

# Second-Party Opinion

## Kellogg Sustainability Bond Framework



### Evaluation Summary

Sustainalytics is of the opinion that the Kellogg Sustainability Bond Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2018, Green Bond Principles 2018, and Social Bond Principles 2020. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Food Security and Sustainable Food Systems, Renewable Energy, Energy Efficiency, Circular Economy, Environmentally Sustainable Management of Living Natural Resources and Land Use, Green Buildings, Sustainable Water and Wastewater Management – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 6, 7, 9 and 12.



**PROJECT EVALUATION / SELECTION.** Kellogg intends to follow an internal process for evaluating and selecting projects (“Eligible Projects”) which culminates in final review and approval by the Chief Sustainability Officer and the VP, Treasurer. Sustainalytics considers the project selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** Kellogg’s Treasury department will be responsible for monitoring and allocation of proceeds to Eligible Projects. The Company intends to fully allocate proceeds within 36 months. Pending allocation, net proceeds may be temporarily invested or otherwise maintained in cash, cash equivalents, short-term investments, or used to repay other borrowings, among other general corporate purposes. This is in line with market practice.



**REPORTING** Kellogg intends to report on allocation of proceeds on its website annually (first report to commence in the subsequent calendar year to issue) until full allocation through a Sustainability Bond report. Allocation reporting will include the amounts allocated on a category level, the balance of unallocated proceeds. In addition, the Company intends to report on the social and environmental impact metrics. Sustainalytics views Kellogg Company’s allocation and impact reporting as aligned with market practice.

<b>Evaluation date</b>	May 3, 2021
<b>Issuer Location</b>	Battle Creek, Michigan, USA

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## Introduction

Kellogg Company, and its subsidiaries, (“Kellogg” or the “Company”) is an American multinational company that manufactures and sells a range of products which include cereals, snacks and other convenience foods. The Company’s products are manufactured in 21 countries and marketed in over 180 countries worldwide. Headquartered in Michigan, United States (“U.S.”), Kellogg is listed on the New York Stock Exchange and employs approximately 31,000 people.

Kellogg has developed the Kellogg Sustainability Bond Framework (the “Framework”) under which it may issue one or more green, social and/or sustainability bonds and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that contribute to a reduction in the environmental footprint of the Company as well as the promotion of more sustainable food system and sustainable supply chain. The Framework defines eligibility criteria in the following seven areas:

1. Food Security and Sustainable Food Systems
2. Renewable Energy
3. Energy Efficiency
4. Circular Economy
5. Environmentally Sustainable Management of Living Natural Resources and Land Use
6. Green Buildings
7. Sustainable Water and Wastewater Management

Kellogg engaged Sustainalytics to review the Kellogg Framework, dated April 2021, and to provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018 (SBG), Green Bond Principles 2018 (GBP), and Social Bond Principles 2020 (SBP).<sup>1</sup> This Framework has been published in a separate document.<sup>2</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>3</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the SBG, GBP, and SBP, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.8, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Kellogg’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Kellogg representatives have confirmed (1) they understand it is the sole responsibility of Kellogg to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

<sup>1</sup> The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

<sup>2</sup> The Kellogg Sustainability Bond Framework is available on Kellogg Company’s website at: <https://investor.kelloggs.com/esg/statement-documents/default.aspx>

<sup>3</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Kellogg.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Kellogg has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Kellogg Sustainability Bond Framework

Sustainalytics is of the opinion that the Kellogg Sustainability Bond Framework is credible, impactful and aligns with the four core components of the GBP and SBP. Sustainalytics highlights the following elements of Kellogg's Sustainability Bond Framework:

- Use of Proceeds:
  - The eligible categories – Food Security and Sustainable Food Systems, Renewable Energy, Energy Efficiency, Circular Economy, Environmentally Sustainable Management of Living Natural Resources and Land Use, Green Buildings, Sustainable Water and Wastewater Management – are aligned with those recognized by the GBP and SBP.
  - Kellogg applies a two-year look-back period to its refinancing activities, which Sustainalytics considers to be aligned with market practice.
  - Within the Food Security and Sustainable Food Systems category, Kellogg is targeting a range of projects including expenditures for research and development of plant-based protein products, as well as expenditures to support farmers to build social and climate resiliency.
    - Expenditures will be related to research and development on plant-based protein foods, which the Company estimates to result in 30-40% lower lifecycle greenhouse gas (GHG) emissions and water efficiencies compared to corresponding meat products.<sup>4</sup> Kellogg has communicated to Sustainalytics that such expenditures are expected to be 5% or less of total sustainability bond expenditures.
    - Proceeds may be directed to support farmers in building social or climate resiliency, through the Kellogg Origins Program, in partnership with research, academic and non-profit organisations. The Framework contemplates assessing the eligibility of the sustainably-sourced products based on the Fair Trade certification scheme. Sustainalytics notes that the Fair Trade certification scheme addresses social impact within the context of agricultural activities, and as such is considered eligible in the context of a sustainability bond. See Appendix 1 for an overview.
    - In Kellogg's efforts to contribute to sustainable food systems, the Company intends to finance the education of stakeholders across the supply chain on how to reduce food loss and waste. At the production-level, this may be executed under the Kellogg Origins Program aimed at increasing farmers' awareness of sustainable practices. At the retail and consumer levels, the Company may fund education campaigns that advance responsible consumption.

<sup>4</sup> "A comparative life cycle assessment of plant-based foods and meat foods" prepared for Morningstar Farms by Quantis Consultants (March 2016), available at: [https://www.morningstarfarms.com/content/dam/NorthAmerica/morningstarfarms/pdf/MSFPlantBasedLCARReport\\_2016-04-10\\_Final.pdf](https://www.morningstarfarms.com/content/dam/NorthAmerica/morningstarfarms/pdf/MSFPlantBasedLCARReport_2016-04-10_Final.pdf).

- As part of this category, Kellogg intends to finance in-kind donations of food products to people in need. This relates to its Better Days Program which targets the donation of 2.5 billion servings by 2025 towards hunger relief globally. Sustainalytics notes that these will be provided free of cost, and allocated to Sustainability bond proceeds at-cost, and will make up no more than 10% of bond proceeds under the Framework. This is in line with market practice.
- The Renewable Energy category relates to investments in the generation of power from wind, solar, geothermal, hydropower and biomass energy sources.
  - The Company will apply the following additional criteria to determine project eligibility: (i) geothermal facilities will have direct emissions less than 100g CO<sub>2</sub>/kWh; (ii) hydropower facilities will have a power density of at least 5W/m<sup>2</sup>; (iii) biomass projects will be limited to those using waste as feedstock and having direct emissions below 100g CO<sub>2</sub>/kWh. Sustainalytics views the establishment of direct emission thresholds as strengthening the Framework and considers this to be in line with market practice.
  - In addition to investing directly in projects, the Company intends to procure electricity via physical and virtual power purchase agreements (“PPAs” and “VPPAs”, respectively). Kellogg confirms that PPAs and VPPAs will be long-term agreements, which Sustainalytics views as providing greater assurance of positive impacts and aligned with market practice.
- Kellogg’s investment in Energy Efficiency is targeted at its office, manufacturing, warehousing or other properties that lead to energy consumption reduction by at least 15%. The Company has confirmed that upgrading fossil-powered equipment will not be eligible under the Framework. Sustainalytics views favourably that the Framework defines a quantitative minimum improvement threshold in energy efficiency of 15% compared to the baseline performance.
- The Circular Economy category allows for a range of projects aimed at improving the sustainability of packaging procured by and produced by Kellogg. This is in line with the Company’s target of 100% reusable, recyclable or compostable packaging in all products by the end of 2025 (See Section 2 for further information). Sustainalytics notes that these expenditures may include the research and development into and/or the procurement of packaging materials related to reusing and/or recycling materials across the Company’s supply chain and reducing organic and/or food waste.
  - Kellogg contemplates the purchase of timber packaging materials that are responsibly-sourced based on credible third-party certification schemes. Certifications noted in the Framework include the Forest Stewardship Council (FSC), 100% Recycled Paperboard Alliance (RPA 100), the Programme for the Endorsement of Forest Certification (PEFC) and Sustainable Forestry Initiative (SFI), which is affiliated with PEFC.<sup>5</sup> Sustainalytics considers these schemes to be robust and credible. See Appendix 2 for an overview and assessment of the forestry certification schemes.
  - As part of this category, the Company may also finance the sourcing of non-timber packaging, such as packaging made up of biodegradable materials and those with recycled content.
  - Sustainalytics recognizes that the use of recycled and bio-based inputs in the manufacturing of packaging plays an essential role in enabling the food manufacturing industry to increase its resource efficiency and contribute to a circular economy, especially by keeping materials within a closed loop in order to retain the embodied energy in such materials, as well as by reducing the use of fossil fuels and/or virgin plastics in new packaging to the greatest extent possible.
- Under the Environmentally Sustainable Management of Living Natural Resources and Land Use category, Kellogg intends to finance the procurement of food products that are certified under credible certification schemes.
  - This may include Roundtable on Responsible Soy (RTRS), Bonsucro, Cocoa Horizons, Sustainable Agriculture Initiative (SAI) Farm Sustainability Assessment (Silver and above), QAI Certified Transitional, USDA Organic, Canada Organic and /or EU Organic. See Appendix 1 for Sustainalytics’ assessment of these schemes. Sustainalytics views

positively the procurement of food inputs originating from farmers and growers that promotes sustainable practices, specifically with respect to the reduction of pesticide use, waste reduction and resource efficiency.

