

Second-Party Opinion

W.K. Kellogg Foundation Trust Social Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the W.K. Kellogg Foundation Trust Social Bond Framework (the "Framework") is credible and impactful and aligns with the four core components of the Social Bond Principles 2020. This assessment is based on the following:



USE OF PROCEEDS The proceeds will be distributed by the W.K. Kellogg Foundation Trust (the "Trust"), the issuer of the social bonds, to the W.K. Kellogg Foundation (the "Foundation" or "WKKF"). The Foundation will in turn utilize these distributions to finance grants and program-related investments in three areas which are aligned with the Socio-Economic Advancement and Empowerment category recognized by the Social Bond Principles. Sustainalytics considers that the eligible category will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDG 4, 8, and 10.



PROJECT EVALUATION / SELECTION The Foundation has a dedicated internal process to evaluate and approve each grant against specific criteria. Sustainalytics considers the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS The Trust, the issuer of the Social Bonds, will deposit the proceeds in a separate account and subsequently provide Special Distributions to the Foundation. The Foundation will allocate these distributions to its Special Allocation Grants over the course of two fiscal years. This is in line with market practice.



REPORTING The Foundation intends to report information regarding the allocation of proceeds on its website on an annual basis until full allocation. In addition, the Foundation is committed to reporting on relevant impact metrics. Sustainalytics views the Foundation's allocation and impact reporting as aligned with market practice.

Evaluation date	October 8, 2020
Issuer Location	Battle Creek, MI, United States

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Introduction

The W.K. Kellogg Foundation is a non-profit organization founded by Will Keith Kellogg in 1930 for the purpose of improving the health, happiness and well-being of children. The Foundation operates in three key grantmaking areas: (i) Thriving Children; (ii) Working Families; and (iii) Equitable Communities. In 2019, the Foundation disbursed over US\$280 million in grants to over 1,200 grantees.

The W.K. Kellogg Foundation Trust is the organization which provides financial support to the Foundation as the Trust's sole beneficiary. The Trust will be the issuer of the Social Bonds under the Framework and will in turn distribute the proceeds to the Foundation for allocation to its grantmaking programs. The Foundation will not issue or guarantee the Social Bonds.

The Trust has developed the W.K. Kellogg Foundation Trust Social Bond Framework under which it intends to issue a social bond and distribute the proceeds to the Foundation to finance, in whole or in part, Special Allocation Grants that will supplement the Foundation's philanthropic grantmaking. The Framework defines eligibility criteria related to the Social Bond Principles category of Socio-Economic Advancement and Empowerment.

The Trust engaged Sustainalytics to review the Framework, dated October 2020, and provide a Second-Party Opinion on the Framework's social credentials and its alignment with the Social Bond Principles 2020 (SBP).¹ This Framework has been published in a separate document.²

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent³ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

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

- The Framework's alignment with the Social Bond Principles 2020, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds;
- 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 1.5, which is informed by market practice and Sustainalytics expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various representatives of the Trust and members of the Foundation'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. The Trust representatives have confirmed (1) they understand it is the responsibility of the Trust and the Foundation to ensure that the information provided by the respective organizations 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.

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

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

¹ The Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

² The W.K. Kellogg Foundation Trust Social Bond Framework is available on the W.K. Kellogg Foundation website at: <https://www.wkkf.org/who-we-are/overview/#financials>

³ 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.

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 intended 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 the Trust or the Foundation has made available to Sustainalytics for the purpose of this SPO.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the W.K. Kellogg Foundation Trust Framework

Sustainalytics is of the opinion that the Framework is credible and impactful, and aligns with the four core components of the SBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The Framework's use of proceeds criteria are aligned with the category of Socioeconomic Advancement and Empowerment, which is recognized by the SBP.
 - The proceeds of the Trust's Social Bonds will be distributed by the Trust to the Foundation and used by the Foundation to fund grants and program-related investments ("Special Allocation Grants"), which will be made in addition to the Foundation's normal grant making and will be directed to address critical needs of children, families and communities in the wake of the global pandemic, as well as urgent issues of racial injustice.
 - Sustainalytics notes that the proceeds of the Social Bonds will be used for these Special Allocation Grants.
 - The COVID-19 pandemic and the resultant control measures and socioeconomic impacts have negatively impacted non-profits both operationally and financially. Existing and prospective grantees of the Foundation that are largely dependent on philanthropic funding are particularly vulnerable to the effects of the pandemic. Sustainalytics views positively WKKF's intent to support organizations which have been affected and ensure continuing support for the communities they serve.
 - The Foundation operates grantmaking programs in three thematic areas focused on inequity: early childhood education and healthcare; access to stable and high-quality jobs for families; and equitable and engaged communities. Sustainalytics is of the opinion that, by aligning the Special Allocation Grants with the Foundation's existing program areas, the grants financed by bonds issued under the Framework will provide social benefits.⁴
 - The SBP states that projects should deliver positive impacts "especially but not exclusively for a target population(s)." Sustainalytics is of the opinion that, given its focus on inequity and its explicit commitment to funding programs which benefit children and families, the Framework is aligned with market practice.
 - Sustainalytics notes that full allocation of social bond proceeds for philanthropic purposes is not typically aligned with market practice. However, as the WKKF's operational model is entirely philanthropic, Sustainalytics views such allocation as an appropriate and beneficial exception.
- Project Evaluation and Selection:

