

# Better Days, Brighter Tomorrows

## 2012 Corporate Responsibility Report

### Welcome

Kellogg Company's corporate responsibility efforts aim to help create even better days and brighter tomorrows for our consumers, employees, customers, communities and the environment.

This 2012 Corporate Responsibility Report documents our continuing global progress in four key performance areas, or pillars: Marketplace, Workplace, Environment and Community. It also addresses the topic of Hunger Relief, which cuts across all of these areas. The Overview includes a message from our president and CEO, as well as information about company governance, our business strategy, our corporate responsibility strategy, stakeholder engagement and more.

We welcome your feedback on our reporting at [corporateresponsibility@kellogg.com](mailto:corporateresponsibility@kellogg.com). As we have done in previous years, we will make a one-time \$5 donation to the Global Foodbanking Network for every person who sends feedback through Nov. 1, 2013, on this report, up to \$10,000 total.

See the Our Commitments page to read about Kellogg Company's public commitments on the following topics:

- Operating an ethical company
- Sourcing responsibly
- Environmental progress in our own operations
- Promoting sustainable agriculture
- Continuously improving the sustainability of our packaging
- Helping to end deforestation globally by responsibly sourcing:
  - Palm oil
  - Forest and paper products
  - Soy
- Helping to decrease greenhouse gas emissions from refrigeration
- Responsible product marketing
- Nutrition education
- Reducing hunger

### Overview

At Kellogg Company, we know that corporate responsibility is essential to our current and future success as a business. That's why we have created strategies, governance structures, corporate policies, commitment statements and codes of conduct that help to embed corporate responsibility into our everyday operations. And, we regularly engage with a broad array of stakeholders to gain insights into the ideas and opinions of people outside of our company.

# OVERVIEW

## Executive Message



At Kellogg Company, we are guided by our unwavering belief in even better days and brighter tomorrows. And we have been since our company was founded, more than 100 years ago.

Back then, Kellogg Company was a small, family-owned business selling just one product – *Kellogg's Corn Flakes*®.

Today we are a large public company selling a broad array of cereals, snacks and frozen foods in 180 countries around the world. In May 2012 we grew even larger with our acquisition of the Pringles business from Procter & Gamble. And in September, we continued to expand our global footprint with our announcement of a joint venture in China with Wilmar International Limited.

This change in our scale and scope did not happen overnight. Instead, it's been a steady process of long-term sustainable growth – an evolution focused not only on the bottom line, but on building our business in a way that benefits our consumers, employees, customers, the communities in which we operate, the environment and society as a whole. From the outset, for example, one of the primary drivers behind founder W.K. Kellogg's business was to help shift American eating habits away from heavy, fat-laden breakfasts to lighter, healthier and more grain-based meals.

Our Vision today – to enrich and delight the world through foods and brands that matter – builds on this legacy. So too does our Purpose – nourishing families so they can flourish and thrive. Even our focus on grains has not changed, as most of our products today are still grain-based and full of important nutrients.

As from the beginning, we remain focused on responsible business leadership, offering foods that delight, making a difference in our communities, and delivering long-term, sustainable growth. Guided by our corporate *K Values*™, we are seeking to drive solid business results while holding ourselves to high expectations. To do this, we have integrated the principles and practices of corporate responsibility into our everyday work. This Corporate Responsibility Report – our fifth – describes our efforts and results in 2012.

Along this journey, we have found what many others know too – that corporate responsibility and growth are not mutually exclusive. In fact, the aspects of corporate responsibility – such as nutrition, employee wellness, workplace diversity, environmental performance, sustainable agriculture and philanthropy, to name just a few – can and do help to support our company's continued success.

We see tremendous opportunity for advancement in the health and wellness space, for example, and we expanded our product offerings in this area in 2012, as discussed in the Marketplace section of this report. Our *Special K*® foods, which fit in this category, are delighting our consumers and have been doing very well. And we have boosted production capacity for our vegetarian *MorningStar Farms*® frozen food offerings, which have terrific nutrition and environmental benefits, especially when compared to their meat-based counterparts.

Nutrition enhancements to existing products also help us succeed in the marketplace. Enhancements such as adding fiber, whole grains or protein to a product are good for our consumers and good for our business, as demonstrated by increased sales. With all of our products, from our kitchen to yours, we take pride in making nourishing, enjoyable foods that are sourced, produced and marketed responsibly. Through our philanthropic work – which is detailed in the

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## Executive Message, cont.

Community section and the special Hunger Relief section of this report – and inspired by our founder, we strive to make a difference in our communities around the world. In early 2013, driven by our belief in the power of breakfast, we unveiled a more targeted social responsibility strategy that emphasizes hunger relief and complements our business as a food company. Because one in eight people around the world face food insecurity, we will provide 1 billion servings of cereal and snacks – more than half of which are breakfast – to children and families who need it most by the end of 2016.

We believe in the power of breakfast and are committed to expanding our support of breakfast clubs that provide morning meals and important nutrition to schoolchildren. We also actively partner with food banks in communities around the world and provide important food donations to those impacted by disasters. In total, we provided \$13 million in cash and \$39 million in food to nonprofit organizations during 2012. While the business value of charitable giving may be hard to quantify, it builds on the legacy of our founder and forms an essential part of our identity as a company. And like so much of our corporate responsibility work, it's also simply the right thing to do.

As discussed in the Workplace section, in 2012 we broadened the reach of our *Feeling Gr-r-reat™* health management program for employees in the U.S., primarily in an effort to better engage our sales and distribution employees, who are spread out around the country. Programs like this benefit our employees and their families, but they also benefit our business, since healthy, active workers help curb the company's rising health care expenses.

We also put an intense focus in the past year on bolstering our workplace safety performance, and we've seen terrific results. In fact, more than 100 Kellogg locations globally (manufacturing sites as well as sales and administrative office locations) had a Total Recordable Incident Rate (TRIR) under 1.0, which is outstanding. Companywide, our TRIR decreased 19 percent in 2012 compared to 2011. It's essential to provide a culture and work environment that keeps our employees safe and healthy; low injury rates also help morale and decrease workers' compensation-related costs.

Given the changing demographics of our consumer base, the diversity of our workforce is an important driver of our ability to understand and meet the needs of consumers for decades to come. Our workforce, and particularly our leadership, is not yet as diverse as we hope it will become. But we are working hard to improve that, and a number of external organizations have recognized us for our efforts. This year, for instance, we were named for the first time to *DiversityInc's* list of Top 50 Companies for Diversity.

In the environmental arena, it's self-evident that reducing energy use, water use and waste is good for the environment and also reduces costs in the long term. We have made good progress toward our 2015 goals for water use and waste to landfill. In the areas of energy use and greenhouse gas emissions, we have more work to do. Some of our facilities have made excellent strides in all areas; our plant in Rome, Georgia, for instance, has reduced water use and energy use (per metric tonne of food produced) by 80 percent and 23 percent, respectively, since 2005. See the Environment section for detail on our efforts in these areas.

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## Executive Message, cont.

We are also engaging more regularly with the farmers who grow grains for our suppliers, as discussed in the Sustainable Agriculture section. In Nebraska, for example, we've been working with corn farmers for four years now, helping them to measure and analyze their farm inputs (e.g., water use and fertilizer use), so they can identify best practices that will reduce their environmental footprint and improve their efficiency. We're also working with rice growers in Louisiana and Spain, among others. We consider this work to be an essential investment in our long-term future (and the health of the planet), because to operate successfully for another century, we need a continuous, steady supply of high-quality grains. Helping to promote sustainable agricultural practices today will help ensure that the growers, and the grains they nurture, are there tomorrow.

We know we have an extraordinarily bright future ahead. And we have an opportunity – an obligation, even – to increase our positive impacts on society and the environment and enable our people to progress and improve, even as we also work to grow our business.

In short, we welcome the chance to continue to help create better days and brighter tomorrows for everyone we touch.



**John Bryant**

President and Chief Executive Officer  
April 2013

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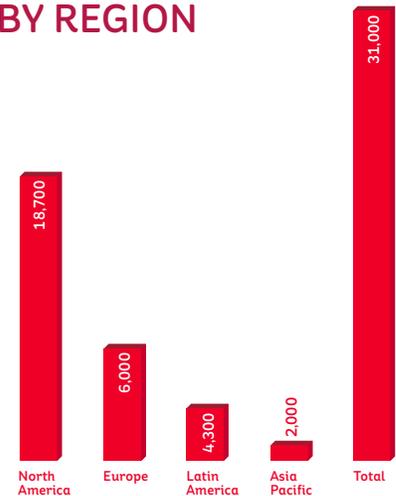
## Company Profile

With 2012 sales of more than \$14 billion,<sup>1</sup> Kellogg Company is the world's leading producer of cereal, second-largest producer of cookies and crackers and – through the May 2012 acquisition of Pringles – second-largest savory snacks company. In addition, Kellogg is a leading producer of frozen foods. We are a publicly traded company headquartered in the U.S. in Battle Creek, Michigan. We operate through four regions: North America, Europe, Latin America and Asia Pacific. To learn more about our company, visit [www.kelloggcompany.com](http://www.kelloggcompany.com).

## KELLOGG COMPANY OPERATIONS

Worldwide employees	Approx. 31,000
Countries where our products are marketed	180+
Countries where our products are manufactured	18
Manufacturing facilities	56
2012 net sales	\$14.2 billion
2012 net income attributable to Kellogg Company	\$961 million
2012 shareholder return	13.1%
2012 diluted earnings per share	\$2.67
2012 cash flow <sup>2</sup>	\$1.2 billion
2012 operating costs	\$12.6 billion
2012 capital expenditures	\$533 million
2012 income taxes	\$363 million
2012 community investments	\$52.3 million

## NUMBER OF EMPLOYEES BY REGION



## COUNTRIES WITH KELLOGG MANUFACTURING OPERATIONS



<sup>1</sup>Data in this company profile and throughout the report are in U.S. dollars, unless otherwise noted.

<sup>2</sup>Kellogg-defined cash flow is net cash provided by operating activities reduced by capital expenditures. The company uses this non-GAAP financial measure to inform management and investors of the amount of cash available for debt repayment, dividend distribution, acquisition opportunities and share repurchases.

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## Business Strategy

Our Vision as a company is to enrich and delight the world through foods and brands that matter. And our Purpose is to nourish families so they can flourish and thrive.

Our strategy for fulfilling this Vision and Purpose is straightforward: We want to continue to be the global leader in cereal. We want to be a global player in snacks. We want to be a regional leader in frozen foods. And, we want to expand further into emerging markets.

In 2012 we took significant steps to move from being a global cereal company and a U.S. snacks company to being a global cereal and a global snacks company. In May 2012 we finalized the purchase of Pringles from Procter & Gamble.<sup>1</sup> This \$2.695 billion acquisition nearly tripled the size of our international snacks business and makes us the world's second-largest savory snacks company. Even more important, it gives us a strong foundation for further snacks growth in international markets.



Then in September, Kellogg and Wilmar International Limited announced a joint venture for the manufacture, sale and distribution of cereal and snacks in China. Wilmar is one of the largest agribusiness and consumer food businesses in China, and the joint venture positions us well for growth in this important market. The joint venture is headquartered in Shanghai.

In 2012 we also focused on:

- growing our health- and wellness-related food offerings;
- leveraging our brand to provide the benefits of cereal in other forms (e.g., breakfast bars and drinks);
- accelerating the growth of our U.S. frozen food business;
- brand building (i.e., advertising and consumer promotions), especially in key growth markets in Asia Pacific and Latin America; and
- innovating new products.

In the area of innovation, we launched a number of new products, including *Krave*® cereal (which launched in the U.S. and Mexico after previously debuting in Europe), *Special K*® Protein Plus cereal (in the U.S.), *Special K*® popcorn chips (in the U.S., Canada, the U.K., and Mexico) and *Kellogg's Corn Flakes Porridge*® (in South Africa), to name just a few.

We feel strongly that corporate responsibility is critical to the bottom-line success of our business strategy. Decreasing energy use, water use and waste are the right things to do for the environment, but they also save us money. By promoting sustainable agriculture, we are helping to ensure that we will have sufficient supplies of the high-quality food ingredients we need, at a reasonable cost, going forward. Our continuing focus on advances in nutrition science, and health and wellness, ensures that our product portfolio stays abreast of consumer needs and tastes. Given the changing demographics of our consumer base, the diversity of our workforce is an important driver of our ability to understand and meet the needs of consumers for decades to come. This report contains numerous other examples of the importance of corporate responsibility to our business.