- Sustainalytics views positively QAI Certified Transitional’s goal of supporting farmers to transition their land from conventional to organic growing methods. The program runs over a three-year period during which time organic standards are applied and a farm is in transition, presumably leading to organic certification following the transition period.
- Furthermore, the Framework specifies a minimum threshold of SAI Silver, which Sustainalytics considers to be aligned with market practice.
- As part of this category, Kellogg has communicated that it contemplates investments targeted at the protection and restoration of natural resources. This may include expenditures under the Kellogg Origins program that enhance biodiversity and farmer resilience such as (i) sustainable agriculture activities related to programs and technical assistance to farmers to improve their farming practices and increase productivity; (ii) projects that contribute to soil regeneration for forests; and (iii) water quality improvements projects.
- Within the Green Buildings category, Kellogg contemplates expenditures related to new construction, building upgrades and retrofits, and lease payments<sup>6</sup> for buildings. The Company intends to use reputable third-party certification schemes to determine green building eligibility. The Framework specifies minimum standards of LEED Gold, BREEAM Excellent, Energy Star 85 and/or other equivalent certification. Sustainalytics views the schemes specified in the Framework to be credible and the levels selected to be indicative of positive impact and aligned with market practice. See Appendix 3 for further description of the referenced green building standards.
- Under the Sustainable Water and Wastewater Management category, Kellogg intends to finance improvements to water quality, distribution efficiency and conservation. This may include water recycling, water reuse projects, improvements in clean-in-place systems, or other operational processes. Additionally, the Company contemplates investments in projects that aim to replenish watersheds in high water-risk areas including various activities such as tree planting, rainwater harvesting, aquifer recharge, wetlands rehabilitation, and/or alternative crop rotations. Sustainalytics notes that Kellogg assesses location-based water risks by conducting water stress assessments utilizing a combination of the Company’s internal system and the World Research Institute’s Aqueduct tool.<sup>7</sup> Sustainalytics considers these activities to be aligned with market practice.
- Project Evaluation and Selection:
  - Kellogg intends to follow an internal process for evaluating and selecting projects that satisfy the eligibility criteria for Use of Proceeds (“Eligible Projects”) which culminates in final review and approval by the Chief Sustainability Officer and the VP, Treasurer.
  - Sustainalytics considers Kellogg’s project evaluation and selection process to be in line with market practice.
- Management of Proceeds:
  - The Framework specifies that Kellogg’s treasury department will be responsible for monitoring and allocating proceeds to Eligible Projects. Kellogg intends to fully allocate proceeds within 36 months, which Sustainalytics considers to be aligned with market practice. Pending allocation to Eligible Projects, unallocated bond proceeds may be temporarily invested or maintained in cash, cash equivalents, short-term investments, or used to repay other borrowings, among other general corporate purposes.<sup>8</sup>
  - Based on the delegation of responsibility to a specific department and disclosure around temporary allocation of proceeds, Sustainalytics considers this process to be in line with market practice.

<sup>6</sup> This relates to lease payments made the Company for properties in which Kellogg is the sole tenant which Sustainalytics considers to be eligible as long as the lease runs for the term of the bond.

<sup>7</sup> The World Research Institute’s Aqueduct tool is a mapping tool to identify and evaluate water risks around the world such as floods, droughts, and stress.

<sup>8</sup> Kellogg has confirmed that proceeds under the Framework will not be used towards any particularly carbon-intensive assets and/or activities

- Reporting:
  - Kellogg is committed to reporting on the allocation of bond proceeds on an annual basis (first report to commence in the subsequent calendar year to issue), until full allocation through a Sustainability Bond report. The report will be accompanied by management's assertion of the amount of the net proceeds that was allocated to eligible projects, and verification from an independent auditor on such assertion. Allocation reporting will include the amounts allocated on category level as well as the balance of unallocated proceeds.
  - In addition, the Company intends to provide an impact evaluation of the funded projects. Such evaluation may report on relevant impact metrics examples, which may include the number of farmers supported; number of servings to people in need; megawatt hours of renewable energy purchased; GHG emissions reduced; volume of sustainably sourced timber-based packaging; spend on certified ingredients; square footage of green real estate space; and/or volume of water use avoided or replenished.
  - Based on Kellogg's commitment to allocation and impact evaluation on an annual basis, Sustainalytics considers this process to be in line with market practice.

### Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the Kellogg Sustainability Bond Framework aligns with the four core components of the GBP and SBP. For detailed information please refer to Appendix 4: Sustainability Bond/ Sustainability Bond Programme External Review Form.

## Section 2: Sustainability Performance of Kellogg

### Contribution of Framework to Kellogg Company's sustainability performance and strategy

Sustainalytics is of the opinion that Kellogg demonstrates a commitment to integrating sustainable practices into its operations and value chain. This is articulated through key initiatives such as its "Better Days 2030 Commitment" which aims to improve the lives of 3 billion people by the end of 2030. Through this programme, Kellogg aims to address the issues of wellbeing, hunger relief and climate resiliency.<sup>9</sup> The Company's 2019/2020 Corporate Responsibility Report provides an overview of Kellogg's food security and sustainable food system priorities which include its goal of providing food donations and access to child nutrition programs to over 375 million people; as well as NGO and research group engagement to support 1 million farmers through climate, social and financial resiliency programs, with a particular focus on women smallholders.<sup>10</sup> Sustainalytics highlights other notable social and environmental achievements and targets relevant to the Framework below:

- As of March 2021, Kellogg set a science-based target committing to reduce its absolute scope 1 and scope 2 GHG emissions by 47% by 2030, below a 2015 baseline. The Company also committing to reduce absolute scope 3 emissions 20% by 2030, also below a 2015 base year.<sup>11</sup>
- Absolute emissions reduction targets of 65% for scope 1 & 2, and 50% for scope 3, by 2050 from 2005 baseline. A 20% reduction in scope 1 & 2 manufacturing emissions has been achieved thus far.<sup>12</sup> Kellogg measures GHG emissions in alignment with World Business Council for Sustainable Development GHG protocol guidance and engages a third-party emissions verifier annually.<sup>13</sup> In pursuit of these targets, the Company aims to source 100% of its electricity from renewable sources by 2050. Its share of electricity from renewables was 27.9% as of 2019.<sup>14</sup>
- Over 440 million servings of food are provided through Kellogg's Breakfasts for Better Days Hunger Relief program as of 2019, with over 1 million children reached. This is towards the Company's target of providing 2.5 billion servings and reaching 2.5 million children by 2025 under this programme.<sup>15</sup>

<sup>9</sup> Kellogg's, "Overview of our Kellogg's Better Days Commitment", at: <https://crreport.kelloggcompany.com/better-days-commitment-overview>

<sup>10</sup> *Ibid.*

<sup>11</sup> Science-Based Targets Initiative, "Kellogg Company", at: <https://sciencebasedtargets.org/companies-taking-action>

<sup>12</sup> Kellogg's, "2019/2020 Corporate Responsibility Report", at: <https://crreport.kelloggcompany.com/cr-report>

<sup>13</sup> Kellogg's, "Overview of our Kellogg's Better Days Commitment", at: <https://crreport.kelloggcompany.com/better-days-commitment-overview>

