

## Overview

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 and responsible sourcing of our palm oil. All of the palm oil we use is sourced through a combination of the Roundtable of Sustainable Palm Oil (RSPO) Certified Segregated supply chain, RSPO Mass Balance mixed-source supply chain and the purchase of GreenPalm certificates.

Kellogg is committed to working with our global palm oil suppliers to source fully traceable palm oil to known and certified sources that are environmentally appropriate, socially beneficial and economically viable, in adherence to the following principles (see our [Global Supplier Code of Conduct](#) for additional details on our expectations):

- **Protect Forests**
  - No development of High Carbon Stock forests and High Conservation Value areas
  - No burning in the preparation of new plantings, re-plantings or any other developments
  - Progressively reduce greenhouse gas emissions on existing plantations
  - Adherence to all relevant national laws, as well as RSPO or equivalent certification criteria
- **Protect peat lands**
  - No new development on peat areas regardless of depth
  - Apply Best Management Practices for existing plantations on peat
- **Protect human and community rights**
  - Respect and support the Universal Declaration of Human Rights
  - Respect and recognize the rights of all workers regardless of gender, including contract, temporary and migrant workers
  - Prohibit use of forced and child labor, and human trafficking
  - Respect Land Tenure Rights, including the rights of indigenous and local communities to give or withhold their Free, Prior and Informed Consent to all new development or operations on lands to which they hold legal, communal or customary rights
  - Facilitate the inclusion of smallholders into the supply chain
  - Resolve all valid complaints and conflicts through an open, transparent and consultative process

## Implementation Plan

We are continuing work to implement the above commitments, set February 2015, in the following ways:

- Communicating this commitment to our direct suppliers.
- Requiring our suppliers to trace palm oil to plantations that are independently verified as legally compliant, meet the above principles for protecting forest, peat lands, human and community rights, and comply with all RSPO principles and criteria. Traceability reviews were completed at year end 2015 with action plans to close gaps currently underway in 2016.
- Participating as a member of the RSPO and requiring that 100 percent of the palm oil we use comes from suppliers that are RSPO members, and operate in compliance with the RSPO Principles and Criteria.
- Requiring, through our Global Supplier Code of Conduct (see link above), that our suppliers commit to ethical business practices, respecting human rights, and reducing their impact on the environment.
- Asking our suppliers to demonstrate a progressive reduction in the GHG emissions of the plantations that they source from and report on the GHG emissions of their operations.
- Supporting the Consumer Goods Forum pledge to help achieve zero net deforestation by 2020, as a member of the organization.
- Reporting annual progress for achieving the above commitment against which we publicly report.

### **Milestones**

#### *Progress 2008 - 2014*

Although Kellogg is a very small user of palm oil, we have directly engaged with our global palm oil suppliers since our work to responsibly source palm oil began in 2009. Each year, our progress has continued:

- In 2009 and 2010, we purchased GreenPalm certificates to cover some of our palm oil use.
- In 2011, we began purchasing GreenPalm certificates to cover 100 percent of our global palm oil use.
- In 2012, we began being using a combination of RSPO Certified Segregated and Mass Balance supplies of palm oil for Europe and continued our commitment to cover 100 percent of the remaining palm oil used globally with the purchase of GreenPalm certificates.
- In 2014, we began using RSPO Certified Mass Balance palm oil in the U.S. and continued our commitment to cover 100 percent of the remaining palm oil used globally with the purchase of GreenPalm certificates.

#### *Progress in 2015*

- All of the palm oil we use is sourced through a combination of RSPO Certified Segregated supply (7%), Mass Balance supply (69%), or covered by the purchase of GreenPalm certificates (24%). The data for past years has been adjusted slightly from our previous report, reflecting improvements in our data gathering, tracking and auditing process.
  - 100% of the palm oil we use in the U.S. and Canada is RSPO Certified Mass Balance and Kellogg facility audits were completed.
  - In Europe, we have achieved 92% RSPO Certified Segregated supply for palm oil used as a Kellogg ingredient (known as direct usage) with facility audits complete, and will achieve 90% RSPO Certified Segregated for palm that is used by our suppliers as an ingredient (indirect usage) by the end of the first quarter, 2016.
  - In Asia Pacific, we have seen a significant growth in our snacks portfolio resulting in an increase in procured palm oil. To address this growth, we are adjusting the palm oil sustainability strategy for the region. As a next step in this strategy, we are transitioning a portion of our palm oil usage in Asia Pacific to RSPO Certified Segregated supply in early 2016.
  - GreenPalm Certificates are purchased for any remaining global palm oil usage.
  - In 2015, 92% of palm oil purchased was traceable to mill and 23% traceable to plantation.

## Supplier Engagement

- Kellogg Company had at least two action planning calls with every supplier globally to ensure understanding of Kellogg Company policy, formation of action plan and to address region-specific questions.
- Kellogg Company implemented procurement protocols to ensure supplier sustainability and traceability is incorporated into all sourcing events.
- Kellogg signed agreements with KnownSources (FoodReg) to use their traceability tools to connect our suppliers to our supply chain sourcing for Indonesia and Malaysia. We expect this will ease the reporting burden/privacy concerns for our suppliers – a major obstacle for our suppliers which we have heard in our discussions with them – by aligning with other Consumer Packaged Goods companies using this tool.
- The top five Kellogg Company suppliers in 2015 were Cargill, Bunge, Sime Darby, ADM, and Loders Crokiaan, representing 90% of total palm volume purchased globally.
  - [CARGILL](#): Kellogg sources palm oil from Cargill in North America and Europe. Cargill is working with The Forest Trust to establish traceability to the plantation and identify and address risks in their palm supply chain. Cargill supply is 100% traceable to the mill and

is integrated into Kellogg tracking through the KnownSources traceability tracking platform.

- **BUNGE**: Kellogg sources palm oil from Bunge in North America. Bunge is working with The Forest Trust to establish traceability to the plantation and identify and address risks in their palm supply chain. Bunge is 96% traceable to mill and is in the process of integrating into Kellogg tracking through the KnownSources traceability tracking platform.
- **SIME DARBY**: Kellogg sources palm oil from Sime Darby's Jomalina Refinery, which is an Integrated RSPO Certified Fully Segregated Supply Line up to the plantation level. All 3 mills that supply to Kellogg Company (West Oil Mill; East Oil Mill; and Tanah Merah Mill) are certified as Fully Segregated under the RSPO Certification Scheme.
- **ADM**: Kellogg sources palm oil from ADM in North America. ADM recently announced their partnership with The Forest Trust to establish traceability to the plantation and identify and address risks in their palm supply chain. ADM is 89% traceable to mill and is in the process of integrating into Kellogg tracking through the KnownSources traceability tracking platform.
- **LODERS CROKLAAN**: Kellogg sources palm oil from Loders Croklaan in North America, Latin America, and Europe. Although they have made progress on their mill-level traceability (currently 94%), there have been reports of violations in their supply chain and is currently at risk of being suspended from RSPO due to noncompliance. At Kellogg we take these claims very seriously. As a measure to reduce the risk of deforestation in our supply chain, we are working to find alternate sources of palm for the ingredients that Loders provides Kellogg. We look forward to continuing to work with Loders on their ability to deliver a traceable, sustainable supply of palm oil that we may be able to integrate into our supply chain for the future.

### Kellogg Palm Oil Traceability Progress

