



# 2019 Kellogg's Responsible Sourcing Verification Report

June 2020

## Contents

Scope of Verification .....	2
Summary of Supply Chain .....	2
Summary of Non-conformities.....	3
Farmer-level non conformities.....	3
Findings per level of assessment.....	3
Kellogg-level findings .....	3
Supplier-level findings.....	4
Farmer-level findings.....	7
Conclusions .....	11
Annex I: Photos .....	12

## 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.

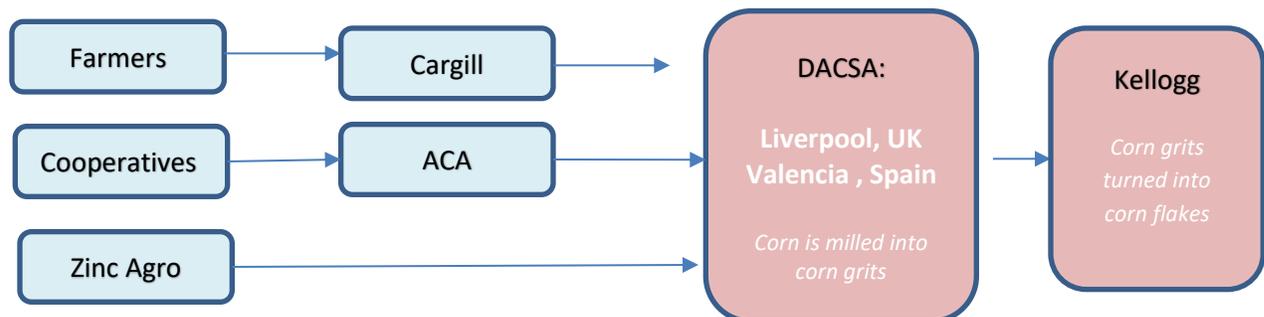
## Summary of Supply Chain

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. Because of the structure behind ACA, the Group Verification portion of the Protocol was created. 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 Argentina<sup>1</sup>. 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



<sup>1</sup> Argentina grows mainly GMO corn. Flint corn is non-GMO.

## Summary of Non-conformities

This section outlines the non-conformities found at each level of the supply chain. During this year’s verification, only one non conformity which was found at the farmer-level. All other requirements (at farmer level, Kellogg level, and supplier level) were in compliance.

An additional summary outlining the non-conformities and final results can be found in the document titled “4.20 Update 2019.12\_ Kellogg Group Claim Report.”

### Farmer-level non conformities

Social Non-Conformities			
S2	<p>Criteria:</p> <p>Farm workers are supported by</p> <ul style="list-style-type: none"> <li>100% are trained in Health &amp; Safety</li> </ul>	<p>Findings:</p> <p>Health and Safety Trainings: 2 growers responded to the survey saying that they did not have access to health and safety trainings.</p>	<p>Corrective Action Plan:</p> <p>Currently, 88.9% of growers are engaged in a formal health and safety training.</p> <p>Dacsa and Kellogg will reach out to the growers who answered “no” to clarify their responses and take corrective action where required</p> <p>NC CLOSED APRIL 2020</p>

The NC found was closed in April 2020 via the growers sending in signed documentation stating that they had participated in health and safety trainings. One of the growers works with labor brokers, and they confirmed that the labor broker supplies the workers with the required health and safety trainings.

## 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:
<b>Environmental</b>		
E5	Kellogg engaged in annual support with project plan in place (i.e.. Funding for, trainings, data reporting, expert partnership)	<p>Support for growers via best practice guides, workshops with Lucas in Argentina.</p> <p>None needed</p>

E6	Environmental Risk Assessment (including deforestation and water) (if high risk, mitigation plan)	<p>No change from last years: Kellogg created a risk assessment based on general research into corn production in Argentina, as well as on a more precise risk assessment created by the NGO service provider Technoserve. The risk assessment made by Kellogg shows that the corn production area could have been deforested. As part of the verification process, farmers are required to sign a self-declaration that the land used to grow the corn has not been deforested since 2008 or in the last 10 years.</p> <p>Biggest risk is not wearing PPE, and worker safety.</p>	None needed
<b>Governance</b>			
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	<p>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.</p> <p>The risk assessment and outlined action plans for identified risks were considered sufficient.</p>	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 help with responsible personnel within the company for this project.