<sup>14</sup> Kellogg's, "2019/2020 Corporate Responsibility Report", at: <https://crreport.kelloggcompany.com/cr-report>

<sup>15</sup> Kellogg's, "2019/2020 Corporate Responsibility Report", at: <https://crreport.kelloggcompany.com/cr-report>

- Through the Kellogg's Origins program, the Company supports over 400,000 farmers with education, training and financial resources to incorporate sustainable agriculture practices, including 20,000 smallholders and 10,000 women farmers, in line with the Company's goal to support 500,000 farmers by 2025.<sup>16</sup>
- Kellogg appears on various ESG-related indices including the Dow Jones Sustainability World Index, the FTSE4Good Index Series, and the MSCI Environmental, Social and Governance (ESG) Index. In addition, Kellogg is listed in the 2021 S&P Global Sustainability Yearbook.<sup>17</sup>
- Target of 30% reduction in water use by facilities operating in high water stress regions by 2030. This target comes in the wake of Kellogg's achievement of its 2008 commitment to reduce water usage by 15-20% by 2015 across its operations. New water-use reduction targets will be calibrated to local settings based on internal and external assessments.<sup>18</sup>
- Packaging waste reduction is also being pursued through a target of 100% reusable, recyclable or compostable packaging in all products by the end of 2025. Progress for this target reached 76% in 2019.<sup>19</sup> Goal of 50% reduction in organic waste from Kellogg facilities by 2030. A 12.2% reduction in the Company's manufacturing waste from a 2016 baseline was achieved as of 2019. Kellogg is also a member of Champions 12.3<sup>20,21</sup>, a group dedicated to the achievement of the UN's 12<sup>th</sup> Sustainable Development Goal (SDG); Responsible Consumption and Production.<sup>22</sup>
- Achievement of 100% responsible sourcing for its ten priority ingredients through Kellogg's Responsibly Sourced Protocol.<sup>23,24</sup> This ingredients list will be expanded further through the inclusion of six additional ingredients in 2021.<sup>25,26</sup>

Sustainalytics is of the opinion that the Kellogg Sustainability Bond Framework is aligned with the Company's overall sustainability strategy and initiatives, and will further the Company's action on its key environmental and social priorities

#### Well-positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key risks could include those related to supply chain management, stakeholder engagement, water use and waste generation, and biodiversity loss. Sustainalytics is of the opinion that Kellogg is able to manage and/or mitigate potential risks through implementation of the following:

- In late 2018 Kellogg launched a Responsibly Sourced Verification Protocol for its 10 priority ingredients, including: sugar beets, vanilla, corn, rice, fruits (raisins & strawberries), wheat, potatoes, palm oil, cocoa and sugar cane. This protocol outlines engagement practices with suppliers and farms on social and environmental criteria, ensuring a compliance with criteria developed with the input of external stakeholders.<sup>27</sup>
- Development of partnerships with key industry stakeholders to align on joint achievement of SDGs. Partners include: World Business Council for Sustainable Development Goals, United Way, Food Reform for Sustainability and Health, and The Nature Conservancy.<sup>28</sup>

<sup>16</sup> Kellogg's, "The Kellogg's Origins Program Helps Farms Worldwide", at: [https://www.kelloggs.com/en\\_US/sustainability/working-with-farmers.html#:~:text=THE%20KELLOGG'S%20ORIGINS%E2%84%A2%20PROGRAM%20HELPS%20FARMERS%20WORLDWIDE&text=To%20date%2C%20we%20have%20worked.smallholders%20and%2010%2C000%20women%20farmers.](https://www.kelloggs.com/en_US/sustainability/working-with-farmers.html#:~:text=THE%20KELLOGG'S%20ORIGINS%E2%84%A2%20PROGRAM%20HELPS%20FARMERS%20WORLDWIDE&text=To%20date%2C%20we%20have%20worked.smallholders%20and%2010%2C000%20women%20farmers.)

<sup>17</sup> Kellogg's Investor Relations, "Sustainability", at: <https://investor.kelloggs.com/ir-home/sustainability/>

<sup>18</sup> *Ibid.*

<sup>19</sup> *Ibid.*

<sup>20</sup> Target 12.3 of the UN's 12<sup>th</sup> Sustainable Development Goal is: "By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses", at: <https://sdgs.un.org/goals/goal12>

<sup>21</sup> Champions 12.3, at: <https://champions123.org/>

<sup>22</sup> Kellogg's, "2019/2020 Corporate Responsibility Report", at: <https://crreport.kelloggcompany.com/cr-report>

<sup>23</sup> Kellogg's, "Responsibly Sourcing our Ingredients", at: <https://crreport.kelloggcompany.com/responsible-sourcing-ingredients>

<sup>24</sup> Kellogg's 10 priority ingredients are: Sugar beets, vanilla, corn, rice, fruits (raisins & strawberries), wheat, potatoes, palm oil, cocoa and sugar cane.

<sup>25</sup> Kellogg's, "Responsibly Sourcing", at: <https://crreport.kelloggcompany.com/responsible-sourcing>

<sup>26</sup> Kellogg's six additional responsibly sourced ingredients will include: eggs, oats, soy, cheese, almonds and hazelnuts.

<sup>27</sup> Kellogg's, "Kellogg's Responsibly Sourced Verification Protocol and Guidance", at:

[http://crreport.kelloggcompany.com/download/12.20\\_Kellogg+Verification+Protocol+and+Guidance.pdf](http://crreport.kelloggcompany.com/download/12.20_Kellogg+Verification+Protocol+and+Guidance.pdf)

<sup>28</sup> Kellogg's, "Kellogg Company 2019 Wellbeing Milestones", at:

[http://filecache.mediaroom.com/mr5mr\\_kelloggs\\_cr/180391/download/2019%20Wellbeing%20Milestones%20FINAL.pdf](http://filecache.mediaroom.com/mr5mr_kelloggs_cr/180391/download/2019%20Wellbeing%20Milestones%20FINAL.pdf)

- Value Chain materiality assessments conducted to identify and establish key SDGs where corporate responsibility assessments are to be focused.<sup>29</sup>
- A Global Supplier Code of Conduct that outlines standards and business practices to which all direct and extended suppliers are required to adhere to, covering areas of Business Integrity; Quality, Health & Safety; Labor Standards; Sustainability & Land use; and Management Practices.<sup>30</sup>
- A Global Environment, Health and Safety Policy (EHS) that is integrated with the Company's values and vision, and applies to all employees at every level.<sup>31</sup> This policy is developed to provide focused guidance on the Company's most material issues, and is subject to regular internal review.<sup>32</sup>
- A commitment to food waste reduction throughout its entire value chain, pursued via membership of the Champions 12.3<sup>33</sup> group, as well as the World Resource Institute Food Loss and Waste Protocol.<sup>34,35</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Kellogg has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

All seven use of proceeds categories are aligned with those recognized by GBP or SBP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

#### Importance of GHG reductions in food manufacturing

GHG emissions from food production globally are approximately 13.7 billion metric tons of CO<sub>2</sub> equivalent, accounting for approximately 26% of global GHG emissions.<sup>36,37</sup> It is estimated that 31% of these emissions come from livestock and fisheries, 27% from crop production, 24% from land use, and 18% from the supply chain.<sup>38</sup> Noting the importance of food manufacturing to human life, reducing emissions from the food system<sup>39</sup> will be imperative to achieving the commitments of the Paris Agreement and limiting global average temperature increases to well below 2°C.<sup>40</sup> The world's food system is an incredibly diverse network of producers, processors, distributors and retailers operating in unique geographical, social and political environments which makes systemic solutions for GHG reductions difficult to implement at scale.<sup>41</sup> In this context, emissions reduction pathways should be facilitated where possible at all levels of the food system, particularly for processors and distributors with large networks and footprints, as significant reduction opportunities exist for this specific part of the value chain.<sup>42</sup> Some of the activities that promote emissions reductions include the implementation of rigorous sustainable procurement policies, sourcing of low-impact and certified organic products, food waste reduction processes, as well as the investment in renewable energy and energy efficiency within operations.<sup>43</sup> Given the scale of its operations, Sustainalytics believes that Kellogg's investments in these activities through the Framework can meaningfully contribute to GHG reductions in the food system in accordance with global emission reduction targets.

