

As outlined by the United Nations, water is a human right and one that is under intense pressure globally as water scarcity, urbanization and population growth further stress this resource. At Kellogg, we are working to reduce our water use worldwide, in our business and the communities where we source ingredients and make our foods.

We are making progress on reducing our water use across all of our facilities and implementing water reuse projects in a portion of our plants. In 2018, we reduced water use by 7.7 percent from 2017, and so far, we have reduced global water use by 13.4 percent from a 2015 baseline, and overall 23.7% since 2005.

We continue to reevaluate how we drive the most significant impact in the watersheds where we make our foods. We benchmarked with other companies, non-governmental organizations and other stakeholders to understand how they are assessing risk and prioritizing projects to mitigate water risks.

As part of this evaluation, Kellogg developed a global water risk assessment 2014 and updated it in 2018, engaging internal and external experts to evaluate physical water stress, regulation, usage, and business risk. Although only 23% of facilities are defined as having high water stress by the WRI Aqueduct Tool, our assessment identified 38 percent of our facilities as high risk from a combined internal and external perspective. Our high-risk manufacturing facilities are in South Korea, USA (Michigan, Tennessee, Nebraska, California, New Jersey, and Ohio), Australia, Egypt, Malaysia, Belgium, Mexico and India. Ratings were calculated for current and future trend (3-5 years) conditions. The future trends indicate that as much as 43 percent of our facilities will be categorized as high risk in the next 5 years.

The following outlines how we have assessed and defined water risk and how we expect to use these data.

Assessing Manufacturing Site-Level Water Risk

In our water risk assessment, sites are prioritized based upon:

- Internal Rating – an average score from survey questions covering current and future risks for Physical; Regulatory; and Social/Reputational.
- External Rating – an average score calculated from core WRI Aqueduct Indicators.

Ratings are based upon a 1 (Low) to 5 (High) scale, where an Internal Rating > 2.5 and/or an External Rating > 3.0 represents a high risk position. Ratings were calculated for Current and Future Trend (3-5 Years) conditions.

Internal Rating

An Excel-based survey was completed by each facility using 20 questions (4 opening context; 16 risk questions). For each question, the following scoring applies:

Current Risk Scoring:

- High Risk = 5
- Medium Risk = 3
- Low Risk = 1

Projected Future Risk Scoring:

- Risk Likely to Increase = Current Risk Score + 0.50
- Stay the Same = Current Risk Score
- Risk Likely to Decrease = Current Risk Score – 0.50

Internal Risk Illustration

Location Name	Overall Level of Risk	Opening Questions (35% weighting)*	Average of Questions 1–7 (35% weighting)*	Average of Questions 8–11 (20% weighting)*	Average of Questions 12–16 (10% weighting)*	Internal Rating = Weighted Average of All 4 Categories			
		Physical Risk	Regulatory Risk	Social/Reputational Risk	Internal Rating Current	Internal Rating Future			
Site A	5.00	3.67	3.25	3.50	3.00	3.50	3.88	4.08	3.86

*Weighting based on WRI Aqueduct recommendations for Food and Beverage Sector.

External Rating

Leading external indicators were utilized to provide an “external” perspective on location-specific risk conditions as described below.

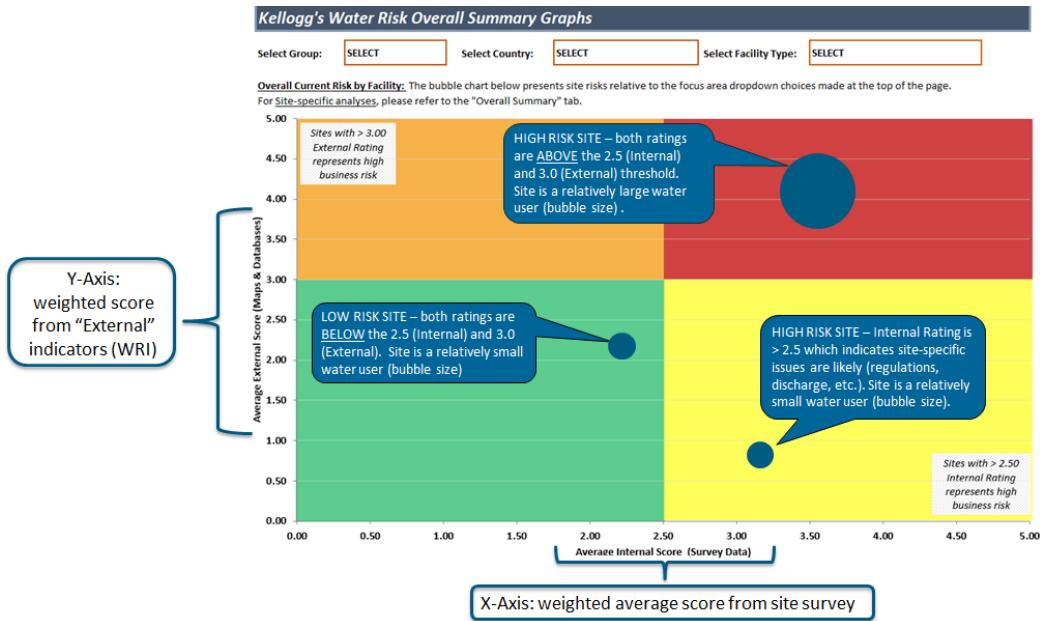
External Risk Illustration

Location Name	WRI Overall Water Risk	WRI Baseline Water Stress	WRI Baseline Water Stress - 2030 Projected		
Facility A	2.84	3.18	3.18		
Current Weighting				External Rating* Current	
	2.84 (40%)	3.18 (40%)	3.18 (20%)	Sum / 100% =	3.04
2030 Weighting				External Rating* 2030	
	2.84 (20%)	3.18 (20%)	3.18 (60%)	Sum / 100% =	3.11