⁴ Sustainalytics has reviewed both the Foundation's grant-making policies as well as a sample of the grants provided over the 2018-2019 period to support this conclusion.

- Special Allocation Grants applications will be evaluated by the Foundation's program teams. Grantees will undergo an application process that will be administered by program teams that are subject matter experts in their respective fields.
- Applications will be reviewed against certain criteria including, but not limited to, (i) the issues the organization/project addresses, (ii) geographic focus and/or communities and populations the organization/project intends to support, (iii) population served, (iv) existing revenue sources, (v) mission and values of the grantee, and (vi) racial equity commitment.
- The Foundation has developed a five-year strategic plan and prescribes internal processes to guide the grant evaluation process and write Internal Funding Rationale ("IFR") documents. These IFRs summarize key aspects of the grant such as grant purpose, scope of work, expected outcomes, and key risks along with mitigating factors.
- The Foundation's program leadership team will be responsible for providing final approval of Special Allocation Grants.
- Based on the use of defined internal procedures, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - The Trust will hold the proceeds of the social bond in a segregated account until such time as they are distributed to the Foundation in the form of "Special Distributions". These distributions will be tracked by the Trust in a register.
 - Upon receipt of the Special Distributions, the Foundation will deposit the proceeds in a separate operating account which will hold only such proceeds, until such time as they are distributed to Special Allocation Grants.
 - The Framework indicates that proceeds will be distributed by the Trust to the Foundation and then allocated by WKKF as soon as is practicable over approximately the current and next fiscal year of the Trust and Foundation.
 - Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - WKKF intends to follow its current reporting practices on its grantmaking process by listing all grants (and program-related investments) and grantees on its website. The reporting will include a summary of grants provided detailing grant amounts and duration, expected impact, a description of the organization or project funded by issue area and by region. Select impact metrics such as percentage students achieving 3rd grade reading proficiency; percentage students attending school; percentage children living in poverty etc., will be tracked and reported annually, if applicable. The Foundation will designate Special Allocation Grants as such in its reporting and the information will be updated annually until all proceeds of the bond have been awarded.
 - In addition, the Trust and the Foundation intend to provide a summary of the Special Allocation Grant program on the Foundation's website upon full allocation. The report is expected to include (i) an affirmation by the Trustees of the Trust that the proceeds of the Bonds were distributed to the Foundation as Special Distributions, (ii) an affirmation by management of the Foundation that such proceeds were disbursed by the Foundation as Special Allocation Grants, (iii) summary information regarding grants and program-related investments awarded by program area, and (iv) a report by an independent accounting firm verifying allocation of proceeds.
 - Based on these reporting commitments, Sustainalytics considers this process to be in line with market practice.

Alignment with Social Bond Principles 2020

Sustainalytics has determined that the Framework aligns to the four core components of the SBP. For detailed information please refer to Appendix 1: Social Bond/Social Bond Programme External Review Form.

Section 2: Sustainability Performance of the Trust

Contribution of Framework to The W.K. Kellogg Foundation Trust's sustainability mandate

The Foundation was incorporated in 1930 with the philanthropic goal of “administering funds for the promotion of the welfare, comfort, health, education, feeding, clothing, sheltering, and safeguarding of children and youth.” The Trust is the organization which provides financial support to the Foundation as the Trust's sole beneficiary. Over the years, the Foundation has made targeted philanthropic grants in this area and has a broader mission now in its three areas of focus -- (i) Thriving Children; (ii) Working Families; and (iii) Equitable Communities.⁵ Sustainalytics is of the opinion that the Foundation demonstrates a commitment to sustainability through a strong track record in these three areas:

- Thriving Children: Under this focus area, WKKF disburses grants that are focused on issues such as early child education and learning, maternal and child health, and improved health outcomes for children to a wide variety of organizations such as schools, community foundations, and non-profits.
- Working Families: WKKF focuses on creating positive economic outcomes for working families through grantmaking in areas such as financial and technical support for small businesses, research initiatives to increase employment for low-income families, and support for businesses owned by people of color.
- Equitable Communities: Grantmaking in this category is focused on initiatives that promote more engaged and equitable communities and include support for racial equity grants, COVID-19 disaster-response relief, and promoting civic engagement initiatives focused on equity.⁶

Sustainalytics has reviewed focus areas of the grants made by the Foundation and is of the opinion that delivering positive social outcomes is at the centre of the Foundation's core mission. Accordingly, the Special Allocation Grants planned under this Framework in the above grantmaking areas are aligned with the Foundation's overall mission and initiatives and will further the Foundation's action on its key social priorities.

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

While Sustainalytics recognizes that the proceeds from the bond issued under the Framework will be directed towards eligible projects that are recognized by the Social Bond Principles (2020) and anticipated to have positive social impact, Sustainalytics is aware that such eligible projects could also have associated environmental and social risks. Some key risks could include risks of social inequity if funds are not well-managed and if they are not directed to programs which are appropriately targeted to vulnerable populations; impacts on local communities and other stakeholders during program implementation; and risk of diversion of funds.

The Foundation also has a 5-Year Plan in place to guide the day-to-day grantmaking work which involves project-level, portfolio-level, and Foundation-level review of grants to track and report material outcomes from the grant and key lessons learned. In addition, Special Allocation Grants will be monitored by the Foundation on an ongoing basis consistent with current practice through periodic visits, meetings, and written reports.

The Foundation manages these potential risks through an approval process that involves program directors to review and summarize key risks associated with any grant within the IFR document along with associated mitigating factors. Proposals are also evaluated for compliance with all legal requirements for charitable giving as prescribed by the Internal Revenue Service requirements and U.S. Anti-terrorism laws in addition to any other relevant laws.

The Foundation's Board of Trustees meets monthly with one meeting each year reserved for strengthening governance practice and another reserved for site visits in the field. During site visits, Foundation Trustees meet with community members, grantees, government and business leaders, and other partners. The visits familiarize Foundation Trustees with the challenges and opportunities facing the communities that are the focus of our grantmaking. The Board of Trustees governs in accordance with the Foundation bylaws, committee charters, policies, and a written code of ethics. Each document guides the Foundation strategically, facilitating the successful pursuit of its mission to propel vulnerable children to success in school, work, and life.

⁵ WKKF website, What We Do, <https://www.wkkf.org/what-we-do/overview>

⁶ For a full list of grants please visit WKKF website, Grants at: <https://www.wkkf.org/grants#pp=10&p=1&f1=equitable-communities&f2=2020>

Based on these policies, standards, and assessments, Sustainalytics is of the opinion that the Foundation 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

The intended use of proceeds from issuance under this Framework is aligned with the categories under SBP 2018 and Sustainalytics provides some context around the importance of these investments.

The importance of grant funding

With all sectors of the economy feeling the effects of the economic downturn caused by the control measures implemented to limit the spread of COVID-19,⁷ the non-profit sector is expected to be fundamentally upended and likely to receive diminished contributions. This situation has limited the ability of non-profits to continue operating and fundraising effectively with many philanthropic organizations facing funding challenges compounded by the expected global economy contraction of 4.9% in 2020.⁸ This economic hardship has been estimated by the International Monetary Fund (“IMF”) to be worse than that of the 2008-09 global financial crisis.⁹ This will bring financial strain to many organizations that depend on philanthropic donations. In addition, current data suggests that the economic and health impacts are disproportionately affecting minorities in the U.S.,¹⁰ along with those in poor and marginalized communities due in part to (i) where they live, (ii) where they work, (iii) limited access to high-quality and affordable health services, and (v) limited savings and lack of access to insurance.¹¹

A survey of 880 non-profit organizations from 122 countries found that 94% of the organizations reported being negatively impacted by the coronavirus global pandemic. Almost 15% of respondent organizations were forced to suspend their operations since their activities cannot be carried out remotely, and more than 60% had to eliminate or suspend some of their regular programs and services. In addition, 70% of organizations surveyed reported a significant reduction in the contributions they receive.¹² Overcoming these issues, along with other challenges such as broken supply chains and staffing disruptions, will have long term impacts on their ability to continue to support vulnerable populations. Furthermore, organizations were asked to estimate the impact on their bottom lines, with half of the respondents foreseeing a decline of more than 20% in contributions within the next 12 months, straining financial resources for many organizations with some potentially shutting their doors permanently as a result.¹³ WKKF’s intention to issue Special Allocation Grants over and above the Foundation’s normal grantmaking will support organizational resiliency in the non-profit sector and strengthen key nonprofit organizations that are focused on reducing inequity and advance equitable recovery efforts.

