



ENVIRONMENT

At Kellogg, we aim to earn and retain consumers' trust by operating in line with our values and being transparent about how our foods are grown and made. In the environmental realm, this means working to reduce our own use of natural resources as we make our foods and reporting on our progress, as well as taking an industry-leading role in the global effort to stem climate change.

The year 2015 marked a milestone in Kellogg's sustainability journey, as it denoted the end of our first generation of environmental goals. It was a year to assess progress and take stock—but also to continue pushing forward, as we've already set new and significant targets for 2020.

At the climate talks in Paris in December 2015, we announced an ambitious new climate commitment (see p. 14). We know that consumers care passionately about this issue and are increasingly demanding action. Our global partnerships across industry and in the public-private sector to address the risks of climate change are critical to food security, business continuity and security of ingredient supplies.

TAKING STOCK: OUR 2015 GOALS

In 2008, we set ambitious environmental goals for year-end 2015. Specifically, we aimed to:

- Reduce our facilities' energy use, greenhouse gas (GHG) emissions and water use (per metric tonne of food produced) by 15–20 percent compared to 2005.
- Decrease our waste sent to landfill (per metric tonne of food produced) by 20 percent, compared to 2005.

We met the waste goal in only one year and promptly set another one—aiming to achieve an additional 20 percent reduction in waste to landfill (per metric tonne of food produced) from 2009 to 2015. We achieved this second goal as well, delivering a 20 percent reduction by year-end 2015, for a total decrease of 62 percent since 2005.

These waste reductions have delivered both environmental and social benefits, as we decreased both food waste and waste sent to landfill. Our facility in Querétaro, Mexico, for example, reduced its waste to landfill by almost 25 percent during 2015 alone, thanks in part to ongoing training, a focus on reuse and a composting program for both cafeteria and garden waste.

Our Energy, GHG and Water Goals

In 2012, more than halfway through the goal period, Kellogg acquired the *Pringles*® brand, which has been a great driver of business growth. Making *Pringles*® requires twice as much energy and more than 70 percent more water than making other Kellogg products, and the addition of a new *Pringles*®

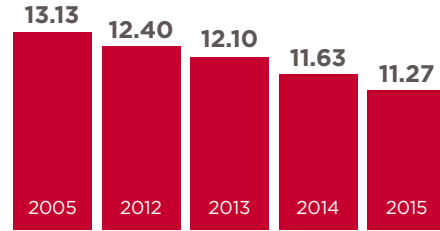
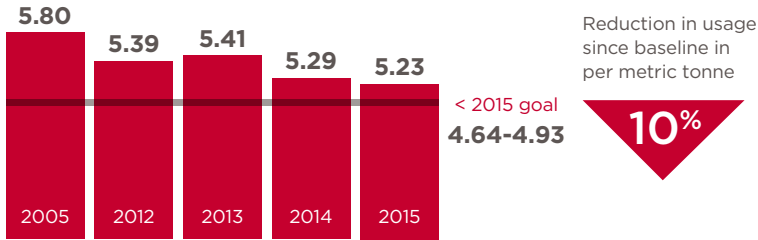
production plant further affected our energy and water use. Still, we were able to make good progress toward our normalized energy, GHG and water goals: We reduced energy use by 6 percent, GHG emissions by 11 percent and water use by 7 percent compared to our 2005 baseline. All of these figures are normalized—i.e., per metric tonne of food produced. And, as required by the GHG Protocol,⁴ the data include *Pringles*® back to the baseline year, even though we didn't own the business until 2012. On an absolute basis, including the *Pringles*® data, we reduced energy use 8 percent, GHG emissions 14 percent and water use 10 percent compared to 2005.

Excluding *Pringles*®, it's clear our progress was quite strong (see charts on p. 12). The reductions we achieved were close to our targets, and were accomplished despite changes in production volume and increases in small-pack production, which impact reductions per tonne of food produced.

