa/victories/amazon-rainforest-deforestation-soy-moratorium-success/>

²⁴ https://d3nehc6yl9qzo4.cloudfront.net/downloads/cerradomanifesto_september2017_atualizadooutubro.pdf

²⁵ http://crreport.Kellanovaccompany.com/download/Responsible+Sourcing+Milestones+2018+--+FINAL_updated.pdf

packaging, secondary/in-store packaging, and tertiary/distribution packaging. The majority of our timber-based packaging material is derived from recycled content.

When virgin materials are used, we require certification for all virgin fiber material sourced from high-risk countries, aligned to the Consumer Goods Forum list^{*26}. Accepted certification schemes are those issued and managed by established global third-party programs like the Forest Stewardship Council and Rainforest Alliance. Starting in 2020, we began to further prioritize certification schemes that have been recognized by the CGF Sustainable Supply Chain Initiative (SSCI)²⁷. Suppliers are also encouraged to continue advancing traceability efforts for all high-risk countries and landscapes to the regional and jurisdictional level.

Cocoa

Kellanova is committed to sourcing cocoa produced in a manner that is environmentally, socially and economically sustainable by 2030. To achieve our responsible sourcing goal for cocoa, we partner with [Enveritas](#). This collaboration enables us to engage suppliers, conduct on-the-ground assessments, and foster community involvement in our cocoa sourcing efforts. The majority of our cocoa is sourced from West Africa, and as such, our initiatives are primarily focused in this region.

The Enveritas assessment encompasses a comprehensive range of social, environmental, and economic criteria, including child labor, forced labor, deforestation, and prohibited pesticide use. Leveraging recent advancements in AI and satellite imagery, the Enveritas system provides efficient, effective, and thorough assessments. This methodology emphasizes progress over perfection, targets smallholder farmers, and promotes community-specific interventions.

Our cocoa sourcing strategy is centered on continuous improvement and the inclusion of smallholders in our sustainability efforts. Where possible or required, regional execution may involve certifications such as Rainforest Alliance, as well as increased traceability efforts, polygon assessments, on the ground assessments, satellite monitoring, and robust supplier engagement to ensure compliance with relevant legislation. Where possible, we engage with local stakeholders to improve social and economic livelihoods in high deforestation risk areas.

²⁶ *Subject to revision; https://www.theconsumergoodsforum.com/wp-content/uploads/2017/10/Pulp_Paper_and_Packaging_Guidelines_June_21.pdf

²⁷ <https://www.theconsumergoodsforum.com/initiatives/sustainable-supply-chain-initiative/>

European Union Deforestation Regulation

We are committed and dedicate resources to ensuring full compliance with the [European Union Deforestation Regulation \(EUDR\)](#) requirements. Across both our European and UK operations, servicing the EU market, we have put in place systems to ensure compliance with the deforestation-free trading and due diligence requirements imposed on us by EUDR and which we will report on annually. We are implementing rigorous supply chain due diligence, traceability both upstream and downstream, and monitoring measures to verify that our products are deforestation-free and produced in accordance with sustainable practices.

As part of achieving this, we have amended our terms and conditions with suppliers for products destined for EU markets. This is intended to build greater confidence and trust in the due diligence information exchanged throughout supply chains. Through comprehensive assessments and partnerships with our suppliers, we aim to uphold environmental integrity while contributing to the global effort to combat deforestation. We expect our suppliers to comply with all legislation and continue to ensure our expectations are communicated through our code of conduct and contract clauses. Our commitment to transparency and accountability will guide our actions as we align with EUDR standards, as well as ensuring our suppliers and growers are along for the journey.

Kellanova has partnered with a third-party due diligence partner to support our efforts in EUDR compliance by implementing a three-stage verification process as follows:

1. Data collection & aggregation: EUDR data will be uploaded to our verification partners' web platform via API integration or excel import, including geolocation data and supplementary legality information. This web platform will act as a central repository for all the data.
2. Data analysis & compliance verification: The data will be automatically analyzed for EUDR compliance to check for deforestation and proof of compliance with eight legal indicators.
3. Compliance status: If all conditions are met, the plot is classified as compliant to EUDR. If any condition fails, the plot is classified as non-compliant; if there is evidence of deforestation, a desktop and field check can be initiated to verify these findings.

The remainder of this policy, including in respect of commodities, are not set in the context of EUDR compliance for the EU market. Instead, these are our goals and aims, as a responsible business, across our entire global operations.

Conclusion

As a responsible global corporate citizen, we recognize our responsibility to ensure our direct operations and supply chain activities are environmentally sustainable and respectful of the rights of all those associated with our business activities²⁸. Through these efforts, we are supporting the Sustainable Development Goals, including Goal 15 to “protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.”²⁹

We are supportive of the current industry direction toward partnership, collaboration, working beyond individual supply chains and bringing smallholder farmers and forest communities into the fold of certification and supply chain models. As we continue our journey to realizing a forest positive future, we will report our progress publicly and transparently and continue to share our learnings and best practices with our peers and stakeholders.

²⁸ https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf

²⁹ <https://sustainabledevelopment.un.org/sdg15>