Global Sustainable Palm Oil Milestones

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The Takeaway

Working toward making sustainable palm oil the norm, not the exception

Kellogg's Global Sustainable Palm Oil Approach

2020 Reporting Year

NURTURE OUR PLANET

The Takeaway

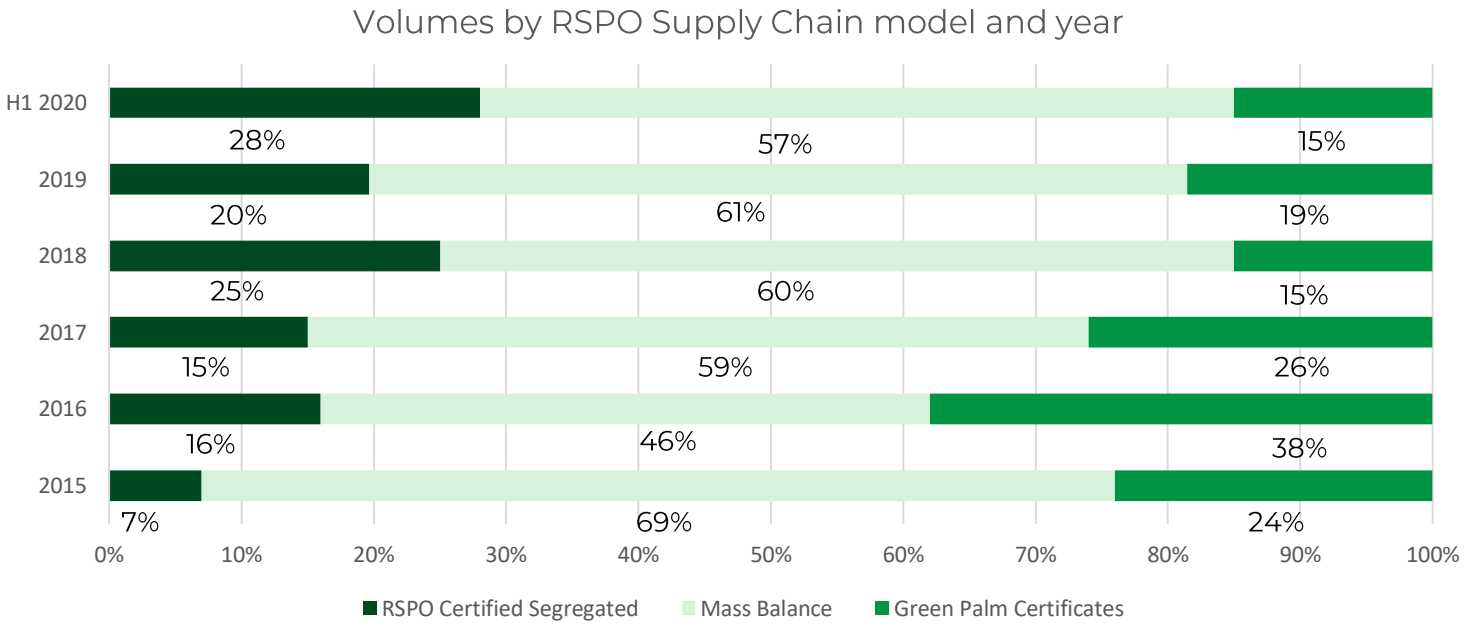
We are committed to sourcing palm oil produced in a manner that is environmentally, socially and economically sustainable. We are supporting the advancement of sustainable palm oil production through direct investment and collaborative industry involvement.

