

# Integrating Responsible Sourcing into a Sustainability Strategy

September 14<sup>th</sup>, 2016

The logo for Kelllogg is written in a large, red, cursive script font. The letters are thick and have a slight shadow, giving it a three-dimensional appearance. The 'K' is particularly large and stylized, with a long, sweeping tail that extends to the left. The 'l' and 'o' are also very large and rounded. The 'g' at the end is also large and has a long, sweeping tail that extends to the right.

Mary Tate  
Manager  
Global Sustainability



**RICE KRISPIES**

**CHEEZ-IT**

*Sultana Bran*



**COCO POPS**

**Kellogg's**<sup>®</sup>

**Kashi**  
The Seven Whole Grain Company

**CORN FLAKES**

**ZUCARITAS**



**pop-tarts**

Special  
**K**

**Eggo**



**MorningStar Farms**

**FROSTED FLAKES**



**RICE BUBBLES**

*Kellogg's*  
**mini MAX**

**CHOCO KRISPIS**

# Why Sustainability at Kellogg

Our founder, W.K. Kellogg, believed in sustainability

Sustainability delivers for our business security

Our consumers care about how their food is made  
and the care that goes into the ingredients

- creating trust
- strengthening loyalty
- and driving demand



# Today's Agenda...

Setting Commitments

Execution: Stakeholder  
Engagement

Communication & Story  
Telling

A wide-angle photograph of a vast, golden field, likely a wheat or corn field, at sunrise. The sun is low on the horizon, creating a warm, golden glow across the sky and the field. A narrow path or furrow runs through the center of the field, leading towards a line of trees in the distance. The overall atmosphere is peaceful and hopeful.

## *Setting Commitments*

# Sustainability Commitments: Conserving Natural Resources

## CONSERVING NATURAL RESOURCES

**Energy** By 2020, expand low carbon energy use in plants by **50%**

Reduce energy, GHGE in plants by an additional **15%**



**Packaging**

Continue adding value to foods and the planet via increased resource-efficient packaging



**Water** By 2020, implement reuse projects in at least **25%** of plants, reduce usage by additional **15%** and continue watershed quality support



**Waste** By 2016, increase to **30%** number of plants sending zero waste to landfill.



**Energy**  
Focus on low carbon energy projects  
Energy Use and GHG Emissions goals

**Packaging**  
Focus on recycled content and certified sustainable materials  
Resource-efficient packaging

**Water**  
Focus on water reuse projects  
Water use reduction goals

**Waste**  
Focus on zero waste to landfill plants  
And food waste



## Why Does Responsible Sourcing Matter?

Sustainability unlocks the HUMAN and NATURAL goodness of our foods. It shows how Kellogg and its partners CARE for food, people and nature.

### FOOD CREDENTIALS

68% of consumers want brands be transparent about how their foods are grown and made... but only 15% think deliver. <sup>1</sup>



### BRAND RELEVANCE

92% people want to do business with companies that share their values, Millennials, worth \$200B global annual buying power <sup>1</sup>

# Expanding Our Commitments: Responsible Sourcing

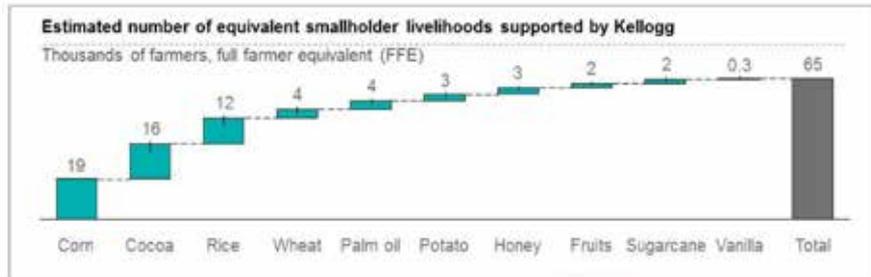
## Prioritization & Materiality:

- Based on risk and volume
- Technoserve Assessment

## Science Based Targets

## External Stakeholder Feedback

- NGO and partner review
  - WRI, Antea Group, CDP, WWF, CERES, SFL, Oxfam, TNC



Source: TechnoServe analysis using Kellogg sourcing data and individual country production and smallholder data from FAO, World Bank, IFAD, USAID, WEF, APAARI and various country specific reports.