The importance of supporting the Foundation’s program areas: child well-being, economic empowerment for families, community engagement

All of WKKF’s focus areas for funding have been affected by the ongoing pandemic. The COVID-19 pandemic has triggered closures of schools and childcare facilities which are essential for children’s wellbeing. Almost half of the childcare providers in the U.S. closed down during the ensuing shutdowns and even upon reopening, a large majority reported significant reduction in enrolments.¹⁴ Schools were also similarly impacted leaving 55 million children in the U.S. under the age of 18 without access to school and the basic supports that school provides.¹⁵ The pandemic has exposed gaps in education infrastructure including a digital divide that

⁷ WHO, “WHO Director-General’s opening remarks at the media briefing on COVID-19”, (2020), at: <https://www.who.int/dg/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19--11-march-2020>.

⁸ IMF, “World Economic Outlook Update, June 2020”, at: <https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020>.

⁹ IMF, “An Early View of the Economic Impact of the Pandemic in 5 Charts”, (April 2020), at: <https://blogs.imf.org/2020/04/06/an-early-view-of-the-economic-impact-of-the-pandemic-in-5-charts/>.

¹⁰ CDC, “Coronavirus Disease 2019: Racial & Minority Groups”, (April 2020), at: <https://www.cdc.gov/coronavirus/2019-ncov/need-extra-precautions/racial-ethnic-minorities.html>.

¹¹ World Bank, “COVID-19 will hit the poor hardest. Here’s what we can do about it”, (April 2020), at: <https://blogs.worldbank.org/voices/covid-19-will-hit-poor-hardest-heres-what-we-can-do-about-it>.

¹² CAF Americas, “The Voice of Charities Facing Covid’19 Worldwide”, Volume 2, (2020) at: https://www.cafamerica.org/wp-content/uploads/2_CV19_Report_VOL2.pdf.

¹³ Ibid.

¹⁴ US Chamber of Commerce Foundation report, Childcare Providers and COVID-19, September 2020 at: https://www.uschamberfoundation.org/sites/default/files/media-uploads/EarlyEd_Minis_Report3_090320.pdf

¹⁵ Economic Policy Institute report, COVID-19 and student performance, equity, and US education policy, September 2020 at: <https://files.epi.org/pdf/205622.pdf>

exacerbates opportunity gaps for low-income students.¹⁶ Investments in these areas are relevant not just from a positive learning outcomes perspective but also are essential to enable parents to participate effectively at work.¹⁷

The pandemic also triggered an economic recession which has had a severe impact on people’s livelihoods. In the U.S., 57 million people have had their jobs affected negatively mainly belonging to leisure, hospitality, retail trade, and manufacturing sectors.¹⁸ The impact of unemployment has also not been equal across races with Asian women and Latinas reporting significantly higher unemployment rates than their non-minority counterparts.¹⁹ In addition to state-sponsored measures, investments in ensuring a gradual return to work and high-quality jobs for everyone remain critical to help those who are most vulnerable.

Along with experiencing a disproportionate share of negative economic outcomes of the pandemic, visible minorities in the U.S. continue to be exposed to long-standing health and social inequities that put them at further risk of infection.²⁰ Research indicates that people of color are at a significantly higher risk of hospitalization due to COVID-19 and represent a disproportionate number of deaths when compared to white counterparts.²¹

Accordingly, financing of organizations and projects that help reduce this divide and create positive social outcomes is key in the current local context. The funding of the Special Allocation Grants which will be done over and above WKKF’s normal grantmaking process will serve to build resilience in the non-profit sector and stabilize and strengthen key organizations essential for providing support for the focus areas mentioned above.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This social bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Socio-Economic Advancement and Empowerment	4. Quality Education	4.2 By 2030, ensure that all girls and boys have access to quality early childhood development, care and preprimary education so that they are ready for primary education
	8. Decent work and economic growth	8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training
	10. Reduced Inequalities	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

Conclusion

The W.K. Kellogg Foundation Trust has developed a Framework under which it will issue a social bond and distribute the proceeds to the W.K. Kellogg Foundation to fund grants and program-related investments that will address critical needs of children, families, and communities in the wake of the COVID-19 pandemic, as well as urgent issues of racial injustice. Sustainalytics considers that the projects funded by the bond proceeds will lead to positive social impact.