No non-conformities were found at this level.

Criteria:		Findings:	Corrective Action Plan:
<b>Environmental</b>			
E2	Supplier reports to CDP Supply Chain (including Scope 1 & 2 emissions)	DACSA has completed an annual CDP (Carbon Disclosure Project) Supply Chain Questionnaire reporting emissions based on data collection from their factories located in Valencia, Seville, and Liverpool. DACSA currently do not carry out independent 3 <sup>rd</sup> party verification of this data. This season DACSA showed that they submitted the information on 7/31/2019 (confirmed by Kellogg).	None needed
E5	Kellogg engaged in annual support with project plan in place (ie. Funding for trainings, data reporting, expert partnership)	DACSA takes part and helps fund workshops and trainings for the growers. Three trainings in health and safety (PPE), Flint corn cultivation management in Nov/2018, were carried out. Farmers attending to the training represented approx. 9000 hectares. In training they are told about how to market their products and how to grow corn. DACSA has provided books / brochures with Kellogg's participation: Efficient nitrogen management in Flint Corn and Optimizing the management of Flint Corn crop. DACSA collaborates with ACA and Cargill seedlings in improving varieties and qualities of them. Economically support by DACSA and Kellogg's through the University of Rosario (testing in the fields to improve varieties).	None needed
<b>Social</b>			
S1	3rd party validation of compliance to social accountability programs	DACSA has completed a 4-pillar SMETA audit (crop monitoring, audit plan, reception, sampling and analysis, shipping) in Liverpool, Valencia and Poland. Approved in May / 2018, it must be validated every 3 years. Liverpool: certificate ZS1074787 (code ZAA407434599), Valencia: certificate ZS1080092 (ZC: 1010953) and Poland: certificate ZS1011447 (code ZAA406070948).	None needed
S3	All suppliers have signed the Kellogg Code of Conduct	Signed by DACSA on 17/10/2019 (by Sara Lopez Gimenez - Food Safety Director of the Group) corresponding 2018/2019 season.	None needed

Governance			
G1	Farms with the above criteria must sell into Kellogg supplier (on average)	<p>DACSA is involved with growing 9.749,5 has (ACA) + 16.128 has (Cargill) + 1.000 has (ZyncAgro), Total surface: 26.887,5 has of flint corn. 193.016 tons/year of corn are grown.</p> <p>Average: ACA (8,6 tn/ha), Cargill (6,8 tn/ha) and ZyncAgro (7,5 tn/ha).</p> <p>Season 2018/2019, DACSA sold 166.762 tons of corn to Kellogg's so far. Milling Grits : 50% conversion factor (multiplier for whole kernel corn to grits) = 83.381 Tn flint corn.</p>	None needed
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 2019 with Cargill signed on 13/09/2016 (for 2019/2020 season). 100.000 tons of corn. Also, DACSA has contracts signed with Kellogg for 3 years (called: Long Time Agreement base contract): Eg. Kellogg Valls Plant (9.334 TN) signed on 10/12/2018, Manchester Plant (55.813 TN) signed on 12/12/2018 and Wrexthan Plant (18.234 TN) signed on 12/12/2018. Supply period from 01/01/2019 to 31/12/2019.</p>	None needed
G3	Volume proxy = total sourcing	<p>DACSA is involved with growing 26.887,5 Ha of flint corn. From this, 193.016 tons of corn are grown (raw material).</p> <p>Season 2018/2019, DACSA sold 83.381 tons of corn to Kellogg's (grits).</p> <p>The method of volume tracking used was the mass balance approach. All of the corn sold to Kellogg is involved in the project. The volumes that DACSA sells to Kellogg represent a portion of the corn purchased from the growers (through DACSA).</p> <p>DACSA works with COTECNA, SGS and CONTROL UNION to verify the identity of the corn. These companies evaluate the production of the corn at each stage, by visiting different farmers involved in the</p>	None needed