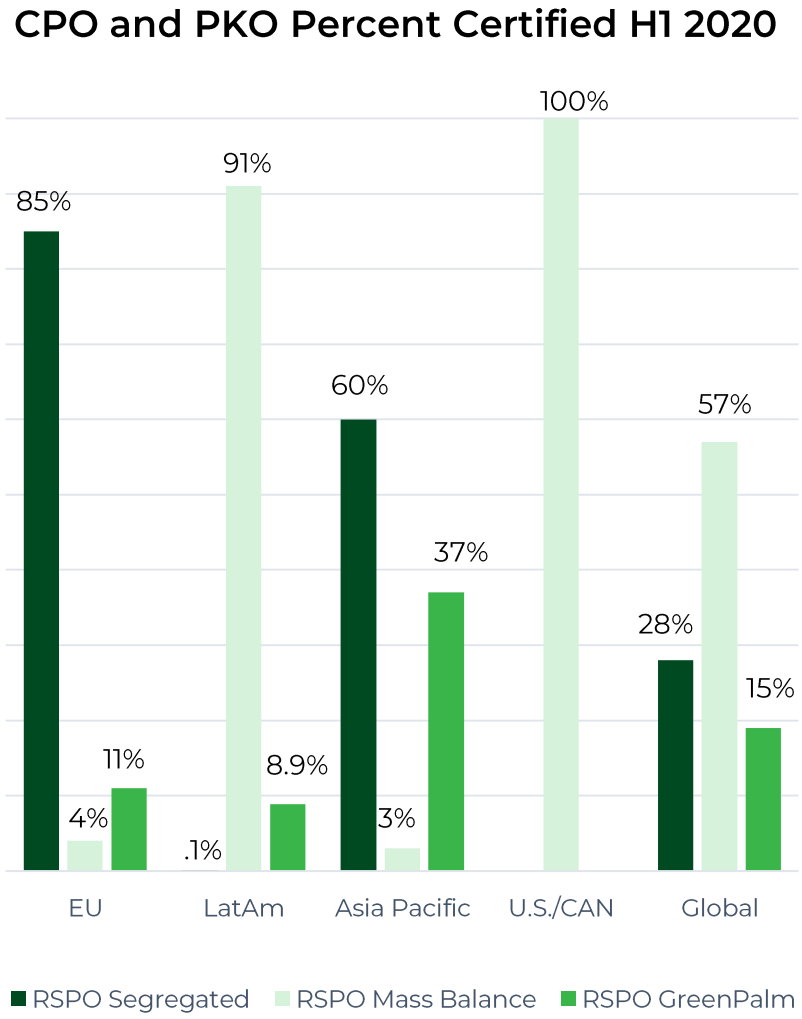
Since 2009, Kellogg has been on a journey to responsibly source palm oil. We have continued to evolve our strategies and actions to ensure that we are incorporating best practices and learnings from our own experiences, our suppliers, peer companies, and industry organizations. In 2020, we updated our Global Palm Oil Policy and action plans to reflect key interventions that can drive impact at scale. We also released our first standalone Global Policy on Deforestation.

Kellogg uses less than 0.1% of the global palm oil produced. Despite our relatively small footprint in this commodity, as a global, plant-based food company, we have a responsibility to engage our suppliers, our supply chain and our industry to drive faster and more effective action to protect the environment and advance the cause of human rights. Of course, we cannot achieve these goals alone. This is why we are working on multiple fronts to *make sustainable palm oil the norm, not the exception*.

Kellogg is committed to working with our global palm oil suppliers to support the production of sustainable palm oil from sources that are environmentally appropriate, socially beneficial and economically viable. Our supply chain engagement and collaborative industry participation helps to deliver the creation of action plans and executions that support halting deforestation, improving labor practices and supporting smallholders. Our work is aligned with the widely embraced guidance provided by the United Nations Guiding Principles on Business and Human Rights and the Consumer Goods Forum Priority Industry Principles. To demonstrate our commitment to transparency, we issue bi-annual reports regarding our palm usage that can be found on our Positions, Policies, and Milestones Reporting web page.

Progress Update: Certified Sustainable Palm Oil Procurement





As of June 2020, 85%* of the palm oil Kellogg purchases is certified as RSPO Certified Segregated or Mass Balance. The remaining 15% is certified through the purchase of RSPO Certificates. We are working to transition all RSPO certificates to physically certified material by 2025. Current barriers include lack of local availability and reformulation requirements.

* LatAm mass balance volumes pending supply chain certification; delays to audit due to Covid situation in Brazil

Progress Update: Impact Incubator with Wild Asia

In 2020, Kellogg began a partnership with the NGO Wild Asia through our Impact Incubator, funding work directly with smallholders to increase market access and support the production of sustainable palm oil. It is part of Wild Asia Group Scheme (WAGS) program which has the goal to increase the production of sustainable palm oil by small producers and to help them connect to global markets.