## GLOBAL SUSTAINABILITY COMMITMENTS

Supporting the livelihoods of individuals, families and communities that rely on us and on whom we depend.

Conserving natural resources where our ingredients are sourced and our foods are made.

Driving consumer demand by building trust and love for our foods.

..... RESPONSIBLE SOURCING

**Ingredients / Materials**  
Responsible source priority 10 ingredients/materials by 2020

**Sustainable Agriculture**  
Support 500,000 farmers, focusing on Climate Smart Agriculture, to improve livelihoods

**Smallholder Farmers**  
Help improve livelihoods for 15,000 smallholder farmers in regions from which we source

**Women Farmers / Workers**  
Identify women in the value chain & develop programs to help improve their livelihoods, families and communities

..... CONSERVING NATURAL RESOURCES

**Energy**  
By 2020, expand low-carbon energy use in plants by 50% (net reduce energy GHG in plants by an additional 15%\*)  
By 2050 reduce GHG from our operations by 65% and work with direct suppliers to help reduce their GHG by 50%

**Packaging**  
Continue adding value to foods and the planet via increased resource-efficient packaging.

**Water**  
By 2020, implement reuse projects in at least 25% of plants, reduce usage by additional 15%\* and continue watershed quality support

**Waste**  
By 2016, increase to 30% number of plants sending zero waste to landfill

# Sustainability Commitments: Responsible Sourcing



**Ingredients/Materials**  
Responsibly Source 10+ Priority Ingredients  
Validate Social Compliance Using Sedex

**Sustainable Agriculture**  
Supporting 500,000 Farmers on Climate Smart Agriculture and improving livelihoods

**Smallholder Farmers**  
Supporting 15,000 Smallholders in the regions in which we source

**Women Farmers/Workers**  
Women's Empowerment  
Focus on women farmers and workers in the regions in which we source

**GHG Emissions Reduction**  
50% reduction in GHG emissions in our supply chain by 2050  
75% of suppliers engaged in CDP Supply Chain by 2020



## Responsible Sourcing Commitments: Ingredients/Materials

By 2020 Kellogg has committed to responsibly source our 10 priority ingredients through a combination of certification, direct investment in programs on the ground, and/or documented continuous improvement in the places where our ingredients are grown