<sup>29</sup> *Ibid.*

<sup>30</sup> Kellogg's, "Global Supplier Code of Conduct", at: <https://kellogg.box.com/shared/static/dvp1x9hpp3onhmv3xt8jku3aweywmho8.pdf>

<sup>31</sup> Kellogg's "Building our Workplace", at: [https://www.kelloggs.ca/en\\_CA/our-story/building-our-workplace.html](https://www.kelloggs.ca/en_CA/our-story/building-our-workplace.html)

<sup>32</sup> *Ibid.*

<sup>33</sup> Champions 12.3, at: <https://champions123.org/>

<sup>34</sup> World Resources Institute Food Loss & Waste Protocol, at: <https://www.wri.org/initiatives/food-loss-waste-protocol>

<sup>35</sup> Kellogg's, "Food Organic Waste Reduction", at: [https://crreport.kelloggcompany.com/food-organic-waste-reduction#\\_ftn2](https://crreport.kelloggcompany.com/food-organic-waste-reduction#_ftn2)

<sup>36</sup> University of Oxford, "Food production is responsible for one-quarter of the world's greenhouse gas emissions", (2019), at: <https://ourworldindata.org/food-ghg-emissions>.

<sup>37</sup> Science, "Reducing food's environmental impacts through producers and consumers", (2018), at: <https://science.sciencemag.org/content/360/6392/987>

<sup>38</sup> *Ibid.*

<sup>39</sup> United Nations Food and Agricultural Organization, "Food systems" is defined as encompassing "the entire range of actors and their interlinked value-adding activities involved in the production, aggregation, processing, distribution, consumption and disposal of food products that originate from agriculture, forestry or fisheries, and parts of the broader economic, societal and natural environments in which they are embedded", at: <http://www.fao.org/3/ca2079en/CA2079EN.pdf>.

<sup>40</sup> The Paris Agreement, at: <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

<sup>41</sup> Science, "Reducing food's environmental impacts through producers and consumers", (2018), at: <https://science.sciencemag.org/content/360/6392/987>

<sup>42</sup> Science, "Reducing food's environmental impacts through producers and consumers", (2018), at: <https://science.sciencemag.org/content/360/6392/987>

<sup>43</sup> Ritchie H. et al, (2020), "Environmental impacts of food production", at: <https://ourworldindata.org/environmental-impacts-of-food#citation>

### The impact of sustainable procurement of food inputs

Agriculture practices are a significant contributor to environmental degradation, and unsustainable practices threaten the security of food systems and the natural ecosystems.<sup>44</sup> Conventional agriculture can lead to reduced soil fertility and biodiversity, increased water use, pollution from the use of hazardous chemicals, and adverse impacts on local communities.<sup>45</sup> Reducing these negative outcomes can be achieved through product certification standards that provide third-party verified sustainability requirements related to water conservation, deforestation, pesticide use, working conditions and local community impacts, for farmers and distributors to meet in order to mitigate negative environmental and social impacts. It has been shown that organic certifications in particular improve environmental impacts at the farm-level through the increased adoption of environment management practices, biodiversity protection, and soil quality care, as well as improved farmer livelihoods through increased profitability.<sup>46,47</sup> Additionally, socially-focused certifications such as Fair Trade have been demonstrated to return higher prices for producers, providing them with greater access to credit and economic stability, and even enhancing their likelihood of engaging in environmentally-friendly farming practices.<sup>48</sup> As such, Sustainalytics views the procurement of third-party certified food ingredients as an important contribution to a sustainable food system and expects it to have positive environmental and social impacts.

### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) issued under the Kellogg Sustainability Bond Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Food Security and Sustainable Food Systems	2. Zero hunger	2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Circular Economy	12. Responsible consumption and production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Environmentally Sustainable Management of Living Natural Resources and Land Use	12. Responsible consumption and production	12.2 By 2030, achieve the sustainable management and efficient use of natural resources
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all

<sup>44</sup> Seufert, V. (2012), "Organic Agriculture as an Opportunity for Sustainable Development", Institute for the Study of Sustainable Development, at <https://www.mcgill.ca/isid/files/isid/seufert.pb13.pdf>

<sup>45</sup> *Ibid.*

<sup>46</sup> 38 Smith, O et al, (2019), "Organic Farming Provides Reliable Environmental Benefits but Increases Variability in Crop Yields: A Global Meta Analysis", *Frontiers*, at:

[https://www.researchgate.net/publication/336096724\\_Organic\\_Farming\\_Provides\\_Reliable\\_Environmental\\_Benefits\\_but\\_Increases\\_Variability\\_in\\_Crop\\_Yields\\_A\\_Global\\_Meta-Analysis](https://www.researchgate.net/publication/336096724_Organic_Farming_Provides_Reliable_Environmental_Benefits_but_Increases_Variability_in_Crop_Yields_A_Global_Meta-Analysis)

<sup>47</sup> 39 Blackman, A and Naranjo, M (2010), "Does Eco-Certification have Environmental Benefits", *Resources for the Future*, at:

<https://core.ac.uk/download/pdf/9304506.pdf>

<sup>48</sup> Dragusanu et al. (2014) *Journal of Economic Perspectives*. "The Economics of Fair Trade", at:

[https://scholar.harvard.edu/files/nunn/files/dragusanu\\_giovannucci\\_nunn\\_jep\\_2014.pdf](https://scholar.harvard.edu/files/nunn/files/dragusanu_giovannucci_nunn_jep_2014.pdf)

		countries taking action in accordance with their respective capabilities
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	<p>6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally</p> <p>6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity</p>

## Conclusion

Kellogg has developed the Kellogg Sustainability Bond Framework under which it may issue green, social and/or sustainability bonds and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that contribute to a reduction in the environmental footprint of the Company as well as the promotion of more sustainable food system and sustainable supply chain. Sustainalytics considers that the projects funded by the sustainability bond proceeds are expected to provide positive social and environmental impact.

The Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Kellogg Sustainability Bond Framework is aligned with the overall sustainability strategy of the company and that the bond use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 2, 6, 7, 9 and 12. Additionally, Sustainalytics is of the opinion that Kellogg has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Kellogg is well-positioned to issue sustainability bonds and that the Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018 and Social Bond Principles 2020.

## Appendices

### Appendix 1: Overview of Environmental and Social Certifications for Agriculture

	Fairtrade (Hired Labour, <sup>49</sup> Small Producer <sup>50</sup> )	Roundtable on Responsible Soy (RTRS) <sup>51</sup>	Bonsucro <sup>52</sup>	Cocoa Horizons <sup>53</sup>	QAI Certified Transitional <sup>54</sup>
<b>Background</b>	The FAIRTRADE Mark is a global certification system that seeks to address power imbalances in trading relationships. Organizations certified to Fairtrade standards must meet general, trade, product and business development requirements.	The Round Table for Sustainable Soy (RTRS) works with stakeholders towards producing more sustainable soy through the RTRS Standard for Responsible Soy Production.	Bonsucro was developed out of the Better Sugarcane Initiative, an international multi-stakeholder NGO whose purpose is to lower the environmental and social impacts of sugarcane production. The Bonsucro Production Standard aims to ensure that the sugarcane production and sugarcane derived products are sustainably produced.	Created in 2015 by Barry Callebaut, Cocoa Horizons is an independent, non-profit organization developed to promote sustainable, entrepreneurial cocoa farming, improved productivity, and community development.	Quality Assurance International (QAI), a subsidiary of NSF International, developed the Certified Transitional scheme to provide farmers with assistance in their transition from standard agricultural practices to becoming certified organic over a three year period.
<b>Clear positive impact</b>	Promoting sustainable practices for agricultural products, consumer goods and gold.	Promoting sustainable soy production for human consumption, animal feed and biofuels.	Promoting sustainable sugarcane production.	Promoting sustainable cocoa farming communities.	Promote transition to sustainable agricultural processes and products.
<b>Minimum standards</b>	Each Fairtrade standard has a set of core requirements that must be met and development requirements that are intended to foster continuous improvement and which certified producers must make progress on.	The RTRS soy certification sets requirements in the areas of legal compliance and good business practices, responsible labour conditions, responsible community relations, environmental responsibility, and good agricultural practices.	The Bonsucro Production Standard sets minimum requirements in the areas of legal compliance, biodiversity and ecosystem impacts, human rights, production and processing and continuous improvement.	Cocoa Horizons sets increasingly stricter standards over the initial five years of its certification. The scheme consists of 245 requirements; 187 of which must be met in year 1, followed by an additional 55 between years 2 and 5, and the final three requirements for years 5 and beyond.	In line with organic certification requirements, QAI Certified Transitional prohibits use of specific chemicals, and mandates minimum standards for agricultural practices.
<b>Scope of certification or programme</b>	Fairtrade addresses key risks through its requirements,	The RTRS soy certification addresses human rights, child	Bonsucro addresses key risks such as human and labour	Cocoa Horizons aims to improve cocoa farm	Aligned with organic certifications, QAI