		<p>project. 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. The report identified which grower groups/region produced for ACA for that shipment. Eg. Client: Kellogg Europe Trading Ltd - Product: Flaking Grits - Batch n°: 280119 - processing order dated on 24/01/2019 - quantity product: 25.460 kg - report carried out by COTECNA (n° Mv Galene MV on 19/04/2018)</p>	
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### 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	28
Total HA reported on	22,271
Representing total HA for claim	
Total surveys checked	28

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	68.5%
Buffer Strips (Wind break rows and/or erosion barriers)	0%
Nutrient Management Plan	88.64%
Soil Tests Nutrient Applied Number of applications	
Laser Leveling	3.7%
Rainfed Irrigation	97.43%
IPM	96.3%
Deforestation	100%
Legal Use of Land	100%
Trainings health and safety	88.9%
Use of EPP	100%

Criteria:	Findings:	Corrective Action Plan:
<b>Environmental</b>		
E3	<p>Implemented conservation practices to this threshold (must meet 4 of 6)</p> <ul style="list-style-type: none"> <li>• &gt;60% conservation tillage</li> <li>• &gt;40% cover crops and/or continuous cover</li> <li>• &gt;20% buffer strips</li> <li>• &gt;40% have a nutrient management plan in place</li> <li>• &gt;50% practice laser leveling</li> <li>• &gt;20% conservation irrigation practices (drip, channel, rainfed)</li> </ul>	<p>None needed</p>
	<p>•Cover crops and / or continuous cover: Stubble Retention + Permanent Soil Cover + Cover Crops  Cargill: Reached 92,30% (a farmer has not answered anything)  ACA: Reached 28,57% (10 suppliers have not answered anything)  ZincAgro: 100% (10 years)  According to the overall calculation between the three suppliers, 68,5% is reached. Globally (ACA + Cargill), based on the answers on the "2019 Kellogg Grower Survey Excel File RS Corn Aggregated) provided: Stubble retention: 7,4%, Permanent soil cover: 48,1% and Cover crops: 55,6% (Total: 37%)</p> <p>Total average reached:  ACA + Cargill: 37%  ZincAgro: 100%  Total: (100% + 37%) / 2 = 68,5%</p> <p>•Buffer strips:  Cargill: 0% (No farmer has answered this question)  ACA: 0% (No farmer has answered this question)  ZincAgro: 0%. (Has not answered).</p> <p>•Nutrient management plan:  Soil analysis (question 38):  Cargill: 61,53% (1 farmer answers that it does not perform soil analysis, 1 farmer answers that it performs them but does not take them into account and 3 farmers do not answer this question).  ACA: 85,71% (14 farmers performs soil analysis, but 2 of them do not take them into account to make decisions in the nutrient management plan).  ZincAGro: 100% (do soil analysis).</p>	

		<p>•Nutrient management plan (question 42):  Cargill: 84,61% of farmers have a nutrient management plan (2 of them do not have one).  ACA: 100% (all farmers have a nutrient management plan).  ZincAgro: 100% (has a nutrient management plan).  According to the overall calculation excel between ACA and Cargill provided, 40,7% is reached.</p> <p>Globally nutrient management pain:  Cargill: <math>(61,53\% + 84,61\%) / 2 = 73,07\%</math>  ACA: <math>(85,71\% + 100\%) / 2 = 92,85\%</math>  ZincAgro <math>(100\% + 100\%) / 2 = 100\%</math></p> <p>Total average reached: 88,64%</p> <p>•Laser leveling: just a farmer (3,7%)</p> <p>•Conservation irrigation practices:  ACA: 100% (rainfed operations, farmers do not practice irrigation).  Cargill: 92,3%, according to the "2019 Kellogg Grower Survey Excel File RS Corn Aggregated" performed (1 farmer has not answered this question. However, it is verified that in the documented checklists the farmer answered that it has no irrigation - possible error when filling out the 2019 Kellogg Grower Survey excel document).  Zincagro: 100% (rainfed operations. Does not practice irrigation).  Globally, taking into account the three suppliers average, 97,43 % is reached (One Cargill farmer did not answer the question).</p>	
E4	<p>Implemented conservation practices to this threshold (all should be met)</p> <ul style="list-style-type: none"> <li>• 100% implementing an integrated pest management plan</li> <li>• 100% no deforestation</li> <li>• 100% legal right to farm the lands</li> </ul>	<p>According to the "2019 Kellogg Grower Survey Excel File RS Corn Aggregated" provided, 96,3% of the farmers has an Integrated Pest Management (IPM).  Cargill: 100% of the farmers.  ACA: A farmer answered "no" (however, IMP are detailed in the rest of the questions).</p>	None needed