Please visit the Investor Relations section of our corporate website for more about our business strategy.

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<sup>1</sup>Because the Pringles acquisition took place mid-year, the environmental and workplace safety data in this report do not include Pringles locations.

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## Corporate Responsibility Strategy and Governance

Our company's global corporate responsibility strategy organizes our key issues into four categories, or pillars: Marketplace, Workplace, Environment and Community. The ambition statements noted below drive our activities and progress in these four pillars, which also form the structure for our reporting. We used a comprehensive materiality analysis to identify the issues that fall under each of these pillars; the analysis took into account areas of importance to us and our stakeholders.

### MARKETPLACE AMBITION

We will continue to be a trusted provider of great-tasting, safe and high-quality products and contribute to the health and nutrition of our consumers by providing food products that they can integrate as part of a balanced diet and that meet their varying taste requirements. We will continue to advance our efforts as a leader in creating ethical and responsible marketing standards and ensure that our consumers have access to the information necessary to make informed choices.

### ENVIRONMENT AMBITION

Protecting and conserving natural resources is key to our mission of sustainable growth. We will target reductions in the environmental footprint of our products and cost savings throughout our value chain. We will aim to increase the recycled content of our packaging and use materials that can be recycled. We will continue to build our understanding of sustainable agriculture practices that align with our business needs for the procurement of our ingredients, ensuring required quality, traceability, nutritional content and continuity of supply.



### COMMUNITY AMBITION

Because we believe in the power of breakfast to feed better days and better lives, Kellogg is focusing its global charitable giving efforts on providing breakfasts to those who need it most. We are pledging to provide 1 billion servings<sup>1</sup> of cereal and snacks, more than half of which are breakfast, to children and families in need by the end of 2016 through our global *Breakfasts for Better Days™* initiative.

### WORKPLACE AMBITION

Kellogg will support a talented and dedicated workforce and foster a work environment that values diversity and inclusion and aims to reflect the diversity of our consumer demographics. We will remain competitive in our compensation policies, lead our sector in health and safety performance, and expect our suppliers to uphold the same labor standards that we expect of our own operations.

<sup>1</sup> A serving is approximately 1 ounce.

Another important aspect of our corporate responsibility strategy is our publicly stated goals and commitments. The Our Commitments page lists these and provides links to relevant sections of the report where they are discussed in more detail.

Our corporate responsibility strategy has been fully integrated into our business; subject-matter experts for each material area report on progress to the heads of their business units, who, in turn, report up through to a committee of our Board of Directors. In the past two years we have increased incentives for our executives to drive progress in certain corporate responsibility-related areas, as noted below. And in 2012, we worked with our brand leadership teams to help better leverage our corporate responsibility activities in the brands' engagements with consumers. One result of this was our webpage and videos about the origins of the simple grains that form the basis of our foods.

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## Corporate Responsibility Strategy and Governance, *cont.*

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Specific metrics relating to food safety, workplace safety, and diversity and inclusion are now included in our executives' bonus plan incentives. In addition, progress toward environmental goals is linked to remuneration for many executives' via their personal development plans.

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Accountability for corporate responsibility starts at the top of our organization. Our Board of Directors has a Social Responsibility and Public Policy Committee composed of five independent director members. The committee, which has been in existence since 1979, met twice in 2012 and oversees all aspects of our corporate responsibility approach. Other committees of the Board address responsibility-related issues as well. For example, the Audit Committee reviews environmental performance, and the Manufacturing Committee reviews health and safety performance. The Board as a whole addresses many of the important issues discussed in this report, including those related to health and nutrition.

Kellogg Company's cross-functional, global Emerging Technical Issues Team helps keep company leaders abreast of health, nutrition and food safety issues that have the potential to adversely impact our consumers or our business. In addition, in each Kellogg Company region a cross-functional Regional Incident Management Team assesses and manages incidents with a potential for high impact on our business, such as natural disasters, business interruptions, product recalls and health pandemics. We also have a global Corporate Incident Management Team to rapidly address pan-regional concerns.

We have in place an environmental, health and safety (EHS) strategy, the goal of which is to have zero injuries and illnesses and minimize negative impacts on the planet and the communities where we live, work and source. The strategy sets forth four "strategic imperatives" for our EHS work: personal ownership and accountability; unwavering leadership; intolerance of unsafe behaviors and conditions, and of actions that harm the environment; and sustained, continuous improvement in our EHS culture and performance. Detailed aspects of the strategy address corporate culture, management infrastructure and operating programs.

Our business units track and report EHS performance monthly using our EHS management system called Kellogg Cares About People & Planet, or K-CAPP. K-CAPP standardizes auditing, compliance management, incident management and reporting at all Kellogg sites globally. It is fully aligned with ISO 14001 and OHSAS 18001, the widely recognized global standards for EHS management. Four of our facilities are also ISO 14001 certified.

We conduct regular EHS audits at Kellogg facilities to ensure compliance with Kellogg policies and procedures and government regulations. Formal, third-party audits are conducted at each manufacturing plant every two to three years. In the intervening years, we conduct internal self-assessments. In 2012, third-party audits were conducted at 21 Kellogg manufacturing plants around the globe (out of 50+).

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## Corporate Responsibility Across the Value Chain

Addressing corporate responsibility issues strategically requires an understanding that the issues occur at multiple stages of our company's value chain, and consequently must be managed across organizational boundaries.



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## 2012 Awards and Recognitions

We are pleased to have been recognized by a number of leading organizations and publications in 2012 for our corporate responsibility efforts, as well as for the strength of our company and our brands. (See the Diversity Recognitions page and the Brand Philanthropy page for additional awards specific to those topic areas.)

- *Forbes* – World’s 100 “Most Reputable Companies”
- *Forbes* – World’s 100 “Most Powerful Brands”
- *Forbes* – World’s 100 “Most Innovative Companies”
- *Forbes* – America’s “Most Reputable Companies”
- *Fortune* – “World’s Most Admired Companies”
- Ethisphere Institute – “World’s Most Ethical Companies”
- Interbrand – Annual “Best 100 Global Brands”
- *Canadian Business Magazine* – “World’s Most Reputable Companies”
- *Corporate Responsibility Magazine* – “100 Best Corporate Citizens List”
- *Newsweek* – 2012 “Green Rankings” (both the U.S. and global lists)
- *Reader’s Digest* (Canada) – “Most Trusted Cereal Brand”
- *Maclean’s* (Canada) – “50 Most Socially Responsible Companies”
- *Marketing Magazine* (Canada) – “Best Corporate Reputations in Canada”
- Great Place to Work Institute (Ireland) – “Best Large Workplaces”
- Great Place to Work Institute (Spain) – “Best Companies with 100-250 Employees”



# OVERVIEW

## Our Commitments

Kellogg Company is devoted to producing great-tasting foods that people love, and to operating all aspects of our business safely and responsibly. This report highlights our efforts in a variety of key areas of our business, such as nutrition, supplier and workplace diversity, workplace safety, employee engagement and philanthropy, among many others.

In addition to our ongoing work in these essential areas, we have made specific commitments regarding several aspects of corporate responsibility and sustainability, as follows:

### Operating an Ethical Company

We are committed to operating in accordance with our *K Values*<sup>™</sup> and our Global Code of Ethics, as discussed on the Living Our Values page.

### Sourcing Responsibly

We are committed to maintaining an ethical and transparent supply chain free of forced labor, including slavery and human trafficking. This commitment is discussed on our corporate website, as well as in the Responsible Sourcing and Labor Standards sections of this report.

### Environmental Progress in Our Own Operations

We have set environmental goals to reduce our energy use, greenhouse gas emissions and water use (per metric tonne of food produced) by 15 to 20 percent from 2005 to 2015, and to decrease waste sent to landfill (per metric tonne of food produced) by 20 percent from 2009 to 2015. (We set this waste goal after achieving an initial 41.5 percent reduction in this waste metric from 2005 to 2009.) The Environment section of this report describes our progress toward these goals.

### Promoting Sustainable Agriculture

As a responsible food company, we know that our most significant environmental impacts occur in our agricultural supply chain. We are thus committed to helping minimize the environmental impacts of agricultural production, assisting the agricultural sector in being more sustainable, and promoting and supporting sustainable growing practices. The Sustainable Agriculture section details some of our specific efforts.

### Continuously Improving the Sustainability of Our Packaging

We are committed to ensuring that our packaging is effective in protecting our foods while minimizing the materials used. We utilize a sustainable packaging framework that focuses on improving performance in three key areas: the package-to-food ratio, percent recycled material content and percent materials that are commonly recoverable. See the Sustainable Packaging section for information on our recent efforts.

### Helping to End Deforestation Globally

The Consumer Goods Forum (CGF) pledged in late 2010 to mobilize its collective resources to help achieve zero net deforestation by 2020. As a member of the CGF, we support this commitment. In particular, we are taking the following actions on commodities we purchase that are or can be sourced from areas of tropical deforestation:

- **Palm Oil:** Although Kellogg is not a large buyer of palm oil, we have been committed to responsibly sourcing palm oil since 2009. In fact, all of the palm oil we use today is 100 percent sourced through a combination of GreenPalm certificates, mass balance and segregated supply. Kellogg is a member of the Roundtable on Sustainable Palm Oil, a multi-stakeholder organization, and 100 percent of the palm oil we use comes from suppliers who are also members of the Roundtable on Sustainable Palm Oil. We are committed to the protection of forests, biodiversity and peat lands, to minimizing the carbon footprint of our palm oil supply chain, and to respecting human rights including no forced or child labor, slavery or human trafficking. We will continue to work with our suppliers to achieve 100 percent traceable sources of palm oil that are economically viable,

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## Our Commitments, cont.

environmentally appropriate and socially beneficial, and meet the above commitments. See the Palm Oil page for more information.

- **Forest and Paper Products:** The first cereal box we produced more than 100 years ago was made using recycled cardboard, and we remain committed to the sustainable use of forest products. In 2012, 84 percent of our food cartons globally were made from recycled fiber content, and 48 percent of the corrugated material we use globally to transport our products are made from recycled content. Of the forest product-based packaging material we use that is not recycled, more than 99 percent is made from certified sustainably grown virgin fiber. This material is certified either through the Sustainable Forestry Initiative or the Forest Stewardship Council. We are committed to having 100 percent of our virgin stock certified sustainably grown by the end of 2013.
- **Soy:** We do not purchase soy products from tropical deforested regions. Instead, we purchase soy almost exclusively from the U.S., with some supply for our Latin American operations sourced from Argentina. We remain committed to this sourcing strategy to ensure our soy is not from deforested lands.

### Helping to Decrease Greenhouse Gas Emissions from Refrigeration

CGF members also pledged in 2010 to take action regarding refrigerants, which are a significant and growing source of greenhouse gas emissions and are extremely more potent than carbon dioxide. We are thus committed to the use of sustainable refrigerants. Kellogg Company's six frozen foods manufacturing plants, all of which are in the U.S., use ammonia in their large-scale refrigeration systems. Ammonia is a natural refrigerant and is not a greenhouse gas.

### Responsible Product Marketing

We are committed to the responsible marketing and communication of our products to help shoppers make informed choices about the foods they enjoy. Our Worldwide Marketing and Communication Guidelines provide a consistent global framework for responsible marketing practices. Also, we abide by numerous voluntary pledges in countries around the world regarding the nutrition composition of foods that are responsibly marketed to children. Since Jan. 1, 2009, we have not marketed to children under age 12 those products that do not meet our Kellogg Global Nutrient Criteria. Kellogg does not market any products to children under 6 years old.

### Nutrition Education

We are committed to educating consumers about nutrition, enabling them to make informed choices that meet their dietary needs. These concepts are core to our Kellogg Company Nutrition Policy, which we review annually to ensure we communicate nutrition information with transparency and openness. Also, in 2012 we launched a new website for health care professionals, [www.kelloggsnutrition.com](http://www.kelloggsnutrition.com), to give health care professionals across the world access to the latest research, information and tools.

### Reducing Hunger

We have committed to providing 1 billion cereal and snack servings<sup>1</sup> – more than half of which are breakfasts – to children and families in need around the world by the end of 2016. This commitment is part of our new corporate philanthropy initiative, launched in early 2013 and called *Breakfasts for Better Days™*.

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<sup>1</sup>A serving is approximately 1 ounce.