¹⁶ Ibid.
¹⁷ US Chamber of Commerce Foundation report, Childcare Providers and COVID-19, September 2020 at: https://www.uschamberfoundation.org/sites/default/files/media-uploads/EarlyEd_Minis_Report3_090320.pdf
¹⁸ McKinsey report, COVID-19 and jobs: Monitoring the US impact on people and places, April 2020 at: <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/covid-19-and-jobs-monitoring-the-us-impact-on-people-and-places>
¹⁹ Catalyst report, The impact of COVID-19 on Job Loss, July 2020 at: <https://www.catalyst.org/research/covid-19-job-loss/>
²⁰ Centre for Disease Control and Protection, Health Equity Considerations and Racial and Ethnic Minority Groups: <https://www.cdc.gov/coronavirus/2019-ncov/community/health-equity/race-ethnicity.html>
²¹ KFF report, Racial Disparities in COVID-19: Key Findings from Available Date and Analysis, August 2020 at: <https://www.kff.org/racial-equity-and-health-policy/issue-brief/racial-disparities-covid-19-key-findings-available-data-analysis/>

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 Framework is aligned with the overall sustainability strategy of the Trust and the Foundation and that the use of proceeds categories will contribute to the advancement of the UN SDGs 4, 8, and 10. Additionally, Sustainalytics is of the opinion that the Foundation 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 the W.K. Kellogg Foundation Trust is well-positioned to issue a social bond and that the Framework is robust, transparent, and in alignment with the four core components of the Social Bond Principles (2020).

Appendices

Appendix 1: Social Bond/ Social Bond Programme -External Review Form

Section 1. Basic Information

Issuer name:	The W.K. Kellogg Foundation Trust
Social Bond ISIN or Issuer Social Bond Framework Name, if applicable:	W.K. Kellogg Foundation Trust Social Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	October 8, 2020
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 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 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

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 proceeds will be distributed by the W.K. Kellogg Foundation Trust (the "Trust"), the issuer of the Social Bonds, to the W.K. Kellogg Foundation (the "Foundation" or "WKKF") and utilized by WKKF to finance grants and program-related investments in three focus areas of the Foundation which are aligned with the Socio-Economic Advancement and Empowerment recognized by the Social Bond Principles that seek to achieve positive socio-economic outcomes for target populations. Sustainalytics considers that the eligible category will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDG 4,8, and 10.

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 checked="" 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 type="checkbox"/> Other (please specify): |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section *(if applicable)*:

The Foundation has a dedicated internal process to evaluate and approve each grant and program-related investment against specific criteria. Sustainalytics considers the project selection process in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social 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 Social Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

The Trust, the issuer of the Social Bonds, will deposit the proceeds in a separate account and subsequently provide Special Distributions to the Foundation. The Foundation will allocate these distributions to its Special Allocation Grants over the course of two fiscal years. This is in line with market practice.

Tracking of proceeds:

- Social Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- Allocations to future investments only Allocations to both existing and future investments
- Allocation to individual disbursements Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

The Foundation intends to report information regarding the allocation of proceeds on its website on an annual basis until full allocation. In addition, the Foundation is committed to reporting on relevant impact metrics. Sustainalytics views the Foundation's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (please specify):

Information reported:

- Allocated amounts Social Bond financed share of total investment
- Other (please specify):

Frequency:

- Annual Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (please specify):

Information reported (expected or ex-post):

- Number of beneficiaries Target populations
- Other ESG indicators (*please specify*): % students attending school, %children living in poverty etc.

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): Impact report as per normal reporting process of the Foundation
- 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:

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

Review provider(s):

Date of publication:

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

- i. Second-Party Opinion: An institution with social expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Social 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 Social Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to social sustainability, and an evaluation of the 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 social criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the 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 Social Bond proceeds, statement of social impact or alignment of reporting with the SBP, may also be termed verification.
- iii. Certification: An issuer can have its Social Bond or associated Social Bond framework or Use of Proceeds certified against a recognised external social 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. Social Bond Scoring/Rating: An issuer can have its Social Bond, associated Social 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 social performance data, process relative to the SBP, or another benchmark. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material social risks.

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