<sup>49</sup> Fairtrade Standard for Hired Labor: [https://files.fairtrade.net/standards/HL\\_EN.pdf](https://files.fairtrade.net/standards/HL_EN.pdf)






<sup>50</sup> Fairtrade Standard for Small-scale Producer Organizations: [https://files.fairtrade.net/standards/SPO\\_EN.pdf](https://files.fairtrade.net/standards/SPO_EN.pdf)

<sup>51</sup> RTRS: <http://www.responsiblesoy.org/?lang=en>

<sup>52</sup> Bonsucro: <https://www.bonsucro.com/>

<sup>53</sup> Cocoa Horizons: <https://www.cocoa Horizons.org/>

<sup>54</sup> QAI Certified Transitional: <https://www.qai-inc.com/certification-services/transitional.php>

	including child labour, forced labour and pesticide use.	labour, forced labour, human health and safety, biodiversity use, soil quality, substance use (agrochemicals), GHG emissions, and resource management (energy, water, waste).	rights, ecosystem management, biodiversity and land use.	profitability and cocoa farm communities through education programs, access to financial services, and the implementation of farm business plans.  Environmental targets are pursued through promotion of agroforestry practices, decreased carbon emissions, and increased sequestration.	Certified Transitional addresses key environmental risks such as the regulation of synthetic and non-synthetic substances to preserve soil quality and aligns with federal guidelines on animal raising practices, pest and weed control and the use of chemical additives.
<b>Verification of standards and risk mitigation</b>	Certified entities undergo audits to ensure compliance with criteria and continuous improvement.	Certified entities undergo third-party audits to ensure compliance with criteria. As the certificate is valid for 5 years, the certified entity is subject to annual surveillance surveys.	Certified entities undergo third-party audits to ensure compliance with criteria.	Cocoa Horizons is recognized by the Sustainability Standards Map and has been developed to pre-emptively comply with the ISO/CEN 34101 standard on sustainable and traceable cocoa. The scheme also undergoes continuous review of its impact data.	QAI is an independent 3 <sup>rd</sup> party verifier of global organic certifications. These same verification methods and resources are leveraged for its Certified Transitional scheme.
<b>Third party expertise and multi-stakeholder process</b>	Standard setting is aligned with the ISEAL Standard Setting Code.	The RTRS Standard for Responsible Soy Production was developed through the efforts of producers, industry and civil society, which agreed upon the Principles and Criteria for certifying soy as a responsible crop.	Bonsucro is a full member of the ISEAL Alliance and follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards and the Impacts Code.	The scheme was created under the oversight of the Swiss Federal Foundation Supervisory Authority and receives ongoing governance from a 5-person board of directors, 4 of which are independent.	QAI is an accredited certifier of the USDA's National Organic Program and the Canadian Organic Regime. It is also certified by the American National Standards Institute.
<b>Performance Display</b>					
<b>Qualitative considerations</b>	Global recognition across 74 countries present in the Fairtrade System. The system covers	RTRS has more than 180 members from countries around the world, who produce over 1.3 million tonnes	Bonsucro has certified around 3.37% of global sugarcane production and covers 3.70% of	Cocoa Horizons uses an impact-driven approach that focuses on specific impactful	QAI is an active member of the Accredited Certifiers Association, the

	<p>1.4 million farmers and workers in 1,140 producer organizations. The Fairtrade certification scheme is less strict on the scope of the environmental and social requirements as it does not cover human rights issues and impact on biodiversity.</p>	<p>of RTRS certified soy per year. The RTRS certifications have been criticized for managing allegedly ‘flawed’ criteria which allow the certification of GMO and herbicide resistant crops. Additionally, the RTRS criteria allow for deforestation of secondary forest areas (not identified as primary or high conservation value). Moreover, in 2009 and 2010 two major Brazilian organisations in the soy supply chain quit the RTRS because of the addition of criteria related to deforestation. RTRS members such as Nidera, Monsanto and DuPont/Pioneer were sanctioned by Argentine authorities in the past due to forced labour, despite the fact that respecting labour laws are a condition for using the RTRS label.</p>	<p>global area of sugarcane, having 207 member organizations in over 20 countries.</p>	<p>activities to drive change in its three areas of focus: Community, Productivity, and Environment.</p> <p>Impact data is made public and is incorporated into ongoing revisions of the scheme. Third party verification and assurance reports are also publicly available.</p>	<p>Organic Trade Association, the Organic Materials Review Institute, and many other internationally recognized certification bodies.</p>
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	Sustainable Agriculture Initiative (SAI) Farm Sustainability Assessment (FSA) <sup>55</sup>	Canada Organic <sup>56</sup>	EU Organic <sup>57</sup>	USDA Organic <sup>58</sup>
<b>Background</b>	<p>SAI is a non-profit network of over 130 food industry members, including agricultural and farm associations, assurers and standard organisations, committed to advancing sustainable agriculture practices. The FSA is an SAI farm-level assessment tool for validating on-farm sustainability.</p>	<p>Canada Organic is a regulatory certification implemented by the Government of Canada’s Canadian Food Inspection Agency, based on authorities granted in section 13 of the SFCR regulation. A Canada Organic claim applies to food, feed, or seed that is produced in or imported to Canada.</p>	<p>The EU Organic Farming is a European wide label organized under the European Commission’s Council Regulation (EC) no 834/2007. The regulation covers the organic production and labelling of organic products including live or unprocessed agricultural projects, processed agricultural products for</p>	<p>The USDA Organic label is a US certification system overseen, administered and enforced by the National Organic Program of the United States Department of Agriculture. The US Organic label is regulated by the US Organic Foods Production Act of 1990 and involves input from the National Organic</p>

<sup>55</sup> SAI Platform Farm Sustainability Assessment: <https://saipatform.org/resource-centre/fsa/>

<sup>56</sup> Government of Canada, “Canadian Organic Standards”, at: <https://www.inspection.gc.ca/organic-products/standards/eng/1300368619837/1300368673172>.

<sup>57</sup> European Commission, “Organic farming”, at: [https://ec.europa.eu/info/food-farming-fisheries/farming/organic-farming\\_en](https://ec.europa.eu/info/food-farming-fisheries/farming/organic-farming_en).

<sup>58</sup> USDA, “USDA Organic”, at: <https://www.usda.gov/topics/organic>.

			use of food, feed, and vegetative propagating material and seeds for cultivation.	Standards Board (a Federal Advisory Committee made up of 15 members of the public) and the public.
<b>Clear positive impact</b>	The FSA promotes sustainable agriculture through a set of 112 requirements that address air quality, biodiversity, waste management, community engagement, soil quality and nutrition, and agrochemical usage issues.	Promote sustainable agricultural processes and products.	Promotion of a sustainable management system that respects nature's systems, contributes to biological diversity, uses energy responsibly, respects high animal welfare standards.	Promoting sustainable farming practices that improve water quality, conserve energy, increase biodiversity and contribute to soil health.
<b>Minimum standards</b>	Participants in this scheme must achieve a minimum certification level of Silver in order to be considered eligible. This involves meeting 100% of all "Essential" scheme requirements, at least 80% of all "Basic" requirements, and at least 50% of all "Advanced" requirements.	The Canada Organic regulation prohibits specific chemicals, and mandates minimum standards for agricultural practices.	The EU Organic Farming system prohibits the use of GMOs (minimum 95% GMO free), the use of ionizing radiation and sets core requirements for plant production, production rules for seaweed, livestock production rules, production rules for aquaculture animals.	The USDA Organic seal sets strict production and labeling requirements: <ul style="list-style-type: none"> <li>• produced without genetic engineering, ionizing radiation or sewage sludge</li> <li>• produced using allowed substances based on a comprehensive list of authorized synthetic and non-synthetic substances overseen by a USDA NOP authorized agent</li> </ul>
<b>Scope of certification or programme</b>	The FSA tool assesses all farm-level activities as well as all supply chains supporting farm-level operations, including impacts on the local community, and market access.	Specific standards apply to crop production, livestock production, aquaculture, chain of custody, and products. The regulations also specifically name prohibited and permitted substances.	The EU Organic Farming system addresses key risks such as substance use (e.g. pesticides, soluble fertilizers, soil conditioners or plant protection products), the maintenance and enhancement of soil life, natural soil fertility, soil stability and biodiversity, preventing and combating soil damage (compaction, erosion).	The USDA Organic system addresses key risks such as substance use through the regulation of synthetic and non-synthetic substances to preserve soil quality and in line with federal guidelines on animal raising practices, pest and weed control and the use of additives.
<b>Verification of standards and risk mitigation</b>	Certifications are administered by 3 <sup>rd</sup> party FSA verification bodies and ongoing compliance is confirmed via regular on-site assessments. FSA verification bodies are approved using ISO 17065 standards for in-house trainers and auditors.	Certification of products and processors is granted by CBs, and requires annual verification.	Certified entities undergo audits to ensure compliance with criteria and continuous improvement at least once a year, or more often based on a risk assessment.	The USDA seal has a twofold enforcement mechanism, one by Organic Certifiers and one by the USDA Agricultural Marketing Services. The two bodies undergo audits to ensure compliance with criteria and continuous improvement at least once a year or unannounced.
<b>Third party expertise and multi-stakeholder process</b>	SAI is a consortium of food industry players from across the value chain whose expertise were leveraged in the creation of the FSA tool. Revisions of the tool are	Developed by the Government of Canada through a consultative legislative process.	The EU Organic Farming is a government-based standard resulting from public consultations and third-party deliberations in line with the European	The USDA Organic seal is organized by the National Organic Program which develops the rules and regulations for the production, handling,