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## Living Our Values

Kellogg Company is committed to conducting its operations in a legal, ethical and responsible manner. Our *K Values*<sup>TM</sup> guide our approach to business and engagement with our stakeholders, while our Global Code of Ethics guides the business practices of all employees worldwide. Together, they provide clear, practical guidance, while aiming to help all Kellogg employees act with integrity, accountability, passion, humility and respect.

The *K Values* are incorporated into our employee performance reviews. And, all employees with access to company computers are required to complete an online training course that takes them step-by-step through our Global Code of Ethics. We proactively provide targeted training on topics ranging from the Foreign Corrupt Practices Act and the U.K. Bribery Act to eliminating forced labor in the supply chain. In the U.S., we use electronic billboards and posters in our manufacturing facilities to communicate about ethics and compliance issues with employees working in our plants.

We understand it is important for all employees to feel they have a safe and confidential way to share any ethical concerns. We maintain both a hotline, called the Ethics Alert Line, and a web-based reporting tool, so that employees can raise ethics questions and concerns confidentially and anonymously. Senior management provides significant oversight into our ethics and compliance program, and a cross-functional team of senior leaders oversees investigations and has input into certain discipline decisions to help ensure consistency. Our Corporate Governance Guidelines, our Global Code of Ethics and additional information about our governance systems are available on our website.

We are also committed to an ethical and transparent supply chain that utilizes responsible sourcing. Our global Supplier Code of Conduct requires our suppliers to promote ethical business practices within their own operations and expressly prohibits corrupt business practices. In addition to incorporating our Supplier Code of Conduct into our contracts, we include responsible sourcing training opportunities in our supplier events. For information on our Supplier Code of Conduct, as well as our efforts to develop shared audits with others in our industry, see the Marketplace section of this report.

In 2013 we plan to update and reissue our Global Code of Ethics and our Supplier Code of Conduct; we will discuss the new versions in our next report.



- We act with integrity and show respect.
- We are all accountable.
- We are passionate about our business, our brands and our food.
- We have the humility and hunger to learn.
- We strive for simplicity.
- We love success.

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## Stakeholder Engagement

As a global, publicly owned company, we understand the importance of listening to and communicating with the broad array of stakeholders interested in how we conduct our business. In fact, we regularly engage with stakeholders on a wide range of issues. The table below lists our key categories of stakeholders and the primary ways in which we engage and communicate with them. The right-hand column includes links to pages elsewhere in this report that contain specific, related examples.

One key stakeholder engagement mechanism not mentioned in the table is this Corporate Responsibility Report. The report was written for a wide range of interested stakeholders. And, we value feedback on it. For the past several years we have offered incentives for providing feedback: For every person who submitted a comment about the report, Kellogg made a one-time donation of \$5 to The Global FoodBanking Network – up to \$10,000 in a given year.

Also, we would like to mention one important industry coalition in which we are involved that is not discussed elsewhere in this report – The Sustainability Consortium. In 2009 Kellogg was one of the founding members of The Sustainability Consortium, which is a network of leading companies seeking to promote sustainability throughout the product lifecycle of consumer goods. Specifically, the Consortium uses collaborative processes to drive scientific research and develop standards and information technology tools to enhance the ability to understand and address the environmental, social and economic implications of products. Kellogg sits on the Consortium’s Food, Beverage and Agriculture Sector Working Group.

Stakeholder Type	Mechanisms for Engagement and Communication	Sections of This Report with Examples
Employees	<ul style="list-style-type: none"> <li>• K Connect, our global company intranet</li> <li>• Global Opinion Surveys</li> <li>• “Town hall” meetings</li> <li>• Employee Resource Groups</li> <li>• Diversity Councils</li> <li>• Safety committees</li> <li>• Union representation</li> <li>• GoGreen teams</li> <li>• Anonymous hotline and web-based reporting tool for ethics or compliance concerns</li> </ul>	<ul style="list-style-type: none"> <li>Employee Engagement</li> <li>Diversity and Inclusion</li> <li>Employee Safety</li> <li>Labor Standards</li> <li>Employee Initiatives</li> <li>Living Our Values</li> </ul>
Consumers	<ul style="list-style-type: none"> <li>• Advertising, marketing and promotions (e.g., the new <i>Kellogg Family Rewards™</i> promotion)</li> <li>• Labeling</li> <li>• Corporate website and regional websites</li> <li>• Nutrition website</li> <li>• Press releases</li> <li>• Daily interactions with our Consumer Affairs employees (phone number, email and postal address listed on websites)</li> </ul>	<ul style="list-style-type: none"> <li>Responsible Product Marketing</li> <li>Consumer Information and Labeling</li> <li>Fiber and Whole Grains</li> <li>Nutrition Education</li> </ul>

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## Stakeholder Engagement, cont.

Stakeholder Type	Mechanisms for Engagement and Communication	Sections of This Report with Examples
Dietitians and Health Care Professionals	<ul style="list-style-type: none"> <li>• Professional conferences</li> <li>• Nutrition website</li> <li>• Published summaries of key research</li> <li>• Kellogg's Nutrition and Health Institute in Mexico (Instituto de Nutrición y Salud)</li> </ul>	<ul style="list-style-type: none"> <li>Nutrition Education</li> <li>The Benefits of Breakfast Cereal</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Working group of fellow suppliers to a major customer</li> <li>• Joint philanthropic initiatives</li> <li>• Coalitions and partnerships (e.g., the Consumer Goods Forum)</li> </ul>	<ul style="list-style-type: none"> <li>Agriculture Partnerships</li> <li>Hunger Relief</li> <li>Community</li> <li>Our Commitments</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Supplier Code of Conduct</li> <li>• Food Safety Summits</li> <li>• Audits</li> <li>• Supplier diversity program</li> <li>• Partnerships with and assistance to grain growers and millers</li> </ul>	<ul style="list-style-type: none"> <li>Our Commitments</li> <li>Responsible Sourcing</li> <li>Product Safety and Quality</li> <li>Supplier Diversity</li> <li>Our Work with Grain Breeders and Growers</li> </ul>
Industry	<ul style="list-style-type: none"> <li>• Trade association memberships</li> <li>• Industry forums, partnerships and coalitions formed to address specific topics, including, for example:               <ul style="list-style-type: none"> <li>+ Consumer Goods Forum</li> <li>+ The Sustainability Consortium</li> <li>+ Global Environmental Management Initiative (GEMI)</li> <li>+ Carbon Disclosure Project (CDP)</li> <li>+ American Institute for Packaging and the Environment (AMERIPEN)</li> <li>+ Sustainable Packaging Coalition</li> <li>+ AIM-PROGRESS</li> <li>+ Supplier Ethical Data Exchange (SEDEX)</li> <li>+ Roundtable for Sustainable Palm Oil</li> <li>+ World Cocoa Foundation</li> <li>+ Field to Market</li> <li>+ Sustainable Agriculture Initiative</li> <li>+ Ontario Cereal Industry Research Council</li> <li>+ Heartland Plant Initiative</li> </ul> </li> </ul> <p>(In addition, see the Industry Participation page for a list of industry groups that focus specifically on food safety.)</p>	<ul style="list-style-type: none"> <li>Our Commitments</li> <li>Industry Participation</li> <li>Obesity and Weight Management</li> <li>Product Safety and Quality</li> <li>Responsible Sourcing</li> <li>Our Waste Performance</li> <li>Sustainable Packaging</li> <li>Agriculture Partnerships</li> <li>Palm Oil</li> </ul>

# OVERVIEW

## Stakeholder Engagement, cont.

Stakeholder Type	Mechanisms for Engagement and Communication	Sections of This Report with Examples
Investors	<ul style="list-style-type: none"> <li>• Annual report</li> <li>• Annual shareholders meeting</li> <li>• Quarterly earnings calls</li> <li>• “Investor days”</li> <li>• Daily interactions via our Investor Relations function</li> <li>• Investor section of corporate website</li> </ul>	Overview
Nongovernmental Organizations	<ul style="list-style-type: none"> <li>• Membership in multi-stakeholder committees and dialogues, including, for example:               <ul style="list-style-type: none"> <li>+ Roundtable on Sustainable Palm Oil</li> <li>+ World Cocoa Foundation</li> <li>+ Carbon Disclosure Project (CDP)</li> <li>+ Field to Market</li> <li>+ Sustainable Rice Platform</li> </ul> </li> <li>• Participation in conferences</li> <li>• Informal discussions on specific topics of interest</li> <li>• Philanthropic donations</li> <li>• Submission of environmental risk assessments and data to public clearinghouses</li> </ul>	Obesity and Weight Management Diversity and Inclusion Environmental Management Water-Related Risks and Opportunities Climate Change Risks and Opportunities Sustainable Packaging Agriculture Partnerships Palm Oil
Communities	<ul style="list-style-type: none"> <li>• Employee volunteer activities</li> <li>• Partnerships with nonprofits (e.g., the United Way) and customers</li> </ul>	Employee Initiatives Community Hunger Relief
Governments	<ul style="list-style-type: none"> <li>• Engagement with local, state and federal governments (engagement varies based on entity)</li> <li>• Provision of expertise to regulators</li> <li>• Advocacy, through our Government Relations function</li> <li>• Compliance with all relevant laws and regulations</li> <li>• Contribution to a broad array of policies important to doing business as a responsible company</li> </ul>	Responsible Product Marketing Industry Pledges Environmental Management Transportation Initiatives Climate Change Risks and Opportunities Product Safety and Quality

# OVERVIEW

## Marketplace Perspective



Terry Bolin, M.D.  
Founding President  
&  
Katherine Collings  
Research Dietitian  
The Gut Foundation, Australia

“The not-for-profit Gut Foundation is dedicated to the treatment and prevention of gastrointestinal diseases, ranging from colon cancer to irritable bowel syndrome. As the leading authority on these topics in Australia, one of our primary missions is

to educate the public about good digestive health. We focus especially on the need for people of all ages to adopt diets with more natural fiber.

Fiber is critical to good digestive health, yet many people don't understand where fiber comes from. They think eating more fruits and vegetables will take care of things, and yet that may not be enough. Cereals and grains often contain more fiber. And unless you have a high-fiber cereal breakfast, you are unlikely to achieve a high-fiber daily intake.

Our organization has had an affiliation with Kellogg for many years, and that relationship has become stronger within the last year or two. Kellogg has enabled us to carry out surveys of children and their parents about the incidence of digestive problems so that we can plan some interventions for improvement. One survey we conducted found an alarmingly high prevalence of diarrhea, constipation and bowel pain among children – as high as 40 percent, or three times the expected rate.

Recently, we have been engaged in a pilot study on fiber intake in young children to see if we could improve their digestive health by adding a high fiber cereal – Kellogg's® Sultana Bran – to their diets. We're now looking to expand the study into a much broader cohort of children.

Breakfast is a habitual meal, and we tend to form views from an early age about what we like to eat in the morning. Indeed, many people eat a similar thing for breakfast day in and day out. If we can teach young children about the importance of fiber, they're more likely to make good choices when they grow up.

Kellogg and other food companies have come a long way in terms of their nutritious food offerings – in particular high-fiber Kellogg's® All-Bran® and Kellogg's® Sultana Bran products.

Our organization's main goal is promoting health, and we would like to see food companies do more to promote products with fiber in them.”

# OVERVIEW

## Workplace Perspective



Captain Paul Ryan (U.S. Navy, Retired)  
State Chairman for Michigan  
Employer Support of the Guard and Reserve  
U.S. Department of Defense

“Employer Support of the Guard and Reserve (ESGR) is an agency of the U.S. Department of Defense (DoD). We’re a largely volunteer organization, with about 4,800 volunteers nationwide. Each state has its own committee. Our Michigan ESGR committee supports 19,000 currently serving Guard members and Reservists and their 7,000 employers.

The ESGR was founded in 1972 around the same time the military draft ended in the U.S. The DoD realized that military Reservists and National Guard members would likely be called upon to serve more frequently – as they indeed have been, especially in the last two decades. The ESGR was established to help create a culture in which military service is valued and supported by every civilian employer in the United States.

We recognize that many people make sacrifices when a Guard member or Reservist deploys – including, for example, employers who must hire temporary staff and co-workers who must pick up extra shifts. That’s why our motto – and our guiding principle – is ‘We All Serve.’ At the same time, most people recognize that when a Reservist or Guard member returns from a dangerous deployment, the last thing they should have to worry about is whether they still have a job back home.

