



W.K. Kellogg Foundation Trust

Social Bond Frameworkⁱ

October 2020

Trust Overview

The W.K. Kellogg Foundation Trust (“the Trust”) is one of the largest charitable trusts in the United States, with total assets of approximately \$7.4 billion as of June 2020. The Trust was established as a charitable trust under Michigan law in 1931 by breakfast cereal innovator and entrepreneur Will Keith Kellogg (“Mr. Kellogg”) in his hometown of Battle Creek, Michigan. Mr. Kellogg funded the Trust with a significant gift of stock in Kellogg Company. The Trust qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (“the Code”) and is classified as a private foundation under Section 509(a) of the Code. The Trust will be the obligor as to the Social Bonds and will distribute the proceeds of the Social Bonds to the Foundation (as defined below) over approximately the current and next fiscal year of the Trust for the Specific Charitable Purposes (as defined below).

Foundation Overview

The W.K. Kellogg Foundation (“the Foundation”) is the sole beneficiary of the Trust. The Foundation was established by Mr. Kellogg in 1930 in Battle Creek, Michigan, for the purpose of improving the health, happiness and well-being of children, without discrimination as to race, creed or nationality. The Foundation makes charitable grants and program-related investments with distributions the Foundation receives from the Trust in accordance with the charitable purposes of the Foundation. Headquartered in Battle Creek, the Foundation maintains a national and global presence with offices in four states and Mexico. The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Code and is classified as a private foundation under Section 509(a) of the Code.

The Trust and Foundation are committed to accountability. The Foundation seeks to provide timely information about its work and finances to the public and does so through many publicly available documents and resources, including the Foundation’s website. This includes the consolidated audited financial statements of the Trust and the Foundation, as well as the Internal Revenue Service (IRS) Form 990-PF information returns of the Trust and the Foundation, which are posted on the Foundation’s website. Consistent with this goal, the Social Bond Framework intends to align with the Social Bond Principles, published and updated by the International Capital Markets Association in June 2020. This framework outlines the Use of Proceeds, Process for Special Allocation Grant Evaluation and Selection, Management of Proceeds and Reporting processes that will guide the Social Bonds issued by the Trust.

Use of Proceeds

The nonprofit sector is greatly impacted by COVID-19 and many have surveyed the landscape (such as [La Piana Consulting](#)) while others have written articles about it (e.g., [The Wall Street Journal](#)). Although it is still too early to assess accurately the magnitude of the harm, the economic fallout is making it clear that the Foundation’s grantees and community-based partners will require substantial additional financial resources to continue to carry out their missions. In response, the Trust seeks to offer and sell the Social Bonds and use the proceeds to make one or more special distributions to the Foundation (“Special Distributions”) over approximately the current and next fiscal year of the Trust to enable the Foundation to use the Special Distributions to increase substantially its grantmaking and program-related investing with grants and/or program-related investments (collectively, “Special Allocation Grants”) to enable the Foundation to address critical needs of children, families and communities in the wake of the global pandemic, as well as urgent issues of racial injustice (the “Specific Charitable Purpose”).

The proceeds of the Social Bonds issued under this framework are to be used by the Trust to distribute the Special Distributions to the Foundation. The Special Distributions will be in addition to the annual distributions that the Trust makes to the Foundation in the ordinary course of its administration. The Trust will require the Foundation to use the Special Distributions to fund Special Allocation Grants in furtherance of the Specific Charitable Purpose. The Special Allocation Grants will be in addition to the Foundation’s ordinary course grantmaking and program-related investing.

Mr. Kellogg’s creation of the Trust to hold and manage investments, and the Foundation to make grants with distributions received from the Trust, was intentionally designed to ensure the specialized expertise in social change and investment management

were appropriately bifurcated. He believed in the power of communities to forge solutions for improving the lives of children. Vision, humility and belief in people are the values stewarded by the Foundation for 90 years. The Foundation believes all children should have an equal opportunity to thrive. The Foundation works with communities to create conditions for vulnerable children so they can realize their full potential in school, work and life. Specifically, the Foundation supports lasting and transformational work to ensure a healthy start and quality learning experiences for all children (Thriving Children), to help families obtain stable, high-quality jobs (Working Families) and to help communities become vibrant, engaged and equitable (Equitable Communities). Embedded within all of the work the Foundation does are commitments to advancing racial equity and racial healing, to developing leaders and to engaging communities in solving their own problems. The Foundation calls these three approaches its “DNA.” The Foundation believes these approaches are essential to creating the conditions that propel vulnerable children to achieve success. Thus, the Foundation will use the Special Distributions to make Special Allocation Grants in furtherance of the Specific Charitable Purpose.