The learnings from our performance to date are now being applied to our programs to achieve our 2020 Sustainability Commitments for natural resource conservation. All facilities globally have individualized targets and sustainability action plans built into their standard ways of working. We are further prioritizing capital plans that will help drive energy, GHG and water reductions, with a specific focus on our *Pringles*® plants. We're also training and engaging our employees to achieve greater efficiencies where it matters most—in systems such as steam and compressed air, which provide the greatest opportunities for conservation.

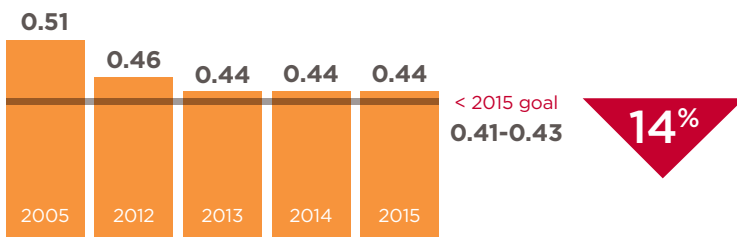
ENVIRONMENTAL DATA

Not Including *Pringles*[®]



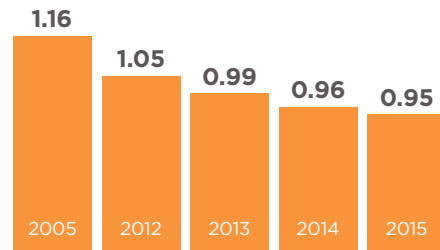
Energy Use

Per Metric Tonne of Food Produced
(in gigajoules)



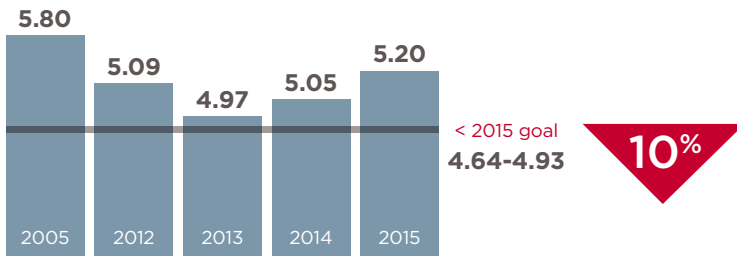
Total Energy Use

(in millions of gigajoules)



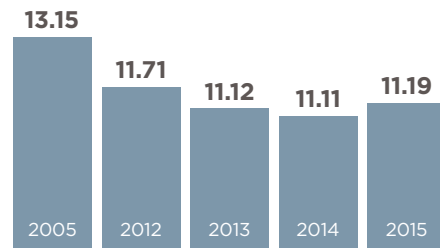
GHG Emissions

Per Metric Tonne of Food Produced
(in metric tonnes)



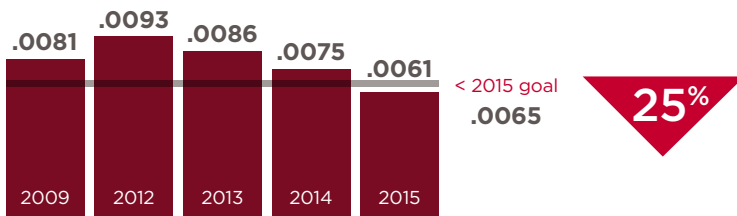
Total GHG Emissions

(in millions of metric tonnes)



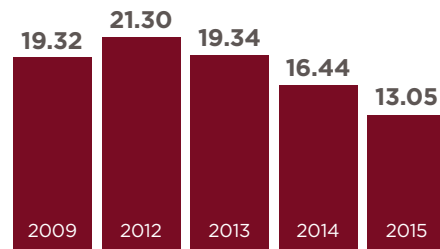
Water Use

Per Metric Tonne of Food Produced
(in cubic meters)



Total Water Use

(in millions of cubic meters)



Waste Sent to Landfill

Per Metric Tonne of Food Produced
(in metric tonnes)

Total Waste Sent to Landfill

(in thousands of metric tonnes)



OUR 2020 NATURAL RESOURCES COMMITMENTS

In late 2014, we announced our next generation of natural resources commitments, which are listed below. Kellogg is fully committed to achieving these goals and applying the knowledge we gained from working toward our first set of targets. Our efforts toward them will further conserve natural resources in both our operations and our value chain.