Over the years we have carried out our mission in three primary ways. First, we recognize the outstanding support that many civilian employers, like Kellogg Company, already provide to their Guard and Reserve employees. Second, we work to educate both employers and Guard and Reserve employees about their rights and responsibilities under the law (including, for instance, that an employee’s job be available to him or her after deployment ends). And third, we help to resolve any conflicts that arise between employers and employees through an informal mediation processes.

Since 2010, we’ve taken on a fourth task – acting as a bridge between prospective employers and anyone with military experience. This broadening of our mission occurred in light of some startling statistics, including high unemployment rates for veterans, especially younger veterans.

I got to know Kellogg Company last summer when a Marine Corps Reservist who works at the Battle Creek plant nominated his supervisor for the ESGR’s Patriot Award, which honors individuals and companies who support employees serving in the Guard and Reserve. In this case, the Reservist noted the ways in which his supervisor, and Kellogg, went truly above and beyond – for example, by sending him care packages when he was deployed, providing a cash bonus upon his return, maintaining his health insurance coverage, and so forth.

The award presentation ceremony was a profoundly moving and rewarding experience for me. It took place at the Battle Creek plant, and there must have been 120 people in the room, including Kellogg Company’s CEO and other senior executives. It was great to see the high level of mutual respect there – between management and hourly plant workers, and between people with no military experience and veterans. This speaks highly of the Kellogg corporate culture and is a wonderful example of Kellogg’s corporate citizenship.”

## Environment Perspective



Dave McLaughlin  
Vice President, Agriculture  
World Wildlife Fund

“At World Wildlife Fund (WWF), our mission is to conserve nature. And what drives us is this question: In 2050, when we have a global population of more than 9 billion with increased prosperity and consumption worldwide, how will we meet society’s demands for fuel and food, as well as for fiber (i.e., for textile, tissue and paper products), and still leave room for nature?”

Business has to be at the table to help answer that question. They have to be part of the solution, because they can be a real force for good. Just look at the Consumer Goods Forum and their members’ public commitment to eliminate deforestation from their supply chains by 2020. That’s a great example of what can be done.

At WWF, we’re helping companies gain better visibility into where their agricultural commodities come from and the associated environmental and social risks. Through WWF’s Supply Risk Analysis, we help companies evaluate 30 broad risk categories, from carbon emissions to depletion of biodiversity to labor rights and water use, identifying the biggest environmental impacts through their sourcing of commodities in specific areas, which helps prioritize areas for action.

We’ve seen a lot of volatility in the price of commodities in the past five years. This has been due to drought, climate change, trade policy, high demand (for biofuels as well as food) and crop failure. Due to outsourcing and the widespread use of commodity traders, most companies have not had relationships with the growers of their agricultural ingredients. That’s starting to change.

With grain commodities, the key issue is water conservation. We have a global drought going on. In the U.S., people are having trouble floating boats on the Mississippi River, and two of the Great Lakes are at their lowest levels of all time. This presents a concern for any company that depends on agriculture for its raw ingredients.

Over the past couple of years, WWF has worked with Kellogg to complete two supply-chain risk assessments, one with Kashi and another with Kellogg Europe. In each case, Kellogg brought in external stakeholders to sit down with their team to identify potential concerns in their respective supply chains. WWF provided input and assessed the environmental and social risks to their commodity supply chains.

Identifying risks is only the start of the process. Kellogg now has additional opportunities to advance sustainable agriculture by continuing to purchase certified sustainable products and engage with suppliers to improve the sustainability of how commodities are grown.

This involves re-thinking procurement – developing true partnerships with growers and engaging in long-term contracts, for instance. It also might involve designing sustainability into products from the outset, so that they have smaller environmental footprints.

There is no single ‘best practice’ for companies to adopt. Innovation is required, and it will take time. But I fully encourage Kellogg and all companies to continue to make these issues a priority, as the challenges facing agriculture pose material risks to every business. On the upside, they also present a huge opportunity with big potential benefits.”

# OVERVIEW

## Community Perspective



Rob Bisceglie  
Chief Executive Officer  
Action for Healthy Kids

"I spent many years working for nonprofit organizations that focused on international development work. When I joined Action for Healthy Kids (AFHK) about six years ago, I liked to think of myself as an informed citizen. But once I immersed myself here, I couldn't believe what I learned about the magnitude of the problems of hunger, malnutrition and poor health in America.

Some 33.5 million adults and 16.7 million kids often go hungry in this country. That's a shocking statistic. The numbers make sense, when taken in the context of a nearly 8 percent unemployment rate. But that doesn't make them any less startling.

Hunger in America may be different from hunger in developing nations, but it's not necessarily less complex. Of course, some countries have specific hunger problems that are exacerbated by other issues, such as war or famine. But here in the U.S., when it comes to feeding our children and families, we face some of the most challenging problems you could imagine.

It seems so easy and straightforward – that a healthy diet and physical activity can improve individual health. But that's not always a realistic option for American families. Hunger can be found everywhere, from inner-city neighborhoods to rural communities. And you can't point to just one factor that's the source of the problem.

Malnutrition and obesity are two sides of the same coin – they both may relate to a lack of healthy eating. Together they represent the public health challenge of our lifetime. We as a country have to understand that obesity is very much intertwined with hunger.

One of the best ways to help children succeed is by feeding them a healthy breakfast. The latest research shows that kids who eat breakfast have better school attendance and higher school achievement.

And yet, we know that less than half the children who participate in the U.S. government's free- and reduced-lunch programs also participate in school breakfast programs. That doesn't mean these kids aren't hungry in the morning.

There are many obstacles for children to get breakfast before school. In some cases, schools haven't established breakfast programs because they don't have the staff to run them. In other cases, children can't get to school early enough to take advantage of programs that do exist. In the Chicago suburb I live in, for example, my school doesn't have a breakfast program because there isn't a tremendous need, though the need has grown in recent years. But even if only 5 percent of kids in my area need breakfast, that's 5 percent of kids who are going to school hungry.

With funding from Kellogg, AFHK awards grants to schools to help them set up or expand breakfast programs to take advantage of the national School Breakfast Program, an extraordinarily valuable federal resource for hungry kids. Although these grants are modest – they range between \$2,000 and \$5,000 – they reap terrific results. On average, the programs we fund see a 40 percent growth rate of kids participating in breakfasts in the first year. Since the program's inception, in fact, we have helped schools serve hungry kids an additional 8.5 million breakfasts.

Food companies have a clear role to play in helping to solve our country's malnutrition and obesity epidemics. One thing I would encourage is for them to keep making kid-friendly and healthy foods – foods that kids find appealing. The other thing they can do is to advocate for organizations like ours and encourage people to get involved by joining our 40,000-member volunteer network or taking our "Every Kid Healthy" pledge. Every American has a role to play in combating this epidemic, and there are simple things each of us can do today that make a difference."

# OVERVIEW

## Summary of Key Data

2008    2009    2010    2011    2012



### ENVIRONMENT

(data are per metric tonne of food produced)

Water Use (in cubic meters)



Energy Use (in gigajoules)



Greenhouse Gas Emissions  
(in metric tonnes)



Waste to Landfill (in metric tonnes)

### CHARITABLE CONTRIBUTIONS

(data are in millions of dollars)



Cash Contributions



In-Kind Contributions



Brand Philanthropy

### EMPLOYEE SAFETY



Total Recordable Incident Rate<sup>2</sup>



Lost Time Incident Rate<sup>3</sup>

<sup>1</sup>Our environmental data are for our global manufacturing facilities only. They do not include our transportation fleet, offices or warehouses. The data for all years have been adjusted to remove our Navigable Foods business in China, which we divested in 2012. Also, the data do not include the Pringles plants, which we acquired mid-2012.

<sup>2</sup>Total Recordable Incident Rate = (the total number of recordable cases x 200,000 hours)/total labor hours worked. In this formula and the one for Lost Time Incident Rate, the 200,000 hours represents the equivalent of 100 employees working 40 hours per week, 50 weeks per year, and provides the standard base for the incidence rates.

<sup>3</sup>Lost Time Incident Rate = (the total number of incidents that resulted in days away from work x 200,000 hours)/total labor hours worked.

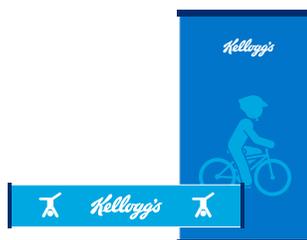
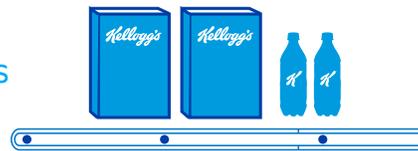
# MARKETPLACE

As a global food company, we have one overarching purpose: to nourish families so they can flourish and thrive. From our selection of breakfast foods, frozen meals and snacks, we cater to a broad array of dietary needs and taste preferences. We also keep abreast of advances in nutrition science to determine how our company can help contribute to health and wellness. Each day, we aim to produce great-tasting foods that people love, while manufacturing, marketing and selling them safely and responsibly.

## Marketplace Highlights

### Nutrition and Health

We launched a variety of new products to address consumer health needs.



### Responsible Product Marketing

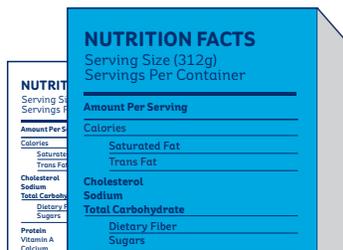
We kicked off two marketing campaigns designed to motivate children to stay fit and strong.

# MARKETPLACE

## Marketplace Highlights, cont.

### Consumer Information and Labeling

We continued rolling out new “Facts Up Front” product labeling in the U.S. to provide consumer-friendly nutrition information on the front of product packages.



NUTRITION FACTS	
Serving Size (312g)	
Servings Per Container	
Amount Per Serving	
Calories	
Saturated Fat	
Trans Fat	
Cholesterol	
Sodium	
Total Carbohydrate	
Dietary Fiber	
Sugars	
Protein	
Vitamins & Minerals	

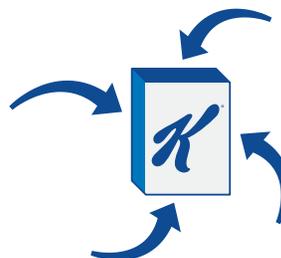


### Product Safety and Quality

We tied food safety performance to the compensation of our senior leaders.

### Responsible Sourcing

We are working within our industry to develop a standard supplier code of conduct.



### Case Study: Reformulating Special K® Protein Plus

We launched an improved version of Special K® Protein Plus to make it more relevant for today's consumers.

## Nutrition and Health

Our founder, W.K. Kellogg, left his company a century-old legacy that still guides us today: the desire to make “quality products for a healthier world.” We continue to look for ways to drive innovation and further enhance the nutrition value of our products.

We believe that all foods have a place in the diet – with balance and moderation. We’re also committed to educating consumers about nutrition, enabling them to make informed choices that meet their dietary needs. These concepts are core to our Kellogg Company Nutrition Policy, which we review annually to ensure we communicate nutrition information with transparency and openness.

We are committed to further improving existing products (and developing new ones) by increasing the nutrition elements that are essential to good health – fiber, whole grains, protein, vitamins and minerals, to name some of our primary efforts. We also have emphasized responsibly reducing sodium, sugars and fats across our product portfolio, and we’re proud of our successes to date. We’re putting particular focus on creating new foods that offer nutrition, convenience and great taste – attributes for which we’ve always been known. Our core brands address many health needs, from digestive health to weight management, from heart health to kids’ growth and development.

**We introduced many new and updated products in 2012 and early 2013 that respond to consumer nutrition needs.**



A suite of **Special K®** foods with **protein**, including cereal, breakfast shakes, flatbread breakfast sandwiches and several snacks, such as granola bars— all developed for consumers looking to **manage their weight**.

**2X**

In the U.S., many varieties of **Rice Krispies®** and **Mini Wheats®** with **2X\*** the **folic acid** (50% of the daily value) a nutrient essential during pregnancy.

\*as compared to previous formulas

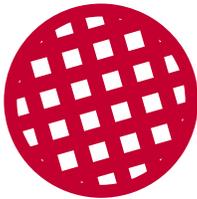


Two new **kid-focused cereals** for our U.S. market: **Scooby Doo®**, a cereal that is a good source of fiber (3 grams) with 27 grams whole grains and 6 grams of sugar per serving; and **Cinnamon Jacks®**, also a good source of fiber with 10 grams of sugar and 12 grams whole grains.