		<p>ZincAgro: 100%. Implemented pest management plan.</p> <p>100% of the farmers (ACA, Cargill and ZincAgro) have signed the declaration of non-deforestation and legality of the land. Deforestation and legality of land use are not currently within scope for the Kellogg Grower Survey.</p>	
<b>Social</b>			
S2	<p>Farm workers are supported by</p> <ul style="list-style-type: none"> <li>• 100% are trained in Health &amp; Safety</li> <li>• 100% indicating the use of PPE</li> </ul>	<p>Health and Safety Trainings: According to the "2019 Kellogg Grower Survey Excel File RS Corn Aggregated" provided, 88,9% of the farmers have been conducted a Health and Safety training. Cargill: 100%. <b>ACA: 85,71% (A farmer did not answer this question as he has no workers. A "no" answer has been filled out by two farmers.</b> ZyncAgro: 100% (yes).</p> <p>Use of PPE: According to the "2019 Kellogg Grower Survey Excel File RS Corn Aggregated" provided, 100% of the farmers indicating the use of PPE. However, 4 farmers declare that they did not received formal training in the use of PPE (2 Cargill farmers and two ACA farmers). Cargill: PPE: 100% ACA: 100% ZyncAgro: PPE: 100%</p>	<p>Currently, 88.9% of growers are engaged in a formal health and safety training.</p> <p>Dacsa and Kellogg will reach out to the growers who answered “no” to clarify their responses and take corrective action where required</p> <p><b>NC CLOSED APRIL 2020</b></p>

## 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 2020 was sourced responsibly in 2019 as per the criteria in the Responsible Sourcing program of Kellogg.

Based on the interviews and document reviews conducted by CU, the following non-compliance to the Kellogg Responsible Sourcing program were identified. The NC observed and recorded was closed in April 2020, and the corn is thus, considered Responsibly Sourced.

- Criteria S2 on farm level social practices (100% of workers have access to a health and safety training) was found to be reached by 88.9% of growers.
  - This was rectified by clarifying the growers responses and establishing that appropriate training had been received.

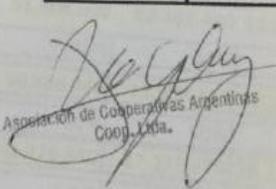
For future verifications, CU recommends Kellogg to consider having an on-farm portion of the verification, so as to assess growers’ survey answers with in-person assessments from the field.

Control Union Certifications North America LLC.

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## Annex I: Photos

CAMPAÑA ACA MAIZ FLINT		2018/19
COOPERATIVAS	HA	TN
CARABELAS	2707	25175
COLON	2328	21650
ALFONSO	1284	10657
VILLA CAÑAS	375	2925
RUCAMALEN	600	4500
ARROYO CABRAL	305	2135
CARRERAS	20	140
MARGARITA	55	385
CDC		
SARGENTO CABRAL	378	3213
WHEELRIGHT	144	1224
IRIARTE	102	816
VENADO TUERTO	755	6569
LEALSEM	662,5	4306
OLIVA	34	221
	9749,5	83916,7

  
 Asociación de Cooperativas Argentinas  
 Coop. Ltda.

del suelo

41. NO CORRESPONDE MAÍZ ARGENTINA, BORRADA.

42. ¿Qué prácticas de gestión de nutrientes utiliza? (Marque todas las respuestas que proceda)