The Trust will provide the proceeds of the Social Bonds to the Foundation. The Foundation will have broad discretion in its use of such funds, provided that such use is in furtherance of the Specific Charitable Purpose and in compliance with each of the Trust’s and the Foundation’s tax-exempt status under Section 501(c)(3) of the Code and their classification as private foundations.

Special Allocation Grant proposals are to be reviewed as part of the Foundation’s application process to ensure alignment with its framework of supporting Thriving Children, Working Families and Equitable Communities, focusing on populations and places impacted by systemic disparities and inequities.

The grant recipients may be grouped in the following categories, in alignment with 11 of the 17 [United Nations’ Sustainable Development Goals](#) (SDG):

- Innovations in quality early childhood education, employment or economic equity and health equity (SDG 1, 2, 3, 4, 8, 9, 10)
- Philanthropic partnerships for community rebuild and reimagine post COVID-19 (SDG 11, 17)
- Support of POC (People of Color)-serving institutions or leadership (SDG 10, 16)
- Racial equity and racial healing, including narrative change (SDG 10)
- Policy advocacy and systems change (SDG 10, 16)

For further information regarding grants, please reference the Foundation’s website: <https://www.wkkf.org/grants>.

Process for Special Allocation Grant Evaluation and Selection

The Trust will distribute the Special Distributions to the Foundation to enable the Foundation to make Special Allocation Grants. The Foundation's leadership and program teams will be responsible for evaluation and selection of Special Allocation Grants. Grantees and program-related investment partners will undergo a rigorous proposal application process led by program teams who are subject matter experts in their respective fields. They will evaluate prospective grantees based on a number of criteria including but not limited to:

- Issue addressed and project goals
- Racial equity commitment (including but not limited to diversity, equity and inclusion of their organization's leadership, staff and constituencies)
- Population served
- Geographic focus or community
- Organization's mission and values
- Existing revenue source(s)

Proposals will be thoroughly reviewed to ensure the Foundation complies with all legal requirements for charitable giving, including but not limited to, IRS requirements and U.S. antiterrorism laws.

All grantees must sign a grant agreement setting out the terms and conditions of the grant. The Foundation has designed its grant making process – from reviewing grant applications to processing final reports – to conform to applicable legal standards and the Foundation's procedures and standards. Special Allocation Grants will be monitored by the Foundation on an ongoing basis consistent with current practice through visits, meetings and/or written reports. Special Allocation Grants made in the form of program-related investments will be subject to evaluation, selection and ongoing monitoring consistent with the Foundation's current practices. The Foundation will report to the Trust accordingly.

Management of Proceeds

The proceeds of securities offered under this Social Bond Framework will be deposited into a separate operating account of the Trust, dedicated solely to holding and distributing funds to the Foundation in the form of Special Distributions. Upon receipt by the Foundation, the proceeds of Special Distributions will be deposited into a separate operating account of the Foundation, dedicated solely to holding and disbursing funds in the form of Special Allocation Grants. The Trust will maintain a register to record the Special Distributions to the Foundation. The Foundation will maintain a register to record

the receipt of Special Distributions and the allocation of the proceeds thereof to the Special Allocation Grants on an ongoing basis. The Special Distributions will be made by the Trust to the Foundation, and the proceeds thereof allocated by the Foundation to Special Allocation Grants as soon as reasonably practicable over approximately the current and next fiscal year of the Trust and the Foundation.