## Nutrition and Health, cont.



Several “**on-the-go**” products designed for those who don’t have time for a sit-down morning meal. These include breakfast shakes, with **protein and fiber**, in the U.S. and Australia; our European Nutri-Grain® Breakfast Biscuits, made with whole grains; and in the U.S. frozen food aisle, our handheld Eggo® Waffles®, an on-the-go breakfast with no fork, plate or syrup required.



Two additions to the Eggo® waffle lineup in the U.S. – one with **added protein** (8 grams in a two-waffle serving) and another with **50% less fat** than the original.



In Ireland, several household-favorite cereals fortified with **vitamin D**. This addition of vitamin D builds on an initiative we began in the U.K. in 2011 in response to a rise in childhood cases of rickets, a bone disorder resulting from vitamin D deficiency.



A new range of our popular **All-Bran®** products, including *All-Bran Golden Crunch* and *All-Bran Chocolate Crunch* in several European countries and *All-Bran Apple Crunch* in Mexico and Colombia; each of the new products delivers **6 grams of fiber** per serving. In India, our new *All-Bran Wheat Flakes* deliver 5 grams of fiber per serving.



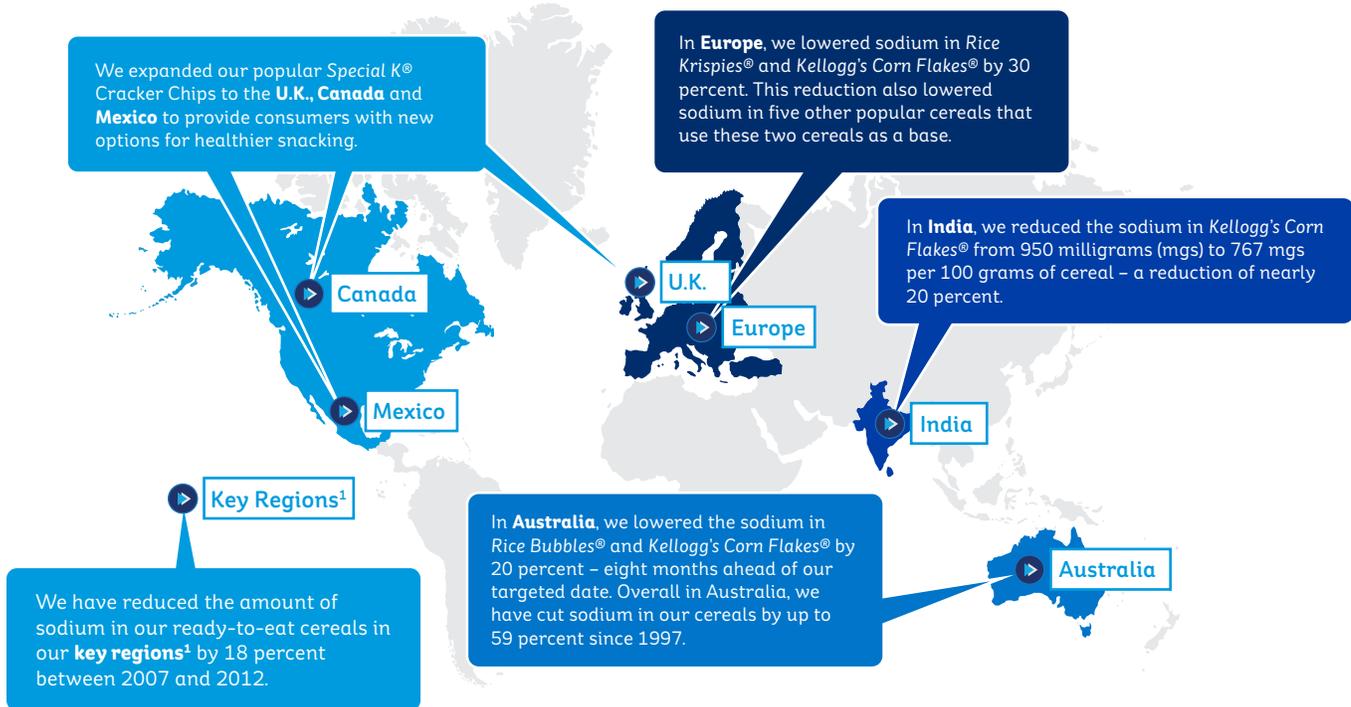
In Canada, Rice Krispies® Brown Rice **Gluten Free** cereal in response to requests from consumers with **celiac disease** and **gluten sensitivity**. This built upon the 2011 U.S. launch of gluten-free Rice Krispies®.



A reformulated version of Kellogg’s Honey Loops® in **India** that includes four varieties of grain, up from three. **Multi-grain products** are becoming increasingly popular with many of our global consumers.

## Product Enhancements Around the World

We apply the latest in food and nutrition science to continue to enhance our foods and make a positive impact on consumers' healthy lifestyles. See the map below for some of our recent initiatives.



### Heart-Healthy Label



Eating well, being physically active and maintaining a healthy weight are key strategies for managing cardiovascular disease – the leading cause of death in the U.S. In 2012, we added a Heart Healthy Selection® logo to eight varieties of U.S. heart-healthy cereals that are a good source of fiber, including Kellogg's Raisin Bran®, All Bran®, Smart Start® and FiberPlus®. We also brought to market the new Kellogg's Raisin Bran Cinnamon Almond® to give consumers another way to enjoy a heart-healthy breakfast. Eating more fiber-rich grain foods can help manage the risk for heart disease.<sup>2</sup>

<sup>1</sup>Our key regions are the U.S., Canada, Mexico, the U.K., France and Australia.

<sup>2</sup>De Moura FF, Lewis KD, Falk MC Applying the FDA definition of whole grains to the evidence for cardiovascular disease health claims. J Nutr. 2009 Nov;139(11):2220S-6S. [doi: 10.3945/jn.109.112383]

## Smart Snacking

Snacking can play an important part in any healthy diet. Kellogg offers a broad range of great-tasting snack foods to meet consumer needs – from portion-controlled packages to help consumers snack sensibly to cereal bars that can supplement a diet with fiber and important nutrients. Our Special K® brand, for example, is focused on developing “smart” snacks for those managing their weight.

Our North American wholesome snacks category, which includes Special K®, Nutri-Grain® and Fiber Plus®, has been growing in popularity, and we’re pushing hard to create new products in this area. In fact, nearly half of our wholesome snacks purchased by consumers in 2011 were not on the market in 2007.

We’re expanding our global reach in snacks, thanks largely due to our recent acquisition of Pringles and our introduction of Special K® cracker chips in several global markets. The Pringles acquisition gives our company access to a new range of technologies, including ones that Pringles developed to reduce sodium, without compromising on taste. We will be exploring how we can apply these technologies to other Kellogg products.

In addition, the Pringles acquisition expands our access to global markets, giving our company an entry to selling other Kellogg products, including wholesome snacks.



## Fiber and Whole Grains

At Kellogg, we understand the important role of fiber in overall health and wellness, and we are committed to helping consumers increase fiber in their diets through foods they already eat and enjoy.

In the U.S., we produce more ready-to-eat cereals (such as Kellogg's Raisin Bran®, Mini-Wheats® and Froot Loops®) that provide a good source of fiber<sup>1</sup> (3 grams per labeled serving) and one-half serving of whole grains (8 grams) than any other food company.<sup>2</sup>

A diet high in fiber has been proven to benefit overall digestive and heart health,<sup>3</sup> yet very few meet fiber recommendations.<sup>4</sup>

### Few of us meet fiber recommendations.

With so much positive information about the benefits of consuming sufficient fiber, it is concerning to see that most people - including adults and children - do not get enough of this important nutrient.<sup>5,6,7,8,9,10,11</sup>

**U.S. - 1 in 10**



**Ireland - 2 in 10**



**Canada - 1 in 10**



**Australia - 1 in 2**



**Mexico - 2 in 10**



**France - 1 in 4**



**U.K. - 2 in 10**



<sup>1</sup>The U.S. Food and Drug Administration (FDA) defines a "good" source of fiber as containing 3 grams or more per labeled serving, or at least 10 percent of the recommended daily value. An "excellent" source is at least 5 grams, or 20 percent of the recommended daily value.

<sup>2</sup>Based on a Kellogg audit of national breakfast cereals in October 2012. The data was drawn from label, website and a syndicated database and includes nationally distributed ready-to-eat cereals from Kellogg's, General Mills, Post, Quaker and Malt-O-Meal.

<sup>3</sup>Institute of Medicine: Dietary Reference Intakes for Energy, Carbohydrate, Fiber, Fat, Fatty Acids, Cholesterol, Protein, and Amino Acids (Macronutrients). National Academy Press, Washington DC. (CHD p362-3, Digestive Health: p370-1); U.S. Department of Agriculture and U.S. Department of Health and Human Services. Dietary Guidelines for Americans, 2010. 7th Edition, Washington, DC: U.S. Government Printing Office, December 2010.

<sup>4</sup>Kellogg data on file; NHANES 2007-2008

<sup>5</sup>Mosfegh A, Goldman J, Cleveland L (2005). What We Eat in America, NHANES 2001-2002. Usual Nutrient Intake from Foods as Compared to Dietary Reference Intakes.

<sup>6</sup>Statistics Canada, Canadian Community Health Survey, Cycle 2.2, Nutrition. 2004.

<sup>7</sup>Encuesta Nacional de Salud y Nutrición (ENSANUT) 2006 Instituto Nacional de Salud Pública, Mexico ENNS 2006.

<sup>8</sup>Australian National Children's Nutrition and Physical Activity Survey (2007).

<sup>9</sup>Étude nationale nutrition santé (ENNS), 2006. Situation nutritionnelle en France en 2006 selon les indicateurs d'objectif et les repères du Programme national nutrition sante (PNNS).

<sup>10</sup>Buttriss JL & Stokes CS. (2008) Dietary fibre and health: an overview. British Nutrition Foundation Nutrition Bulletin. 33:186-200.

<sup>11</sup>Report on: Food and Nutrient intakes, Physical Measurements, Physical Activity Patterns and Food Choice Motives. Irish Universities Nutrition Alliance (Report date March 2011).

# MARKETPLACE

## Fiber and Whole Grains, cont.

And what about whole grains? Whole grains are good for you and, whenever possible, it is important to select foods with whole grains that are also a good source of fiber. Whole grains can vary in their dietary fiber content, with some whole-grain foods containing very little fiber. In some markets, a product's label will state its overall fiber content.

Also, not all fibers are created equal, with different fibers providing different benefits. Wheat bran is considered the most effective form of fiber for improving digestive health, including regularity.<sup>12</sup>

Our company has been helping to educate consumers about the difference between fiber and whole grains for some time. We encourage consumers to check the fiber content of their whole-grain food choices to ensure they are getting at least 3 grams of fiber per labeled serving, a recommendation that is supported in the U.S. by the federal government's 2010 Dietary Guidelines for Americans.

## Start Simple, Start Right: The Simplicity of Grains

For more than a century, Kellogg Company has helped consumers start the day off right – with cereals created from the goodness of simple grains. Each cereal recipe starts with rice, wheat, corn or other grains.

The fact is, most ready-to-eat cereals are minimally processed foods, and making cereal is not all that different from baking at home. Take Kellogg's Corn Flakes® as an example. First, we cook corn grits with malt flavor, salt, sugar and vitamins and minerals. After drying and resting the cooked grits, we roll them out and toast them into crunchy flakes. That's it.

And through our efforts in sustainable agriculture, we are also beginning to more closely work with many of the farmers who nurture our grains from seed to harvest. The pride and agricultural practices of these family-owned farms contribute to the quality of our foods. Meet some of our U.S. growers in the video links on our website.

<sup>12</sup>Stevenson L, Phillips F, O'Sullivan K, Walton J. Wheat bran: its composition and benefits to health, a European perspective. 2012 Int J Food Sci Nutr. 63(8): 1001–1013; O'Sullivan, K. The Superior Benefits of Wheat Bran Fibre in Digestive Health 2012. European Gastroenterology & Hepatology Review, 2012;8(2):90–3; Institute of Medicine: Dietary Reference Intakes for Energy, Carbohydrate, Fiber, Fat, Fatty Acids, Cholesterol, Protein, and Amino Acids (Macronutrients). National Academy Press, Washington DC. (p371).