Using 2015 as a baseline, by 2020 we will:

- Expand the use of low-carbon energy in our plants by 50 percent
- Reduce energy use and GHG emissions in our plants by 15 percent (per metric tonne of food produced)
- Support watershed quality
- Implement water reuse projects in 25 percent of our plants
- Reduce water use in our plants by 15 percent (per metric tonne of food produced)

By 2016 we will:

- Increase to 30 percent the number of our plants sending zero waste to landfill

In addition we will:

- Maintain our commitment to having 100 percent of our timber-based packaging come from either recycled content or from certified sustainable sources
- Further implement resource-efficient packaging, as measured by improved performance for recycled content, recyclability and food-to-package ratios

We have begun to make progress toward these commitments already. Our new plant in Sri City, India, for example, which began full operations in 2015, utilizes a biomass boiler. And our new facility, in Kutno, Poland, was designed to be zero-waste-to-landfill from the start. This plant began operations in July 2014 with high standards for waste segregation, and all waste generated in the factory is now recycled or reused.

OUR NEW, SCIENCE-BASED CLIMATE GOALS

Climate change is a core business issue for Kellogg, as we seek to ensure the long-term health and viability of the ingredients we use in the foods people love and trust. In 2015, we committed to ambitious, **science-based targets** aimed at helping limit the rise of global average temperature to below 2 degrees Celsius—the limit scientists agree will help to avoid the most serious consequences for the planet.

Specifically, by 2050⁵ we are committed to:

- Deliver a 65 percent reduction in Scope 1 and 2 emissions,⁶ including in manufacturing, offices and distribution
- For the first time engage our direct suppliers⁷ to reduce absolute Scope 3 emissions⁸ by 50 percent by 2050

These commitments have been approved by the Science-Based Targets Initiative, a joint effort of the CDP (formerly the Carbon Disclosure Project), UN Global Compact, World Resources Institute and World Wildlife Fund. To fulfill the commitments, we will engage 75 percent of our Tier 1 suppliers to annually report on carbon activities to reduce emissions through CDP Supply Chain by 2020.

We know we can't do this alone, which is why we will continue to partner with a wide array of external organizations and initiatives—including Business for Innovative Climate and Energy Policy (BICEP) and the Cool Farm Alliance—in an effort to enable a rapid transition to a low-carbon economy. In 2015 we played an active role at **New York Climate Week** and **COP21 in Paris**. Our full **climate policy** is available on our corporate website.



REDUCING FOOD WASTE

According to the UN's Food and Agriculture Organization, approximately one-third of the food produced globally each year for human consumption is not eaten. This wasted food presents a major social, environmental and economic challenge. It undermines food security, contributes to climate change, consumes scarce natural resources and costs money.

As a member of the Consumer Goods Forum, **we have pledged** to do our part to halve per capita global food waste at the consumer level, and to reduce food losses along the production and supply chains, including post-harvest losses, by 2030. We will address this issue in our agricultural supply chain, in our own operations and in communities. Already, we are working with partners to help promote post-harvest loss-reduction practices in Asia and the United States. In the Philippines, for instance, we are partnering with the International Rice Research Institute and the Philippines Department of Agriculture to fund work to improve agronomic practices and reduce food loss in the rice supply chain.

A Creative Solution for Waste in the U.K.

In 2015, our snacks facility in Wrexham, U.K., began sending food waste that cannot be used for animal feed to an anaerobic digester at a farm just one mile away. The biogas generated by the digester is used in a combined heat and power (CHP) plant, which in turn heats and provides electricity to a farmhouse, engineering workshops and other buildings onsite. Any surplus electricity is sent back to the local electrical grid. The digester also generates high-quality fertilizer, which is spread onto the adjacent farmland. The Wrexham facility continues to look for ways to minimize waste generated onsite, but in the meantime is pleased to provide this energy feedstock to the local community.