This program will directly support funding and training of independent small producers in Malaysia who are improving their production, social, and environmental performance and transitioning to grow certified sustainable palm oil as well as support sustainable agriculture training with the goal of improving producer yields with fewer inputs.

This project showcases the working partnership within the palm oil supply chain to develop financial models and sourcing strategies that will ensure that palm oil is traceable, legal, deforestation-free, certified sustainable and is inclusive of small producers. Through Kellogg's participation in the Wild Asia program we hope to show how large, international brands that use palm oil can collaborate and partner with organizations on the ground that are working toward sustainable palm oil.

The program addresses two areas:

1) Supporting Certification

2) BIO Farms

"I have been growing oil palm since 2005. I work on the farm together with my husband and children. As a smallholder, we face a lot of challenges. We didn't know anything about sustainability. But WAGS have helped many smallholders in my village, including myself. I learned many things for example reducing the use of chemicals by using grass-cutter. I can see that my yields have improved over time compared to before I joined WAGS. I hope programs like this will continue to help smallholders so that we can continue to grow oil palm for the sake of our future generations."

– WAGS Member, Norazizah Pibu

Progress Update: Certification

Supporting Certification

The project will directly support a regional RSPO certification programme in Malaysia, which will result in the availability of RSPO certified producers, farms and products. Kellogg provides important institutional support and lends credibility to the program. We also directly contributed to delivering change on the ground as a major partner to WAGS West Malaysia. The partnership has enabled **464** independent smallholders to maintain their certification as well as supporting another **94** new independent smallholders who will undergo certification in March 2021. This translates to **2,204** hectares of certified area, producing **47,120** metric tons of certified fresh fruit bunches (FFB).

Objective Description	Activity	Outputs	Baseline (2020)	Project Targets	Impact
Providing a pathway to certification	A) Train and support producers to meet major certification requirements B) Prepare producer groups for annual certification audit in 2021	Annual Audit Report	• 464 certified small producers • 47,120 mt certified FFB 3. 9,424 mt certified CPO	• 100 new certified small producers • 15,000 mt certified FFB 3. 3,000 mt certified CPO	• 564 certified small producers • 62,120 mt certified FFB • 12,424 mt certified CPO • **Indirect** • Increase small producers' access to global markets.

Progress Update: BIO Farms

BIO Farms

While we believe that certification is one part of the solution to tackle issues within the oil palm industry, we also recognize that new regenerative models for agriculture are critical. We recognize that decisions over land management lie with the independent smallholder alone. To introduce any new ideas, however beneficial, there is a need to find an approach that understands the current challenges and also offers hope that there will be economic benefits.

This is where the partnership with Wild Asia is exciting and ground-breaking, as we have agreed to support Wild Asia's work in Bio-Intensive Agriculture. This program seeks to develop "BIO Farms", which are working farms to adopt natural farming methods into their existing production systems. BIO Farms are systems that apply different production methods to improve the soil fertility and ultimately improve farm profitability. It is a **production system** that is designed to improve the soil organic matter (humus), improving the soil microbiology, to improve soil conditions, thus increasing plant growth and producing better yield per unit area.

Application of AMIMATE-G fertiliser

Empty Fruit Bunches (EFB) application

Progress Update: BIO Farms

BIO Farms, continued

From the project, smaller producers have shared that they are interested in more diversification and less chemical inputs (lower costs). The BIO Farm program supports good agricultural practices to conserve and protect soils and applies bio-resources made locally to enhance the biological component of soils. The natural farming methods introduced help to utilize local waste streams, such as food waste, to produce compost or worms or insects that can be used as soil amendments or food for livestock. At the same time, methods to maintain ground cover and reduce soil erosion, will be introduced. The other opportunity is to focus on better utilization of the "frond stacks" as a natural source of bio-fertilizer. Many of these techniques, on their own, are not new. What is novel is packaging this as an approach to better land management, to reduce cost and improve plant health. The approach would apply to all forms of cultivation, be it cash crops or to other longer-term crops.