**Kellogg's**  
**SEED-TO-SPOON**

For more than 100 years, Kellogg's has led the way in helping people start the day off right with cereals made with the goodness of grains and only a handful of ingredients.

**Corn**      **Rice**      **Wheat**

Kellogg is dedicated to building relationships with farmers to ensure they grow and harvest high quality grains for Kellogg's cereals.

The farmers deliver the grains to the miller to be cleaned and prepared before sending them to Kellogg.

Kellogg takes those grains and makes them into your favorite breakfast cereals in just a few steps. From grain, to cooking, to rolling, to toasting, it's easy to envision how they could be made with items you could find in your own kitchen... we just use a bigger kitchen!

And that's it! From seed-to-spoon, these cereals provide families with a nutritious, great-tasting breakfast made with simple ingredients fortified with vitamins and minerals. It's really just that simple.

Start your day right. Begin each day with the goodness of a simple grain.

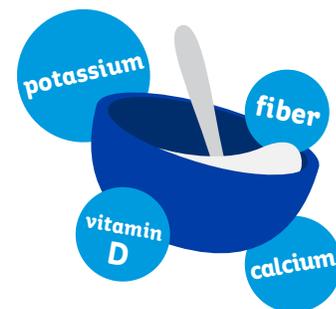
**Start Simple**      **Start Right**

Learn more about the simple goodness of grain cereals from Kellogg's at [www.Kelloggs.com/simplegrains](http://www.Kelloggs.com/simplegrains).

## The Benefits of Breakfast Cereal

Most people know that breakfast is the most important meal of the day. Myriad studies show that kids who eat breakfast get more fiber, calcium, vitamin A, vitamin C, riboflavin, zinc and iron compared to kids who skip breakfast.<sup>1</sup> Adults who eat breakfast also get more of these nutrients, consuming less fat and cholesterol than those who don't.<sup>2</sup>

And a cereal breakfast ranks among the best choices for the first meal of the day, providing the nutrients that many of us – especially children – might otherwise miss.<sup>3,4,5</sup> Each serving of kids' favorite Kellogg's® cereals with milk provides protein and four nutrients that most kids in the U.S. don't get enough of: fiber, calcium, vitamin D and potassium.<sup>6</sup> Plus, cereal is also lower in sodium and sugar than many popular breakfast options.<sup>7</sup> For example, sugar in cereals – including kids' cereals – contributes just 4 percent of daily sugar intake in the U.S.<sup>8</sup> In addition, regular cereal eaters, including those who eat kids' cereals, tend to have lower body mass indexes (BMIs) and are less likely to be overweight than those who eat cereal less frequently.<sup>9</sup>



Despite the fact that cereal has been a breakfast table mainstay for more than a century, there continues to be misconceptions and confusion about its nutrition value. That's why we work to educate health care professionals, as well as consumers, about the benefits of breakfast cereal. We have made available a global research compendium that highlights the many advantages of cereal. "Cereal: The Complete Story" offers a wealth of science-based information regarding the role that eating cereal can play in maintaining healthy weight, boosting nutrient intake and providing a breakfast that is lower in calories, fat, sodium and sugar when compared to other common breakfast choices.<sup>10</sup> Cereal is also a good way to feed the world; it uses fewer resources per calorie to produce than other foods, such as meat or cheese.<sup>11</sup>

We also share information in various regions and markets to inform consumers about the benefits of a cereal breakfast. In Canada, for example, we launched in 2012 our first-ever educational awareness campaign about the benefits of a cereal breakfast, targeted specifically at Chinese Canadians, one of the largest ethnic groups in Canada. A custom Chinese-language website includes detailed information on the nutrition benefits of cereal and tips on healthy eating from a registered dietitian.

In Australia, an independent study released in 2012 revealed that children who ate a breakfast of cereal and milk performed better academically than those who consumed other options, such as toast or fruit, or who consumed nothing at all.<sup>12</sup> The research, from University of Sydney Professor Jenny O'Dea, prompted Kellogg and the supermarket chain Woolworths to embark on a month-long "Breakfast Crusade" to remind families about the importance of a nutritious breakfast. See the Hunger Relief section of this website for more details.

<sup>1</sup>Kellogg data on file; NHANES 2003–2006, kids 6–17 years old; Deshmukh-Taskar PR, Nicklas TA, O'Neil CE, Keast, DR, Radcliffe, JD, and Cho S. The Relationship of Breakfast Skipping and Type of Breakfast Consumption with Nutrient Intake and Weight Status in Children and Adolescents: The National Health and Nutrition Examination Survey 1999–2006. 2010. JADA. 110:869–878.

<sup>2</sup>Timlin MT, Pereira MA. Breakfast frequency and quality in the etiology of adult obesity and chronic diseases. Nutr Rev. 2007;65:268–281.

<sup>3</sup>Cho S, Dietrich M, Brown CJ, Clark CA, Block G. The effect of breakfast on total daily energy intake and body mass intake: results from the Third National Health and Nutrition Examination Survey (NHANES III). J Am Coll Nutr. 2003;22:296–302.

<sup>4</sup>Matthews R. Importance of breakfast to cognitive performance and health. Perspectives in Applied Nutrition, 1996;3(3):204–212.

<sup>5</sup>U.S. Department of Agriculture and U.S. Department of Health and Human Services. Dietary Guidelines for Americans, 2010. 7th Edition, Washington DC: U.S. Government Printing Office, December 2010.

<sup>6</sup>Kellogg data on file; NHANES 2003–2006.

<sup>7</sup>U.S. Department of Agriculture, Agricultural Research Service. 2009. USDA National Nutrient Database for Standard Reference, Release 22. Nutrient Data Laboratory Home Page, <http://www.ars.usda.gov/nutrientdata>.

<sup>8</sup>U.S. Department of Agriculture and U.S. Department of Health and Human Services. Dietary Guidelines for Americans, 2010. 7th Edition, Washington, DC: U.S. Government Printing Office, December 2010.

<sup>9</sup>Barton BA, Eldridge AL, Thompson D, Affenito SG, Striegel-Moore RH, Franko DL, Albertson AM, Crockett SJ. The relationship of breakfast and cereal consumption to nutrient intake and body mass index: the National Heart, Lung, and Blood Institute Growth and Health Study. J Am Diet Assoc. 2005;105(9):1383–9

<sup>10</sup>U.S. Department of Agriculture, Agricultural Research Service. 2009. USDA National Nutrient Database for Standard Reference, Release 22. Nutrient Data Laboratory Home Page.

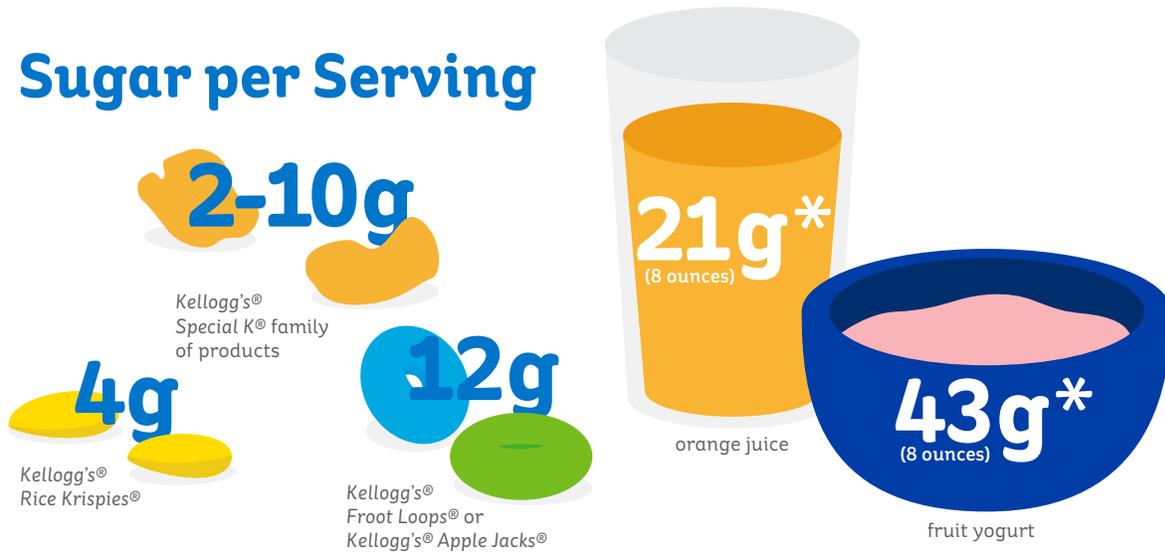
<sup>11</sup>See, for example, U.N. Food and Agriculture Organization. (2006). Livestock's Long Shadow: Environmental Issues and Options (Rome: FAO); Eshel, G, and Martin, PA. (2006). Diet, energy, and global warming. Earth Interactions, vol. 10; Mcdiarmid, J et al. (2011). Livewell: A Balance of Healthy and Sustainable Food Choices. (Surrey, UK: World Wide Fund for Nature).

<sup>12</sup>O'Dea, J.A. & Mugridge, A. (2012) Nutritional quality of breakfast and physical activity independently predict the literacy and numeracy scores of children after adjusting for socioeconomic status. Health Education Research. doi:10.1093/her/cys069

## The Benefits of Breakfast Cereal, cont.

A serving of Kellogg's® cereals contains 4 to 12 grams of sugar, whereas a glass of orange juice has 21 grams and fruit-flavored yogurt has more than 40 grams.

### Sugar per Serving



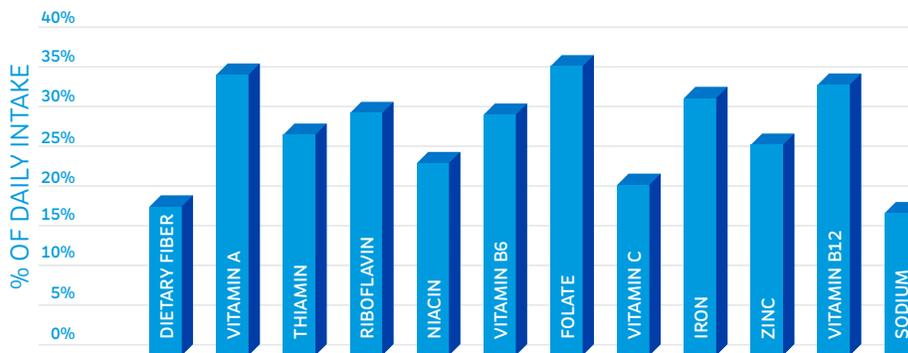
\*U.S. Nutrition Facts

\*\*USDA National Nutrient Database for Standard Research

Source: Kellogg data on file, NHANES 2001-2006, subjects 6-12 years.

### INTAKE OF NUTRIENTS AT BREAKFAST (6-11 years old)

National Health and Nutrition Examination Survey (NHANES) 2009-2010



What We Eat in America, NHANES 2009-2010, Breakfast, Children 6-11 years old

## Meatless Options

Our *MorningStar Farms*®, *Gardenburger*® and *Worthington*® brands offer nutritious solutions that inspire people to eat well. The majority of our products have at least 25 percent less fat than their meat counterparts. Our products are designed for vegetarians and for individuals who choose to limit the amount of meat they consume. In 2012, we launched several new products, including vegetarian hot dogs, to give consumers even more options for healthy eating.

The *Worthington*® brand dates back to 1939. Over the decades, it led the way to new vegetarian products. In the 1960s, it was the first company to bring frozen vegetarian food into supermarkets. Kellogg acquired *Worthington Foods* in 1999 and is proud to carry on the tradition of healthy meatless meals. Going meatless once a week, through participation in initiatives such as “Meatless Monday,” can help individuals achieve their nutrition goals.



## Nutrition Education

Kellogg plays a role in helping consumers make informed food choices for themselves and their families. We do this through on-pack labeling and website content and by providing additional information – such as fiber tracking tools and helpful fact sheets – for consumer groups and health care professionals.

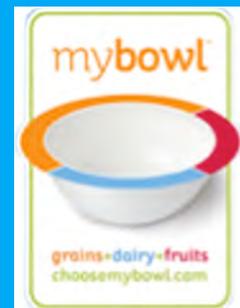
In 2012, we launched a new global website for health care professionals, [www.kelloggsnutrition.com](http://www.kelloggsnutrition.com), to provide access to the latest research, information and tools. Kellogg has teams of experts – including registered dietitians, regulatory and labeling experts, and food and nutrition scientists – who create resources for consumers. These teams also assist in new product development, provide nutrient and ingredient information for packaging, support and conduct scientific research, and host continuing education programs and symposia for health care professionals, among other work. Kellogg also regularly participates in academic conferences that help inform our efforts.