	regularly undertaken and new iterations are published as necessary.		Commission's typical legislative approach.	labeling and enforcement of all USDA organic products. This process receives input from the national Organic Standards Board (a Federal Advisory Committee made of 15 members of the public) and the general public.
<b>Performance Display</b>				
<b>Third-party verified</b>	The FSA standard is recognized by SCS Global Services.  ISO 17065 trained FSA Verification Bodies are the 3 <sup>rd</sup> party verifiers of all FSA certifications.	Certification Bodies (CBs) are accredited by Conformity Verification Bodies (CVBs), which are in turn accredited by the Canada Food Inspection Agency.	Every Member State must designate one or more private and/or public control authorities in charge for the organic production and labelling of organic products in the EU Member States.	80 certifying agents are USDA accredited and authorized to certify operations under the USDA organic standards. 48 of the 80 certifying authorities are US based and 32 are in foreign countries. Most certifying agents are directly accredited by the USDA National Organic Program, with an additional 21 members being officially authorized through recognition agreements between US and other governments.
<b>Qualitative considerations</b>	SAI has developed the FSA Training Toolkit as a free resource to aid the adoption of sustainable agricultural practices for all farmers. Current toolkit materials cover 70% of all FSA certification requirements and can be utilized by any farmer without commitment to FSA certification.	The Canada Organic certification is the only legally recognized organic scheme in Canada, and applies to both imports and domestically-produced agriculture products.	The EU Organic Farming system is widely recognized across all 28 Member States. Currently, 11.9% million hectares are currently certified under the system, with the whole organic area representing 6.2% of the total utilized agricultural area in the European Union.	Under the USDA Organic seal, the US federal legislation allows three levels of organic foods, namely: purely organic products made entirely with certified organic ingredient and labeled 100% organic, products with at least 95% organic ingredients. Both categories are allowed to be certified USDA Organic. A third category with at least 70% organic ingredients may be labeled as "made with organic ingredients", but cannot display the USDA Organic seal.

## Appendix 2: Overview of Referenced Forestry Certifications

	FSC <sup>59</sup>	PEFC <sup>60</sup>	SFI <sup>61</sup>	Recycled Paperboard Alliance (RPA 100) <sup>62</sup>
<b>Background</b>	Founded in 1993 after the 1992 Earth Summit in Rio failed to produce any international agreements to fight against deforestation, FSC aims to promote sustainable forest management practice.	PEFC was founded in 1999 in response to the specific requirements of small- and family forest owners as an international umbrella organization providing independent assessment, endorsement and recognition of national forest certification systems.	In 2005, the PEFC recognized the SFI standard with an aim to advance sustainable forestry and responsible purchasing globally. The SFI program has on-product labels to help consumer interact with the forestry supply chain by supporting responsible forestry. The SFI standards pertain to - Forest Management Standard, Fiber Sourcing Standard and Chain-of-Custody Standard	Founded in 1995, the RPA operates to certify consumer packaging as being made of 100% coated or uncoated recycled paperboard through its RPA 100 certification scheme. The scheme provides consumers with assurance that all labeled packaging contains exclusively recycled paperboard.
<b>Basic Principles</b>	<ul style="list-style-type: none"> <li>• Compliance with laws and FSC principles</li> <li>• Tenure and use rights and responsibilities</li> <li>• Indigenous peoples' rights</li> <li>• Community relations and workers' rights</li> <li>• Benefits from the forests</li> <li>• Environmental impact</li> <li>• Management plans</li> <li>• Monitoring and assessment</li> <li>• Special sites – high conservation value forests (HCVF)</li> <li>• Plantations</li> </ul>	<ul style="list-style-type: none"> <li>• Maintenance and appropriate enhancement of forest resources and their contribution to the global carbon cycle</li> <li>• Maintenance and enhancement of forest ecosystem health and vitality</li> <li>• Maintenance and encouragement of productive functions of forests (wood and no-wood)</li> <li>• Maintenance, conservation and appropriate enhancement of biological diversity in forest ecosystems</li> <li>• Maintenance and appropriate enhancement of protective functions in forest management (notably soil and water)</li> <li>• Maintenance of socioeconomic functions and conditions</li> <li>• Compliance with legal requirements</li> </ul>	<ul style="list-style-type: none"> <li>• To practice sustainable forestry that integrates land stewardship ethic and conservation of ecosystem services</li> <li>• To protect and maintain forest productivity and health</li> <li>• To protect water resources and biological diversity</li> <li>• To manage the visual impacts of forest operations, and to provide recreational opportunities for the public</li> <li>• To manage and protect integrity of forests and lands of special significance (ecologically, geologically or culturally important)</li> <li>• To use and promote sustainable forestry practices that are both scientifically credible and economically, environmentally and socially responsible</li> <li>• To avoid Controversial Sources including Illegal logging in Offshore Fiber Sourcing as well as sourcing from countries that do</li> </ul>	<ul style="list-style-type: none"> <li>• Establishing a benchmark for the substantiation of the claim that a package is made of 100% recycled fiber</li> <li>• Provide a protocol for auditing its member paperboard mills to ensure the use of only recovered fiber</li> </ul>

<sup>59</sup> Forest Stewardship Council, at: <https://www.fsc.org/en>

<sup>60</sup> Programme for the Endorsement of Forest Certification, at: <https://www.pefc.org/>

<sup>61</sup> Sustainable Forestry Initiative: <https://www.sfiprogram.org/>

<sup>62</sup> Recycled Paperboard Alliance: <https://www.rpa100.com/what/certification/>

			<p>not have effective social laws.</p> <ul style="list-style-type: none"> <li>• To comply with applicable federal, provincial, state, and local forestry and related environmental laws, statutes, and regulations</li> <li>• To support advances in sustainable forest management through forestry research as well as improve the practice of sustainable forestry through training and education programs</li> <li>• To broaden the practice of sustainable forestry on public lands through community involvement as well as the understanding of the standard by documenting certification audits and making the findings publicly available.</li> <li>• To continually improve the practice of forest management</li> </ul>	
<p><b>Governance</b></p>	<p>The General Assembly, consisting of all FSC members, constitutes the highest decision-making body.</p> <p>At the General Assembly, motions are proposed by one member, seconded by two more, and deliberated and voted on by all members. Members are entitled to vote to amend the bylaws, initiate new policies, and clarify, amend or overturn a policy decision by the board.</p> <p>Members apply to join one of three chambers – environmental, social, or economic – that are further divided into northern and southern sub-chambers.</p> <p>Each chamber holds 33.3% of the weight in votes, and within each chamber the votes are</p>	<p>PEFC’s governance structure is formed by the General Assembly (GA) which is the highest authority and decision-making body. It is made up of all PEFC members, including national and international stakeholders.</p> <p>Members vote on key decisions including endorsements, international standards, new members, statutes and budgets. All national members have between one and seven votes, depending on membership fees, while international stakeholder members have one vote each.</p> <p>The Board of Directors supports the work of the GA and together the GA and the Board make the formal approval of final draft standards. Standards</p>	<p>The SFI program is operated by SFI Inc., a fully independent non-profit charitable 501(c) (3) organization.</p> <p>SFI Inc. is governed by an 18-member board of directors made up of three chambers with equal membership: environmental, social and economic. This multi-stakeholder board of directors is the sole governing body over all aspects of the SFI program, including the SFI 2010-2014 Standard, chain-of-custody, labeling and claims, marketing and promotion.</p> <p>The SFI has an External Review Panel, comprising environmental, conservation and forestry experts. This panel annually reviews the program’s</p>	<p>RPA 100 is an independent, non-profit trade alliance comprised of certified paperboard mill members.</p>