The program has established **6** BIO Farm plots on smallholder plots in Perak, **3** BIO Farm plots on a larger estate in Johor and **11** BIO Farms in Sabah. These plots will eventually act as a learning and sharing platform to expand the BIO Farm program in the local communities in which these BIO Farms are located. The larger aim of the BIO Farms is to establish an estimated 50,000 hectares in 5 years that would act as carbon sinks and store an estimated 5 million metric tonnes of carbon in the soils.

Objective Description	Activity	Outputs	Baseline (2020)	Project Targets	Impact
Promoting BIO Farms	A) Small producer BIO Farm workshops B) BIO Farms setup and materials required for the BIO Farms C) Monitoring of the BIO Farms and technical reporting D) Communication materials to communicate the results of the BIO Farms	Annual Progress Report	• 9 pilot demo plots established • 4.6 ha of total farm area under modified farm management	• 10 demo plots supported and maintained • 10 ha of total farm area	• 10 demo plots established • 10 ha of total farm area under modified farm management • **Indirect** • Reduce farming costs by eliminating the use of chemicals, promote better plant health and diversification of income.

Progress Update: BIO Farms

BIO Intervention Methods are applied on BIO Farm Plots based on the farm conditions and localities.

- There are three intervention stages
- Selected treatment will be based on input materials accessible to farmers (within the farm or adjacent areas).

ID	Intervention Activities	Stage 1	Stage 2	Stage 3
A1	Large single application of oil palm mill compost as a soil amendment	✓		
A2	Natural decomposition of oil palm mill EFB applied around the outside of the palm circle.	✓		
A3	Modification of frond stack to improve speed of decomposition by in-farm composting	✓		
A4	Cut-and-drop of vegetation to increase the availability of plant biomass on-farm	✓		
A5	Integration of cover-crop for green manure (shade and non-shade tolerant species)	✓		
A6	Pyrolysis of woody material into charcoal and activation with compost tea		✓	
B1	Collection and propagation of IMO for local application	✓		
B2	Compost tea with humic acid and IMO inoculum as a soil treatment to improve the fungal diversity local species of IMO	✓		
B3	Application of fruit/plant BIO juice based on the fermentation of fruits/leaves (FPJ)	✓		
B4	Application of fish hydrolysis as a product of fermentation (encourages fungal activity in the soils)	✓		
C1	Integration of additional economic crops for crop diversification during mature stages of oil palm			✓
C2	Integration of additional economic crops for crop diversification at replanting stage (timber or non-timber species)			✓
C3	Modification of land development stages by adopting low soil disturbance methods			✓

Progress Update: Grievance Process

1. When a grievance is reported, assess Kellogg's exposure and contact all affected Tier 1 suppliers for response to allegations and context of supply chain connections - *4-week maximum*

2. Update grievance tracker for external reporting with the group, location, and issue - *Immediate upon verification of complaint and exposure assessment*

3. If verified, affected supply chain actor must provide time-bound action plan for remediation either directly to K or to the T1 supplier(s) and issue a public response to the grievance complainant - *4-week maximum*

4. If the action plan fails to address the issues, or is not executed to satisfaction, notification will be given to affected T1 suppliers requesting a 6-month suspension of the group from supply chains - *1-week maximum upon receipt of action plan*

5. If needed, create a work plan with affected T1 suppliers regarding timeline for full group removal – *3-month maximum for timeline for full removal, to be determined on a case-by-case basis*

6. After a 6-month suspension, upon the group's full removal, Kellogg and T1 supplier(s) shall review progress against original grievance and determine next steps: reinstatement, suspension extension, or permanent supply chain removal. Next step assessment to be based on third-party verification of remediation to original grievance – *1-month maximum for internal review, assessment and communication of next steps to relevant parties*

7. All actions are to be updated as soon as possible in the live grievance tracker, outlining issue, supplier and remediation actions, including timeline for review or expected completion

The Takeaway

Live Grievance Tracker can be found here

For reference, a grievance is a perceived wrong that is subjective and can be anything that an individual or group feels is unfair in policy or action.

Handling grievances requires sensitivity and bespoke processes in order to establish the trust of stakeholders.

It requires a different kind of communication method such as a grievance mechanism.

A grievance mechanism is a series of steps for identifying and resolving concerns that have been raised by stakeholders such as workers and/or farmers.