Reporting

The Foundation currently provides public reports of its grantmaking activity annually and will continue to do so. It intends to designate separate Special Allocation Grants as part of its existing reporting process. It will update this information at least annually until all proceeds of the Social Bonds issued under this framework have been distributed by the Trust to the Foundation and awarded by the Foundation as Special Allocation Grants. The timing of Special Allocation Grant payments will vary by the Foundation's grantmaking cycle and may include multiyear payment schedules following the award of the grant. Upon full allocation and payment of proceeds of the Social Bonds to the Special Allocation Grants, the Trust and the Foundation intend to provide a summary of the Special Allocation Grant program on the Foundation's website. This report is expected to include:

- An affirmation by the Trustees of the Trust that the proceeds of the Social Bonds were distributed by the Trust to the Foundation as Special Distributions,
- An affirmation by management of the Foundation that such proceeds were disbursed by the Foundation to grantees and/or program-related investment partners as Special Allocation Grants in furtherance of the Specific Charitable Purpose, ,
- Summary information regarding Special Allocation Grants by program area, and
- A report from an independent accounting firm attesting to the Trust's distribution of the proceeds of the Social Bonds to the Foundation and the Foundation's disbursement of such proceeds to grantees and program-related investment partners.

External Verification

The Trust has appointed [Sustainalytics](#) to provide an independent Second Party Opinion report ("SPO") of this Framework.

i Disclaimer

The information and opinions contained in this W.K. Kellogg Foundation Trust Social Bond Framework (the Framework) are provided as at the date of this Framework and are subject to change without notice. Neither the W.K. Kellogg Foundation Trust nor any of its affiliates assume any responsibility or obligation to update or revise such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise. This Framework represents current W.K. Kellogg Foundation Trust intent, is subject to change and is not intended to, nor can it be relied on, to create legal relations, rights or obligations. This Framework is intended to provide non-exhaustive, general information. This Framework may contain or incorporate by reference public information not separately reviewed, approved or endorsed by the W.K. Kellogg Foundation Trust and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the W.K. Kellogg Foundation Trust as to the fairness, accuracy, reasonableness or completeness of such information. This Framework may contain statements about future events and expectations that are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are generally identified through the inclusion of words such as “aim,” “anticipate,” “believe,” “drive,” “estimate,” “expect,” “goal,” “intend,” “may,” “plan,” “project,” “strategy,” “target” and “will” or similar statements or variations of such terms and other similar expressions. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in such statements. None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of assumptions, fully stated in the Framework. No representation is made as to the suitability of any bonds to fulfil environmental and sustainability criteria required by prospective investors. Each potential purchaser of bonds should determine for itself the relevance of the information contained or referred to in this Framework or the relevant bond documentation for such bonds regarding the use of proceeds and its purchase of bonds should be based upon such investigation as it deems necessary. The W.K. Kellogg Foundation Trust has set out its intended actions in this Framework in respect of use of proceeds, project evaluation and selection, management of proceeds and reporting, in connection with the W.K. Kellogg Foundation Trust Social Bonds. However, nothing in this Framework is intended to modify or add to any covenant or other contractual obligation undertaken by the W.K. Kellogg Foundation Trust in any Social Bonds that may be issued in accordance with this Framework. This Framework does not create any legally enforceable obligations against the W.K. Kellogg Foundation Trust; any such legally enforceable obligations relating to any Social Bonds are limited to those expressly set forth in the indenture and notes governing such Social Bonds. Therefore, unless expressly set forth in the indenture and the notes governing such Social Bonds, it will not be an event of default or breach of contractual obligations under the terms and conditions of any such bonds if the W.K. Kellogg Foundation Trust fails to adhere to this Framework, whether by failing to fund or complete Eligible Projects or by failing to ensure that proceeds do not contribute directly or indirectly to the financing of the excluded activities as specified in this Framework, or by failing (due to a lack of reliable information and/or data or otherwise) to provide investors with reports on uses of proceeds and environmental impacts as anticipated by this Framework, or otherwise. In addition, it should be noted that all of the expected benefits of the Eligible Projects as described in this Framework may not be achieved. Factors including (but not limited to) market, political and economic conditions, changes in government policy (whether with a continuity of the government or on a change in the composition of the government), changes in laws, rules or regulations, the lack of available Eligible Projects being initiated, failure to complete or implement projects and other challenges, could limit the ability to achieve some or all of the expected benefits of these initiatives, including the funding and completion of Eligible Projects. Each environmentally focused potential investor should be aware that Eligible Project may not deliver the environmental or sustainability benefits anticipated and may result in adverse impacts. This Framework does not constitute a recommendation regarding any securities of the W.K. Kellogg Foundation Trust or any member of W.K. Kellogg Foundation Trust. 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