	<p>weighted so that the North and South hold an equal portion of authority, to ensure influence is shared equitably between interest groups and countries with different levels of economic development.</p> <p>The votes of all individual members in each sub-chamber represent 10% of the total vote of the sub-chamber, while the votes of organizational members make up the other 90%.</p> <p>The members vote for the board of directors, which is accountable to the members. There is an international board elected by all members and a US board, elected by the US-based members.</p>	<p>are developed by working groups.</p> <p>In general, PEFC's governance structure is more representative of industry and government stakeholders than of social or environmental groups, which gives industry and governments more influence in the decision-making process. However, the organization does include stakeholders from all sectors.</p>	<p>progress and releases a report publicly.</p> <p>There are thirty-seven SFI Implementation Committees across North America that operate at the regional, state and provincial level to help promote the SFI Standard through targeted local actions. They involve public agencies, universities, local forestry associations, landowners, loggers, partnerships with conservation groups, and other community based organizations</p>	
<p><b>Scope</b></p>	<p>FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an FSC Global standard and for certain countries FSC National standards. Economic, social, and environmental interests have equal weight in the standard setting process. FSC follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards.</p>	<p>Multi-stakeholder participation is required in the governance of national schemes as well as in the standard-setting process. Standards and normative documents are reviewed periodically at intervals that do not exceed five years. The PEFC Standard Setting standard is based on ISO/IEC Code for good practice for standardization (Guide 59)<sup>63</sup> and the ISEAL Code of Good Practice for Setting Social and Environmental Standards.</p>	<p>SFI Standards promote sustainable forest management in North America and responsible procurement of forest products around the world. The SFI Forest Management Standard particularly applies to organizations in the United States and Canada and the Fiber Sourcing Standard as well as the Chain-of-Custody standard apply to any organization globally.</p>	<p>RPA 100 covers all consumer packaged goods manufactured from exclusively from either coated recycled paperboard or uncoated recycled paperboard.</p>
<p><b>Chain-of-Custody</b></p>	<ul style="list-style-type: none"> <li>The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards.</li> <li>CoC standard includes procedures for tracking wood origin.</li> <li>CoC standard includes specifications for the physical separation</li> </ul>	<ul style="list-style-type: none"> <li>Quality or environmental management systems (ISO 9001:2008 or ISO 14001:2004 respectively) may be used to implement the minimum requirements for chain-of-custody management systems required by PEFC.</li> <li>Only accredited certification bodies can undertake certification.</li> </ul>	<ul style="list-style-type: none"> <li>Any entity harvesting, transporting, handling or processing forest based products can use CoC certification to track and communicate forest fiber content using one of the following optional approaches for chain of custody: physical separation, average percentage or volume credit method.</li> <li>These entities shall obtain an independent,</li> </ul>	<ul style="list-style-type: none"> <li>Assurance of certification compliance is performed at the paperboard mill level and independently certified.</li> </ul>

<sup>63</sup> ISO, "ISO/IEC Guide 59:2019", (2019), at: <https://www.iso.org/standard/23390.html>

	<p>of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products.</p> <ul style="list-style-type: none"> <li>CoC certificates state the geographical location of the producer and the standards against which the process was evaluated. Certificates also state the starting and finishing point of the CoC.</li> </ul>	<ul style="list-style-type: none"> <li>CoC requirements include specifications for physical separation of wood and percentage-based methods for products with mixed content.</li> <li>The CoC standard includes specifications for tracking and collecting and maintaining documentation about the origin of the materials.</li> <li>The CoC standard includes specifications for the physical separation of certified and non-certified wood.</li> <li>The CoC standard includes specifications about procedures for dealing with complains related to participant's chain of custody.</li> </ul>	<p>third-party certification by an SFI certification body to the requirements set out in this standard if they choose to utilize an SFI CoC label or claim.</p> <ul style="list-style-type: none"> <li>Quality or environmental management systems (ISO 9001: 2008) or environmental management system (ISO 14001:2004) can be used to meet minimum requirements for the management system.</li> <li>This standard shall be used together with the requirements specifying the origin, which is to be verified by the CoC. Usage of labels and claims based on the implementation of this standard shall follow ISO 14020:2000 (Environmental labels and declarations)</li> </ul>	
<p><b>Non-certified wood sources</b></p>	<p>FSC's Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems, and documentation to avoid sourcing materials from controversial sources, including:</p> <ol style="list-style-type: none"> <li>Illegally harvested wood, including wood that is harvested without legal authorization, from protected areas, without payment of appropriate taxes and fees, using fraudulent papers and mechanisms, in violation of CITES requirements, and others,</li> <li>Wood harvested in violation of traditional and civil rights,</li> <li>Wood harvested in forests where high conservation values are threatened by</li> </ol>	<p>The PEFC's Due Diligence System requires participants to establish systems to minimize the risk of sourcing raw materials from:</p> <ol style="list-style-type: none"> <li>forest management activities that do not comply with local, national or international laws related to:</li> <li>operations and harvesting, including land use conversion,             <ul style="list-style-type: none"> <li>management of areas with designated high environmental and cultural values,</li> <li>protected and endangered species, including CITES species,</li> <li>health and labor issues,</li> <li>indigenous peoples' property, tenure and use rights,</li> </ul> </li> </ol>	<p>SFI requires program participants to:</p> <ol style="list-style-type: none"> <li>Comply with applicable federal, provincial, state, and local forestry and related environmental laws, statutes, and regulations such as - The Clean Water Act, The Endangered Species Act, The Species at Risk Act, The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) etc.</li> <li>Avoid controversial sources including Illegal Logging and Fiber Sourced from Areas that do not have Effective Social Laws pertaining to: workers' health and safety, fair labor practices, indigenous peoples' rights, anti-discrimination and anti-harassment measures, prevailing</li> </ol>	

	<p>management activities,</p> <p>d. Wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses,</p> <p>e. Wood from management units in which genetically modified trees are planted.</p>	<ul style="list-style-type: none"> <li>o payment of royalties and taxes.</li> </ul> <p>c. genetically modified organisms,</p> <p>d. forest conversion, including conversion of primary forests to forest plantations.</p>	<p>wages and workers’ right to organize.</p> <p>c. Document information that includes knowledge about direct suppliers’ application of the principles of sustainable forestry.</p>	
<b>Accreditation/ verification</b>	<p>FSC-accredited Certification Bodies (CB) conduct an initial assessment, upon successful completion companies are granted a 5-year certificate. Companies must undergo an annual audit every year and a reassessment audit every 5 years. Certification Bodies undergo annual audits from Accreditation Services International (ASI) to ensure conformance with ISO standard requirements.</p>	<p>Accreditation is carried out by an accreditation body (AB). Like a certification body checks a company meets the PEFC standard, the accreditation body checks that a certification body meets specific PEFC and ISO requirements. Through the accreditation process PEFC has assurance that certification bodies are independent and impartial, that they follow PEFC certification procedures.</p> <p>PEFC does not have their own accreditation body. Like with the majority of ISO based certifications, PEFC relies on national ABs under the umbrella of the International Accreditation Forum (IAF). National ABs need to be a member of the IAF, which means they must follow IAF’s rules and regulations.</p>	<p>All SFI certifications require independent, third-party audits and are performed by internationally accredited certification bodies.</p> <p>Accredited certification bodies are required to:</p> <ul style="list-style-type: none"> <li>• maintain audit processes consistent with the requirements of ISO 17021:2006 conformity assessment – requirements for bodies providing audit and certification of management systems; and</li> <li>• conduct audits in accordance with the principles of auditing contained in the ISO 19011:2006 Guidelines for Quality and/or Environmental Management Systems Auditing.</li> </ul>	<p>All guidelines and claims of this certification have been reviewed by the Federal Trade Commission which governs environmental messaging on packaging.</p> <p>The certification and audit process is carried out by independent 3<sup>rd</sup> parties.</p>
<b>Conclusion</b>	<p>Sustainalytics views both FSC and PEFC, as well as the PEFC-affiliated scheme SFI, as being credible standards that are based on comprehensive principles and criteria that are aligned with ISO. Both schemes have received praise for their contribution to sustainable forest management practices<sup>64</sup> and both have also faced criticism from civil society actors.<sup>65,66</sup> In certain instances, these standards go above and beyond national regulation and are capable of providing a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standards are equal or similar to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided by either scheme is contingent upon several factors including the certification bodies conducting audits, national regulations and local context.</p>			<p>Sustainalytics is of the opinion that RPA 100 is a credible mechanism for verifying that consumer packaging is made of 100% recycled fiber.</p>