The following are just some of the many programs we supported or sponsored for health care professionals, nutrition scientists and others in 2012:

- In Sydney, Australia, we reinforced the importance of fiber for children at the 16th International Congress of Dietetics. Our company sponsored a number of presentations and hosted breakfast symposia at this gathering of the world's leading dietitians, nutritionists and nutrition science researchers.
- Also in Australia, we remained active partners in a national consumer education campaign (co-sponsored with a nongovernmental organization called The Gut Foundation) on the importance of dietary fiber in promoting regularity, especially among children.
- At a conference organized by the Society for Nutrition Education and Behavior in Washington, D.C., we participated with other industry leaders in a discussion on sugar, sodium and fiber. The forum brought together nutrition leaders who provide nutrition guidance and advice for families, health professionals, students and policy makers.
- In Canada, we again hosted the Kellogg Nutrition Symposium, an annual half-day scientific program presented in conjunction with the Dietitians of Canada Annual Conference. Since 1999, this symposium has presented research and practical information from leading Canadian and international experts.
- Our Canadian nutrition team also continued to publish quarterly, research-based newsletters for health professionals and others interested in learning more about nutrition.
- In Mexico, members of the Kellogg's Nutrition and Health Institute (Instituto de Nutrición y Salud, or INSK) presented at the XXV Anniversary Symposium of the Mexican Association of Nutrition, discussing with 400 health professionals the relevance of wheat bran to digestive health.

### Choose Kellogg's MyBowl™

In 2011, the U.S. Department of Agriculture (USDA) introduced MyPlate to help people follow the nutrition recommendations of the 2010 Dietary Guidelines for Americans. Kellogg developed MyBowl™, an interactive educational tool for meals typically served in a bowl, including breakfast cereals, to complement USDA's MyPlate. Kellogg's MyBowl™ offers simple visual cues to help people get the most nutrition from their bowl-based meals.



## Nutrition Education, cont.

- In Brussels, Belgium, we launched the “Breakfast is Best” campaign in April at the first European Breakfast Day. The event brought together key European policy makers, industry representatives, nongovernmental organizations, media and other health supporters to promote the health benefits of breakfast. As part of the campaign, a “Make Time for Breakfast Pledge” was initiated, calling on policy makers to work to encourage regular breakfast eating across Europe. The campaign is a multi-stakeholder group representing teachers, physicians, dietitians, and the European Breakfast Cereal Association, of which Kellogg is an active member.
- In South Africa, our *Kellogg's Corn Flakes*® nutrition education campaign trained nearly 600 health care professionals with the aim of improving knowledge of healthy eating among patients at primary health care clinics.

We also sponsor education programs for consumers, including the following:

- In Mexico, the INSK launched an iPhone application to give consumers a tool to make better decisions about their food and health. The app counts calories and provides recommendations for food choices, water consumption and physical activities. In the first days after its November 2012 launch, the app ranked among the Top 50 in Mexico and No. 1 in the health and shape category.
- In Canada, the Mission Nutrition® program provides teachers with creative, easy-to-use, curriculum-based resources to teach students from kindergarten to grade 8 about healthy eating, active living and positive self-esteem. It also includes information and activities to help families adopt healthy lifestyle behaviors at home.
- In the U.S., our Nutrition team offers several types of support for schools. This includes providing products that meet U.S. Department of Agriculture's School Meal regulations for nutrition; supporting School Nutrition Professionals with relevant tools, programs and education; and being Patron members of the School Nutrition Association. Our “build a better plate” program teaches schoolchildren about MyPlate, which helps individuals follow nutrition recommendations of the 2010 U.S. Dietary Guidelines. The program has been implemented at more than 800 schools.
- In the U.K. in 2012, we brought together a group of external, independent nutrition experts and education specialists to collate and disseminate food and nutrition guidelines for school breakfast clubs.

For additional educational efforts, please see the Hunger Relief section.

## Olympic Sponsorship

From great starts come great things. That's one of the messages we helped to deliver as an official sponsor of the 2012 U.S. Olympic and Paralympic teams. We were proud to partner with U.S. athletes who believe – as we do – that the power of breakfast is crucial to a great start. Team Kellogg's included Olympic medalists Rebecca Soni (swimming), Kerri Walsh (beach volleyball) and Jordyn Wieber (gymnastics).

The Kellogg's logo is written in its signature red, cursive script.

Proud Sponsor

We teamed up with the United States Olympic Committee (USOC) to create a video series that featured nutrition guidance from USOC dietitian Alicia Kendig and Olympic swimming champion and Team Kellogg's athlete Summer Sanders.

In addition to highlighting the benefits of breakfast, our partnership supports elite U.S. athletes by providing food for fuel and access to the training and support they need to compete.

## Obesity and Weight Management

At Kellogg, we work on a variety of fronts to contribute solutions to the global obesity epidemic – from portion-control packages to consumer education to participation in industry groups. From the products we develop, to the nutrition information we provide, to the organizations we support worldwide, we are committed to helping consumers balance the “calorie in/calorie out” equation by helping to educate them about dietary choices and physical activity. In addition, we offer 100-calorie packs of many of our most popular snacks, as well as wholesome snack bars and frozen entrees in portion-controlled sizes.

We continue to identify innovative ways to address the concerns of obesity around the world. In addition to reformulating many of our existing products and introducing new items, Kellogg has worked with the World Health Organization (WHO) as well as with numerous countries in which we operate to encourage healthier dietary choices.



For example, in 2008 Kellogg was a founding member of the International Food and Beverage Alliance (IFBA), which subsequently made global commitments in support of the WHO's Global Strategy on Diet, Physical Activity and Health. For more information on our work with IFBA, see the Responsible Product Marketing section of this report.

In the U.S., we're proud to be a member of the Healthy Weight Commitment Foundation (HWCF), a coalition of 200-plus retailers, food and beverage manufacturers and non-governmental organizations working to reduce rates of obesity (and childhood obesity in particular). Together, HWCF member companies have pledged to remove 1.5 trillion calories from coalition members' U.S. products by the end of 2015 (using 2008 products as a baseline).

Kellogg works to promote an online interactive tool developed by the HWCF's Together Counts program, which was designed to inspire active and healthy living. We have been showcasing the program on our Kellogg Company websites and through Facebook to encourage families to pledge to exercise and eat one meal together each day.

The principle behind the Together Counts program is “energy balance,” or the concept of balancing calories consumed with calories burned. Together Counts utilizes a web-based digital platform that combines the most advanced social networking and social gaming theories, yet is simple and easy to use. Kind of like Facebook with a twist, families can create a “team profile” and log the meals and events they share together. The goal is to help families strike a healthy balance at mealtime, and to have some fun while doing so.

Since 2010, Kellogg in France has supported a public/private partnership designed to prevent childhood obesity. Kellogg provides funding to a nonprofit organization that was recently renamed “Vivons en Forme” (or, “Live in Form”), and is helping to promote the initiative across the country through education campaigns.

Kellogg Company also participates in research and literature reviews on dietary topics, including obesity. Recently, our nutrition science team and Purdue University published a review article on the benefits of adequate fiber intake among children and the relation to obesity, diabetes and constipation.<sup>1</sup>

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<sup>1</sup> Kranz, S. M Brauchla, J.L. Slavin, and K.B. Miller. What Do We Know About Dietary Fiber Intake in Children and Health? The Effects of Fiber Intake on Constipation, Obesity, and Diabetes in Children. *Adv. Nutr.* 3: 47–53, 2012; doi:10.3945/an.111.001362.

## Responsible Product Marketing

Kellogg is committed to the responsible marketing and communication of our products to help shoppers make informed choices about the foods they enjoy. Our Worldwide Marketing and Communication Guidelines (WWMCGs) provide a consistent global framework for responsible marketing practices, including our advertising and marketing approach for digital and traditional media, in-school activities, licensed characters, contests and promotions. The WWMCGs also include rules related to privacy protection, e-commerce and other media. We regularly evaluate the guidelines to make sure they remain relevant and appropriate.

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Since Jan. 1, 2009, we have not advertised to children under age 12 those products that do not meet our Kellogg Global Nutrient Criteria (KGNC). We developed these internal standards based on scientific literature, setting upper per-serving thresholds for calories, fats, sodium and sugar. These thresholds allow no more than:

- 200 calories
- 2 grams of saturated fat and 0 grams of trans fat
- 230 milligrams of sodium<sup>1</sup>
- 12 grams of sugar

Kellogg does not market any products to children under 6 years old.

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In the U.S., we will adhere to the revised guidelines from the Better Business Bureau's Children's Food and Beverage Advertising Initiative (CFBAI), a voluntary self-regulatory program. The CFBAI's pledge, slated to take effect Dec. 31, 2013, aims to shift the mix of foods advertised to children under age 12 toward healthier dietary choices. These new criteria will provide more transparent and consistent marketing guidelines across categories and companies. We will adopt CFBAI criteria in the U.S. when they exceed our own internal Kellogg standards. We'll continue to follow our own KGNC standards when they are more stringent than the revised CFBAI's guidelines.

As a founding member, Kellogg also participates in the International Food and Beverage Alliance (IFBA) commitments regarding marketing to children under 12 years of age. IFBA's global policy provides criteria for advertising and marketing communications that are paid for, or controlled by, IFBA companies in countries where they market their products. In 2011, IFBA companies – including Kellogg – strengthened their commitment to responsible marketing by:

- Extending the policy to television programs where 35 percent or more of the audience is under 12 years of age. (The previous policy called for restrictions when those under age 12 represented 50 percent of the audience.)
- Applying the policy to all marketing communications on company-owned and third-party websites.

IFBA's global marketing policy is designed to reduce the impact on children of the marketing of foods that are high in fats, sugars or salt, and to increase children's exposure to foods and beverages compatible with a balanced diet and an active, healthy lifestyle.

We also have joined in country-specific pledges around marketing. In late 2012, we joined with our peer companies in the European Union to strengthen a regional pledge that began in 2009. Like the CFBAI pledge, the EU Pledge targets advertising to children under 12 toward those products that meet specific nutrition criteria based on scientific evidence and both national and international dietary guidelines. The EU Pledge also limits communication in

<sup>1</sup>For Eggo™ frozen waffles/products, the maximum allowable level of sodium under the KGNC is 20 percent DV (460mg), since these products are typically served as entrees/main dishes and approximately 50 of the sodium is attributed to the leavening agent necessary to the functionality and form of the food.

## Responsible Product Marketing, cont.

primary schools, unless requested or agreed to by school administration. The updated pledge takes our work to the next level, with consistent criteria across companies and categories. Together, EU Pledge member companies account for more than 80 percent of the food and beverage advertising spending in the EU. For more information, visit [www.eu-pledge.eu](http://www.eu-pledge.eu).

We also recently signed on to Singapore's Responsible Advertising to Children Pledge, along with 13 other leading food and beverage companies. The pledge mirrors the commitments made by IFBA members. And in Australia, we're on track to meet our commitment through the Food and Health Dialogue – a joint government/industry public health initiative – to reduce sodium by 15 percent in ready-to-eat cereals that exceed 400 milligrams of sodium per 100 grams of cereal by the end of 2013.

We believe that responsible marketing and advertising can promote healthy messages to families and their children. Take, for example, two U.S. 2012 marketing campaigns designed to motivate children to stay fit and strong – one through a *Frosted Mini-Wheats*® partnership with Disney and the other from the *Frosted Flakes*® “Show Your Stripes” campaign.

### The Living Experience

In Canada, Kellogg joined with Concerned Children's Advertisers (CCA) to develop a first-of-its-kind online, interactive game that used kids' daily exercise as the energy source for playing. Participating children were equipped with a digital pedometer that tracked and uploaded their every step. The children then created an online avatar that used their “banked steps” to travel within a virtual world. A built-in timer limited game play to 20 minutes per day.

The goal of the project, called “The Living Experience,” was to examine whether gaming – a favorite pastime among young people – can be used as a motivator to change sedentary behavior and measurably increase physical activity levels. Approximately 250 children in 10 communities across Canada participated in a pilot project in the spring of 2012. The pilot included a research component conducted by two researchers from the University of Toronto's department of physical education and health.