Indicator Descriptions

- [WRI Overall Water Risk](http://www.wri.org/publication/aqueduct-global-maps-21-indicators) - identifies areas with higher exposure to water-related risks and is an aggregated measure of all selected indicators from the Physical Quantity, Quality and Regulatory & Reputational Risk categories. <http://www.wri.org/publication/aqueduct-global-maps-21-indicators>
- [WRI Baseline Water Stress](http://www.wri.org/publication/aqueduct-global-maps-21-indicators) – Baseline water stress measures the ratio of total annual water withdrawals to total available annual renewable supply, accounting for upstream consumptive use. Higher values indicate more competition among users. <http://www.wri.org/publication/aqueduct-global-maps-21-indicators>
- [WRI Baseline Water Stress - 2030 Projected](http://www.wri.org/publication/aqueduct-global-maps-21-indicators) – projection of baseline water stress taking into account projected water stress and climate change impacts for 2030 using a "Business as Usual" scenario based upon the International Panel on Climate Change (IPCC) Scenario A1B, which is the most realistic scenario with balanced emphasis on all energy sources (Fossil + Non-Fossil).

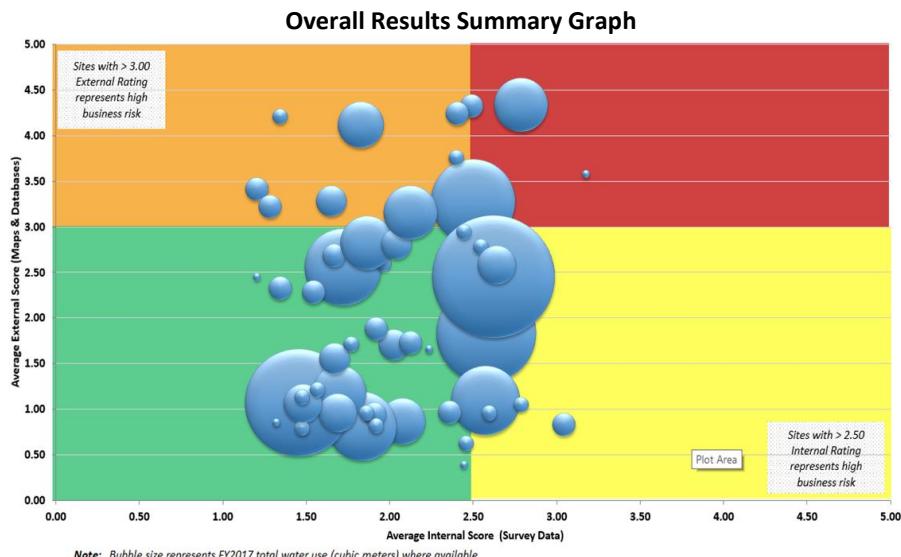
Summary Risk Rating Illustration



Outcomes

The assessment identified the following risk scenario of our manufacturing sites:

- 20 of 53 sites deemed high risk, they are located in Mexico (3), USA (9), Australia (1), India (2), Belgium (1), South Korea (1), Malaysia (1), and Egypt (2)
- 3 of these 20 had both internal and external ratings above the thresholds (2 in Mexico and 1 in the USA)
- 11 sites had a high-risk internal score, indicating that they have 'self-identified' that local, site level water risks exist to the level that business operations are impacted.
- 12 sites had a high-risk external score, suggesting that they should be on a "watch list" for changing conditions and further evaluated to ensure that the "local" perspective is properly assessing and mitigating the elevated risk conditions indicated by external data.
- It also projected that 4 sites may join the current 20 high risk sites in the next 5 years, as water stress trends increase in Russia and Spain



Mitigating Risk through Sustainability Action Plans

Our next steps will be focused on transferring the results of the assessment into action. The results will be shared and will inform our Senior Leadership, Enterprise Risk Management approach, Mergers and Acquisitions, our CapEx planning, our Stakeholder Engagement activities, and will be cascaded to our regional and site-level Environment, Health and Safety (EHS) and Engineering teams. In addition, this will be integrated in our reporting to the Social Responsibility and Public Policy Committee of the Kellogg Board of Directors.

The information from this assessment will allow us to evaluate common or shared issues across multiple facilities and opportunities to provide global/regional guidance and support. We will also evaluate sites that may not have high external and/or internal risk scores, but still face specific challenges (individual risk conditions) with the potential to impact the business. This information will be used to develop Facility Water Management Action Plans including internal and external activities. Examples of risk mitigation activities include:

- Training and awareness
- Water reduction, reuse, and recycle opportunities
- Minimization of non-essential water use for landscaping and irrigation – no freshwater
- Development of water-related Business Continuity Plans
- Evaluation and monitoring of watershed conditions
- Stakeholder mapping and engagement plans
- Water intensity and risk for key sourcing materials
- Proactive communication of water plans and performance (internal and external)

We will report annually on our progress to mitigate risk and reduce our water demand through our Corporate Responsibility Report and CDP Water response.