<sup>64</sup> FESPA, “FSC, PEFC and ISO 38200”, (2018), at: <https://www.fespa.com/en/news-media/blog/fsc-pefc-and-iso-38200>.

<sup>65</sup> Yale Environment 360, “Greenwashed Timber: How Sustainable Forest Certification Has Failed”, (2018), at: <https://e360.yale.edu/features/greenwashed-timber-how-sustainable-forest-certification-has-failed>.

<sup>66</sup> EIA, “PEFC: A Fig Leaf for Stolen Timber”, (2017), at: <https://eia-global.org/blog-posts/PEFC-fig-leaf-for-stolen-timber>.

### Appendix 3: Overview of Referenced Green Building Certification Schemes

	LEED	Energy Star	BREEAM
<b>Background</b>	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	ENERGY STAR is a U.S. Environmental Protection Agency voluntary program that provides independently certified energy efficiency ratings for products, homes, buildings, and industrial plants. Certification is given on an annual basis, so a building must maintain its high performance to be certified year to year.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK, this scheme can be used for new, refurbished and extension of existing buildings.
<b>Certification levels</b>	<ul style="list-style-type: none"> <li>• Certified</li> <li>• Silver</li> <li>• Gold</li> <li>• Platinum</li> </ul>	<ul style="list-style-type: none"> <li>• 1-100 score, 75 is minimum for certification</li> </ul>	<ul style="list-style-type: none"> <li>• Pass</li> <li>• Good</li> <li>• Very Good</li> <li>• Excellent</li> <li>• Outstanding</li> </ul>
<b>Areas of assessment</b>	<ul style="list-style-type: none"> <li>• Energy and atmosphere</li> <li>• Sustainable Sites</li> <li>• Location and Transportation</li> <li>• Materials and resources</li> <li>• Water efficiency</li> <li>• Indoor environmental quality</li> <li>• Innovation in Design</li> <li>• Regional Priority</li> </ul>	<ul style="list-style-type: none"> <li>• Energy use</li> </ul>	<ul style="list-style-type: none"> <li>• Management</li> <li>• Energy</li> <li>• Land Use and Ecology</li> <li>• Pollution</li> <li>• Transport</li> <li>• Materials</li> <li>• Water</li> <li>• Waste</li> <li>• Health and Wellbeing</li> <li>• Innovation</li> </ul>
<b>Requirements</b>	<p>Minimum requirements independent of level of certification; point-based scoring system weighted by category to determine certification level.</p> <p>The rating system is adjusted to apply to specific sectors, such as: New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, and Existing Buildings: Operation and Maintenance.</p>	1-100 score based on energy use, as calculated through the Portfolio Manager tool. Raw score is adjusted based on location, operating conditions, and other factors. The numerical score indicates performance better than at least 75 percent of similar buildings nationwide.	<p>Minimum requirements depending on the level of certification; scoring system weighted by category, producing a percentage-based overall score. The majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their performance score.</p> <p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>
<b>Qualitative Considerations</b>	Widely accepted within the industry, both in North America and internationally, and considered a guarantee of strong performance.	Accounts only for energy use, not other measures of environmental performance. Is a key component of other green building certification systems.	Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus, lower levels are less strict than LEED.
<b>Performance display</b>			

## Appendix 4: Sustainability Bond / Sustainability Bond Programme - External Review Form

### Section 1. Basic Information

Issuer name:	Kellogg Company
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Kellogg Sustainability Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	May 3, 2021
Publication date of review publication:	

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

#### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

**1. USE OF PROCEEDS**

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds – Food Security and Sustainable Food Systems, Renewable Energy, Energy Efficiency, Circular Economy, Environmentally Sustainable Management of Living Natural Resources and Land Use, Green Buildings, Sustainable Water and Wastewater Management – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 6, 7, 9 and 12

**Use of proceeds categories as per GBP:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy   | <input checked="" type="checkbox"/> Energy efficiency   |
| <input type="checkbox"/> Pollution prevention and control  | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input type="checkbox"/> Clean transportation   |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management  | <input type="checkbox"/> Climate change adaptation  |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                  | <input checked="" type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input checked="" type="checkbox"/> Other (please specify): Food Security and Sustainable Food Systems              |

If applicable please specify the environmental taxonomy, if other than GBPs:

**Use of proceeds categories as per SBP:**

- |   |   |
|---|---|
| <input type="checkbox"/> Affordable basic infrastructure  | <input type="checkbox"/> Access to essential services   |
| <input type="checkbox"/> Affordable housing   | <input type="checkbox"/> Employment generation (through SME financing and microfinance)                 |
| <input type="checkbox"/> Food security  | <input type="checkbox"/> Socioeconomic advancement and empowerment                                      |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input checked="" type="checkbox"/> Other (please specify): Food Security and Sustainable Food Systems, |

If applicable please specify the social taxonomy, if other than SBP:

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Kellogg intends to follow an internal process for evaluating and selecting projects ("Eligible Projects") which culminates in final review and approval by the Chief Sustainability Officer and the VP, Treasurer. Sustainalytics considers the project selection process in line with market practice.

### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives                                 | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available                           | <input type="checkbox"/> Other (please specify):  |

### Information on Responsibilities and Accountability

- |   |  |
|---|--|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify):  |  |

## 3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Kellogg's Treasury department will be responsible for monitoring and allocation of proceeds to Eligible Projects. The Company intends to fully allocate proceeds within 24 months. Pending allocation, net proceeds may be temporarily invested or otherwise maintained in cash, cash equivalents, short-term investments, or used to repay other borrowings, among other general corporate purposes. This is in line with market practice.

### Tracking of proceeds:

- |   |
|---|
| <input type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner            |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify):  |

### Additional disclosure:

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
|---|---|

- |  |  |
|--|--|
| <input type="checkbox"/> Allocation to individual disbursements                  | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify):                               |

**4. REPORTING**

Overall comment on section (if applicable):

Kellogg intends to report on allocation of proceeds on its website annually (first report to commence in the subsequent calendar year to issue) until full allocation through a Sustainability Bond report. Allocation reporting will include the amounts allocated on a category level, the balance of unallocated proceeds. In addition, the Company intends to report on the social and environmental impact metrics. Sustainalytics views Kellogg Company's allocation and impact reporting as aligned with market practice.

**Use of proceeds reporting:**

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):                 |

**Information reported:**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify):      |   |

**Frequency:**

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

**Impact reporting:**

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):                 |

**Information reported (expected or ex-post):**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings   |
| <input checked="" type="checkbox"/> Decrease in water use   | <input checked="" type="checkbox"/> Number of beneficiaries  |
| <input type="checkbox"/> Target populations                 | <input checked="" type="checkbox"/> Other ESG indicators (please specify): Renewable energy purchased; Volume of sustainably sourced timber-based packaging; square footage of green real estate space |

**Frequency:**

- Annual  Semi-annual  
 Other (please specify):

**Means of Disclosure**

- Information published in financial report  Information published in sustainability report  
 Information published in ad hoc documents  Other (please specify):  
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- Consultancy (incl. 2<sup>nd</sup> opinion)  Certification  
 Verification / Audit  Rating  
 Other (*please specify*):

**Review provider(s):**

**Date of publication:**

**ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines

specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

- iv. Green, Social and Sustainability Bond Scoring/Rating: An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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