- Plan de gestión de nutrientes
- Tasa recomendada basada en modelo de optimización del coste del fertilizante y el rendimiento del cultivo
- Tasa recomendada por programa de extensión universitaria o investigación agrícola
- Reducción de la labranza, incluidas labranza de conservación/labranza cero
- Rotación de cultivos o cultivo de cobertura con cultivos de fijación del nitrógeno como soja, alfalfa, legumbres, etc.
- Cultivos de cobertura sin fijación del nitrógeno
- Gestión del suelo y los nutrientes basada en mapas del suelo
- Fertirriego por goteo subsuperficial de alta eficiencia (inyección de fertilizantes, mejoradores de suelo y otros, mejoradores de agua y otras producciones solubles en agua en un sistema de irrigación)
- Colaboración con un agrónomo para evaluar y mejorar la eficiencia en el uso de nutrientes.
- Tasa general recomendada optimizada con datos atmosféricos
- Uso de inhibidor de nitrificación
- No utilizo ninguna de las prácticas de gestión de nutrientes detalladas anteriormente

43. ¿Nivela su terreno con láser o utilizando técnicas locales?

- Sí
- No

(A02)

Info general	
Nombre del Acopio	COOPERATIVA AGRICOLA GANADERA FEDERADA DE ARGENTINA VILLA CAÑAS LTDA.
País	ARGENTINA
Fecha	19-9-19
Persona de Contacto	GUSTAVO PASQUINI
Correo electrónico de contacto	GPASQUINI@COOPERATIVA FEDERADA.COM.AR

Pregunta	Contestación	Comentarios	
Complejidad	Compra sus granos directo de productores, o de traders?	DIRECTO DE PRODUCTORES	
	Cual es el % de productores y de traders?	100% PRODUCTOR	
	Cuántos productores/traders le suministran grano?	2	
Contratos	Existen contratos firmados entre productores/traders/grupos firmados?	SI	
	Los mapas de los campos son guardados?	SI	PODIENDO DARLE LOS MISMOS EN EL MOMENTO
	Existe una lista de productores que muestre el tamaño y la posición donde cada productor se encuentra?	SI EXISTE	
Compromiso	Existe un método para guardar datos de volúmenes producidos?	SISTEMA CONTABLE DE CEREALES	
	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?	VIA MAILS CORREO, ELECTRONICO Y WHATSAPP	

10/Coop. Agríc. Ganad. Federada de Villa Cañas Ltda.

## Health & Safety - PPE

Agenda, Oradores y Organización

MA - Localidad: Pergamino - Prov. BA

- Manejo del cultivo del maíz Flint
- Dr. Lucas Borrás (CONICET & F.C.A - U.N.R.)
- Health & Safety - PPE en el manejo de agroquímicos a campo
- Ing. Agr. María Virginia De Altube (U.N.R.)
- Requisitos documentales para el proyecto de Maíz de Fuente Responsable
- Mariano Gaig (ACA Exportación)
- ACA Pergamino workshop organization
- Ing. Agr. Andrés Pereyra - Breeder y Encargado del Campo Experimental
- Cadena de suministro del maíz flint - FSQR - otros :
- Ing. Agr. Juan Espejo ( Consultor Externo DACSA)



**Evidence of NC closure:**

- Pago indirecto mediante representante de los trabajadores
- Pago indirecto mediante un representante o agencia de empleo
- e. ¿Usted y los trabajadores de su explotación tienen acceso periódico a formación sobre seguridad y salud?
  - Sí, mediante mi agente
  - Sí, mediante agencias públicas
  - Sí, mediante oportunidades con organizaciones no gubernamentales (ONG)
  - No

- Pago indirecto mediante un representante o agencia de empleo
- e. ¿Usted y los trabajadores de su explotación tienen acceso periódico a formación sobre seguridad y salud?
  - Sí, mediante mi agente
  - Sí, mediante agencias públicas
  - Sí, mediante oportunidades con organizaciones no gubernamentales (ONG)
  - No

- Pago indirecto mediante un representante o agencia de empleo
- e. ¿Usted y los trabajadores de su explotación tienen acceso periódico a formación sobre seguridad y salud?
  - Sí, mediante mi agente
  - Sí, mediante agencias públicas
  - Sí, mediante oportunidades con organizaciones no gubernamentales (ONG)
  - No