Corn



Rice



Wheat



Potatoes



Fruits



Sugar Beets



Sugar Cane



Vanilla



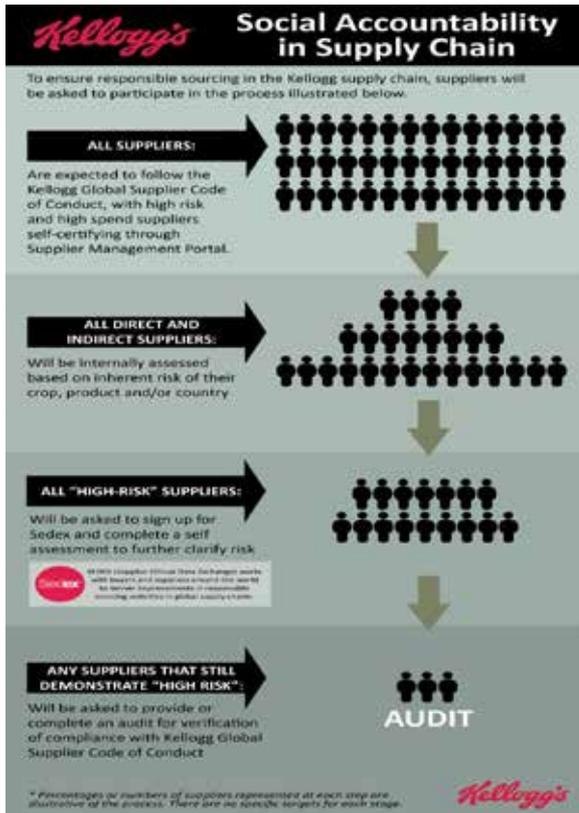
Cocoa



Palm Oil



# Responsible Sourcing Commitments: Social Accountability



## Code of Conduct

Verifiable commitment from Suppliers to adhere to the values espoused by Kellogg in keeping with International and Industry standards/expectations

## Sedex

Supplier controlled informational database for tracking SAQ information, individual site compliance, 3<sup>rd</sup> party social audits, and initial Risk Assessments

## Verisk Maplecroft

Social Risk identification and mitigation tool

## Audits

Third Party compliance verification



# Responsible Sourcing Commitments: Farmers & Women

Farmer  
Livelihoods



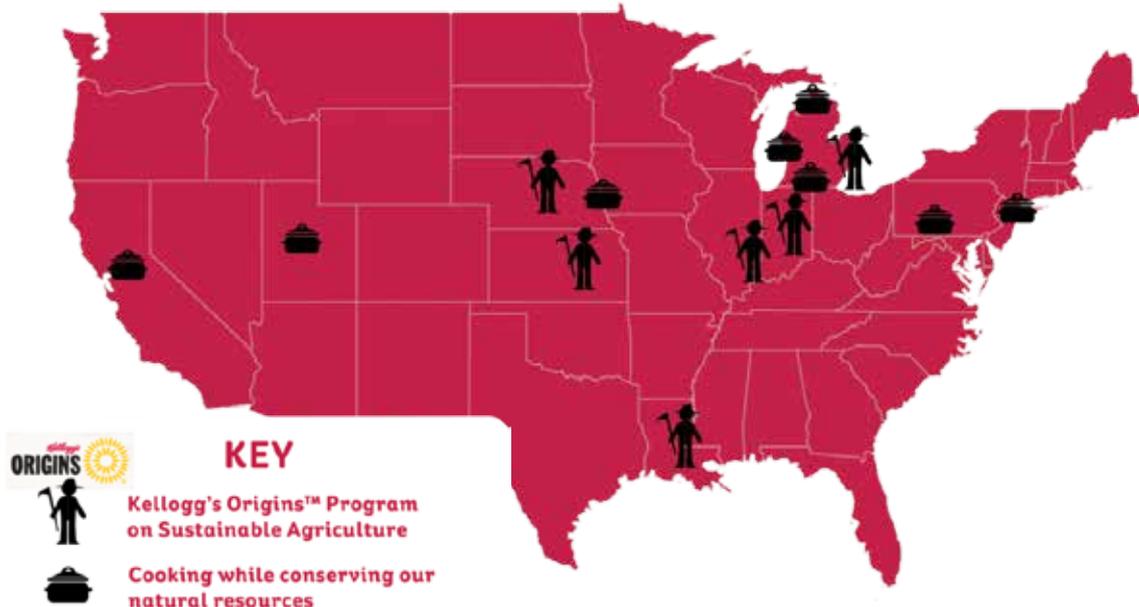
Smallholder  
Farmers



Women Farmers  
& Workers



# Global Responsible Sourcing Commitments: In the USA



**ORIGINS** 

 Kellogg's Origins™ Program on Sustainable Agriculture

 Cooking while conserving our natural resources

Ingredients / Materials 

Sustainable Agriculture 

Smallholder Farmers 

Women Farmers / Workers 

Visit [OpenForBreakfast.com](http://OpenForBreakfast.com)



# Global Responsible Sourcing Commitments: Outside the USA

Kellogg ingredients come from all over the world to create the best foods.

Many of these ingredients are grown by smallholders, farming on less than 5 acres.



**Kashi joins Andean Naturals to help Light-A-Community in rural Bolivia**



# Responsible Sourcing Commitments: GHG Emissions Reduction

Kellogg has chosen to work with [CDP](#) and strategic suppliers to manage climate change impact in our supply chain through the internationally recognized CDP disclosure process.

Supports our Global Sustainability Commitments and our Climate Policy

Engage approx. 400 global indirect and direct suppliers

- Focus on GHG emissions calculation
- Allocation of emissions to Kellogg
- Emissions reduction



Kellogg Co. will engage 75% of its tier 1 suppliers to annually report on carbon activities to reduce emissions through CDP Supply Chain by 2020.



A wide-angle photograph of a vast, golden field, likely a wheat or corn field, under a bright, hazy sky. The sun is low on the horizon, creating a strong glow and long shadows. A narrow path or track runs through the field, leading towards a line of trees in the distance. The overall mood is peaceful and serene.

*Execution: Stakeholder Engagement*

# Execution: Internal Engagement

## Personal Development Plans

- Personal accountability

## Trainings

## Embed in existing processes

- Sourcing events
- Category strategies
- Team meetings

## Fieldtrips within the supply chain

- Provide context and hands-on learning
- Commitments are tangible
- Relationship and trust building



# Execution: Supplier Engagement

*Kellogg's*

## Trainings & Supplier Meetings

- Commitment specific
- Identify overlap and potential to partner

## Annual Supplier Scorecards

- Responsible Sourcing criteria
- Annual award

## Utilize Existing Engagement Platforms

- Company platforms
- Industry accepted (CDP, Field to Market)

## Local Considerations

- Regional team leads
- One size doesn't fit all



# Execution: Farmer Engagement

Defining “Sustainability”

Local Considerations

- One size doesn't fit all
- Local & trusted experts

Partnership and Story Telling

- Through suppliers
- Shared goals
- Kellogg's Voice

Awards & Nominations

- Rita – Champion of Change Award
- Field to Market Farmer Spotlight



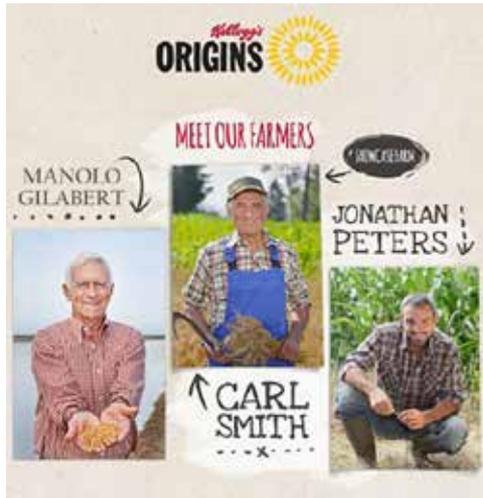
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*Communication & Story Telling*

# Sustainability Leadership Platforms

Our goal is to be recognized as a leader in Sustainability by consumers while driving growth and trust in our business

## 1. Thriving farms and farmers



## 2. Power of plant-based foods



Climate change adaptation



# Activating Sustainability Toward Business Growth

## Consumers, Shoppers



## Employees



## Media, Government & Influencers



# Sharing Our Story: Open For Breakfast



- Sharing our story with consumers at [www.OpenForBreakfast.com](http://www.OpenForBreakfast.com)
- Focus on
  - Nutrition
  - Community
  - Sustainability
- Gives our suppliers and growers a platform to share their stories about the ingredients as well



A wide-angle photograph of a vast, golden field, likely a wheat or corn field, during sunrise. The sun is low on the horizon, creating a bright, hazy glow that fills the sky and the field. A narrow, dark path or furrow runs through the center of the field, leading the eye towards a line of trees in the distance. The overall mood is peaceful and contemplative.

*Questions?*

Thank you

*Kelllogg*