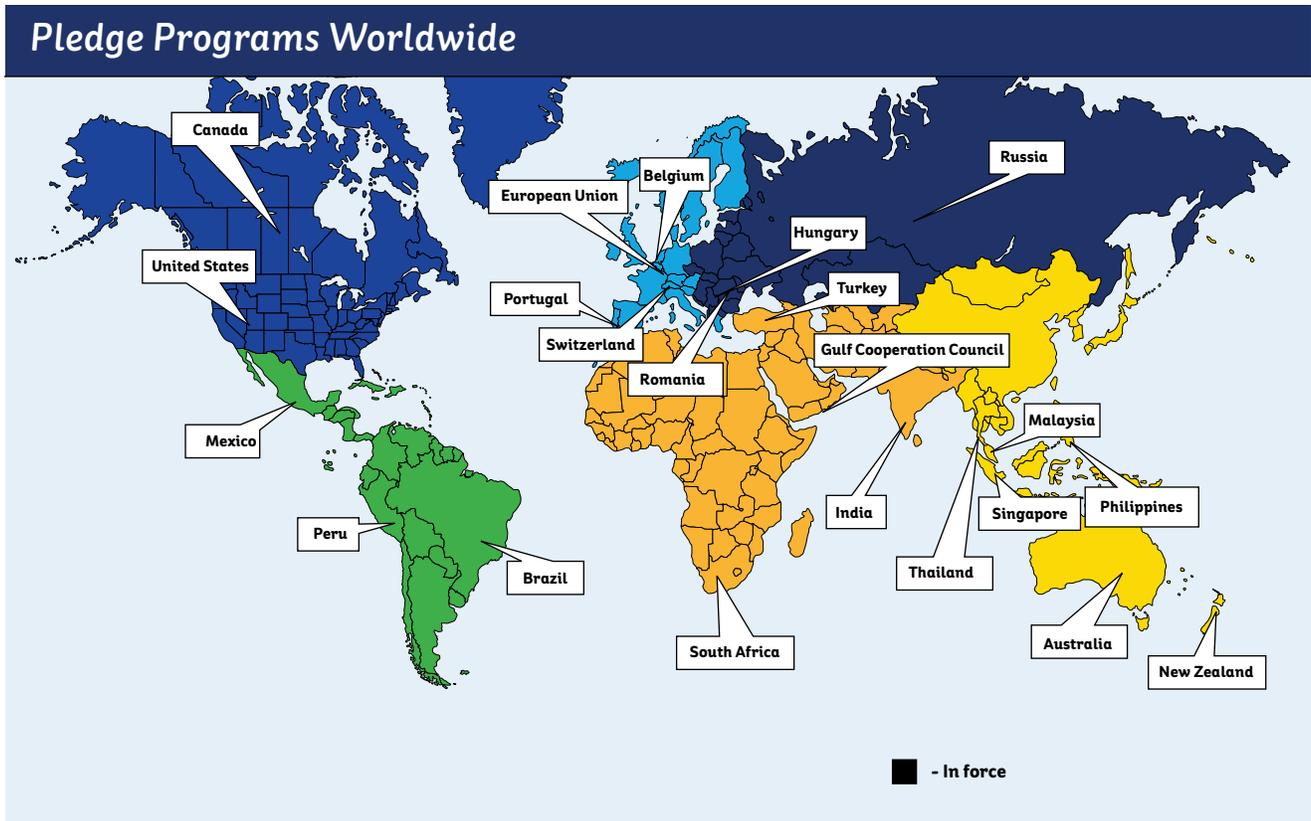
The results of the pilot were encouraging, especially among girls. Sixty-nine percent of girls falling in the lowest step count category moved up at least one category during game play, logging an increase in daily step counts ranging from 1,000 to more than 11,000. The findings pointed to a need to recognize differences between what motivates girls versus boys. The CCA will evaluate such issues in greater detail in a second pilot, planned for the spring of 2013.

Kellogg Canada is a founding member and longtime supporter of CCA.

# MARKETPLACE

## Industry Pledges

We have committed to national self-regulatory pledges in 50 countries. Though these national pledge programs share many similarities, the individual nature of each brings local attention to commitments Kellogg has made on our own and through industry associations such as the International Food and Beverage Alliance.



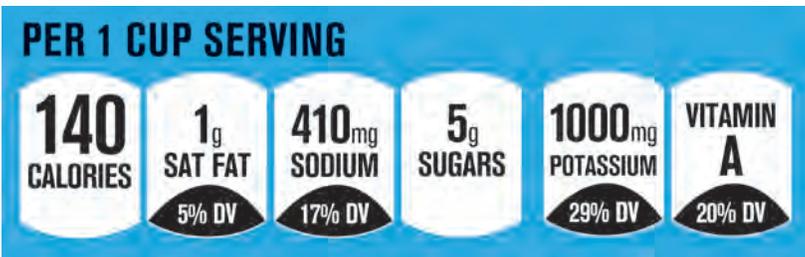
## Consumer Information and Labeling

Our food packaging serves an important role in informing consumers about the product, its nutrition composition and its ingredients. As early as the 1930s, we were displaying nutrition information on our boxes. And, we pioneered front-of-pack Guideline Daily Amounts (GDAs) labeling, which give consumers specifics on calories, fiber, fats, sugars and other nutrients in our foods.

Kellogg supports a fact-based approach to nutrition labeling as set out in the principles adopted by the International Food and Beverage Alliance in November 2010. These principles provide that nutrition information be objective, fact- and science-based, emphasize the importance of the overall diet, and encourage physical activity. Fact-based systems, which provide meaningful and understandable nutrition information on overall diet, allow consumers to make the dietary decisions that meet their individual nutritional needs.

In the U.S. in 2012, the food industry began rolling out Facts Up Front, a simple and easy-to-use labeling system that displays key nutrition information straight from the Nutrition Facts Panel right up front to help consumers make more informed decisions about the foods they buy. Facts Up Front labels display how many calories and how much saturated fat, sodium and sugar is in each serving. At the end of 2012, nearly all of our Kellogg-branded ready-to-eat cereals and about 25 percent of our snack bars had Facts Up Front labels. Visit [www.factsupfront.org](http://www.factsupfront.org) to learn more about this labeling system.

We also use the front of packages to flag for consumers the benefits of certain products, such as ones that are high or higher in fiber or that are heart-healthy options.



## Environmental Labeling

We have established guidelines for environmental claims to help ensure that our product communications are not misleading to the public. As with our nutrition claims, environmental claims must be documented and science- or data-based. For example, Kellogg only allows packaging-reduction claims by weight, which is tangible and measurable. When making these claims, we do not make comparisons to the number of trees or gallons of fuel saved, as these are difficult to substantiate with validated data. See the Environment section for more information on our packaging reductions and industry commitments.

## Product Safety and Quality

Our reputation in the marketplace is dependent upon the safety and quality of the 1,600-plus products we make. We have comprehensive programs and processes designed to ensure that our products comply with government regulations and our own strict quality and safety standards. We take a proactive approach to food safety and quality, with commitments that start at the very top of our organization.

In 2012, food safety was one of our four operational priorities, along with people safety, customer service and financial excellence.

Our biggest food safety efforts in the U.S. in 2012 were tied to the landmark Food Safety Modernization Act (FSMA). Although the law was signed in 2011, specific regulations and guidance had not been published as of late 2012. (In early 2013, the U.S. Food and Drug Administration, or FDA, released for public comment two proposed rules for implementation of the FSMA.) In preparation for the release of the FSMA requirements, we pulled together a cross-functional Kellogg team, including more than 30 key leaders from quality, food safety, operations and legal, to develop our new Kellogg Food Safety Plan (K-FSP). K-FSP, which is founded on the comprehensive Hazard Analysis Critical Control Points (HACCP) food safety system, integrates all of our food safety programs into one plan. The goal was to integrate and upgrade our programs so they would be both ahead of, and in alignment with, FSMA requirements. We believe our Kellogg Food Safety Plan now goes above and beyond the industry standard.

We also voluntarily participate in the Global Food Safety Initiative (GFSI), a set of industry standards designed to improve food-safety management systems across the supply chain. All of our manufacturing plants and our contract manufacturing facilities are GFSI-certified. In addition, we require GFSI certification (or an equivalent Kellogg internal audit) for all ingredient suppliers.

In addition, we draw on the expertise of our Kellogg Food Safety Advisory Board, comprised of five external subject matter experts who provide advice and counsel on food safety and food defense on an ongoing and as-needed basis. Advisory board members include Dr. David Acheson, Leavitt Partners; James Atkinson, Atkinson Consulting; Martin Philbert, University of Michigan School of Public Health; Larry Keener, International Product Safety Consultants, Inc.; and Stephen Taylor, Food Allergy Research and Resource Program, Department of Food Science and Technology, University of Nebraska-Lincoln.

<sup>1</sup>In 2012, we voluntarily recalled certain packages of Mini-Wheats® in the U.S. and Canada due to the possible, but unlikely, presence of flexible metal mesh from a faulty manufacturing part. There were no reports of any injuries associated with these products.

## Food Safety Programs<sup>1</sup>

At Kellogg, our quality and food safety programs include:

- Food protection systems based on Hazard Analysis Critical Control Points (HACCP), an internationally recognized food safety management system with robust prerequisite programs that ensure we meet a variety of standards, including employee Good Manufacturing Practices, chemical control, utilities and waste management, allergen management, traceability, and documentation and record control, among many others.
- Third-party Global Food Safety Initiative certifications
- Systems for sourcing
- Co-manufacturing plant audits



\* Our 2011 report incorrectly stated the number of supplier audits as the total to date, which included several months of 2010 data. The correct number is included above.

## Product Safety and Quality, cont.

Among our other important food safety efforts in 2012, we:

- Enhanced our operational controls around allergens, updating our policies and procedures and conducting training sessions at each plant to raise awareness of the importance of allergen controls. We also conducted audits to verify adherence to our new policies.
- Continued to invest in significant structural upgrades, including floors, roofs and drains, at many of our facilities to support food safety infrastructure. We have a food safety review process for capital expenditures to identify and prioritize the projects that can have the biggest impact on improving food safety.
- Continued to expand our auditing programs for our ingredient suppliers, particularly those that provide us with micro-biologically-sensitive, high-risk ingredients, such as nuts and seeds, dried fruits and vegetables, and dairy products.
- Began auditing our packaging suppliers to ensure that they are using appropriate food safety and quality systems. In 2012, we conducted 917 supplier audits overall – 134 of them related to packaging – around the world.
- Formally tied food safety to the compensation of our senior leaders. We are measuring food safety performance in two ways: through audits of our manufacturing facilities and through assessments of food safety training programs for employees.
- Continued to advance sanitation programs at all plants and reinforced our efforts through hands-on workshops and training for employees and contracted sanitation personnel.
- Hosted 85 representatives from more than 50 of our suppliers for our fourth-annual Partners in Food Safety Summit. The focus of our 2012 meeting was around the FSMA and our expectations for our supplier companies. We also co-hosted the Michigan Food Safety Alliance meeting, with more than 100 participants from industry, academia and regulatory agencies.

### Keeping an Eye on the Future

Our Global Scientific Affairs Department was created in 2011 to track emerging food safety and regulatory issues and evaluate their potential significance to our company. The department's objective is to identify, understand and influence evolving food safety and technical regulatory issues to ensure that we are producing safe foods and protecting our brands. The department experts in toxicology, microbiology and food science focus on potential issues that may impact our company.

An example of the type of work the team is involved with is acrylamide. Acrylamide is not added to food. It is naturally present in a wide range of products and has been present in the human diet for as long as people have been baking, roasting, toasting or frying foods. It is important to note that acrylamide levels found in breakfast cereals are low compared to levels found in other foods.

We, along with other industry and academic partners, have been working to develop methods that mitigate acrylamide formation in the cooking process, even though the presence of acrylamide in our cereals is relatively low. We will continue to proactively work with international regulators on mitigation strategies, and we will collaborate with them and the food industry on the development and implementation of effective reduction efforts.

Our Global Scientific Affairs and Emerging Technical Issues teams actively monitor scientific research and regulations to ensure we protect our consumers, our brands and our reputation.

## Industry Participation

We are a member of or an active participant in a number of key industry groups that focus on food safety and quality, including:

- Allergen Bureau (Australia)
- American Frozen Food Institute
- Anaphylaxis Campaign (U.K.)
- Association of Food and Drug Officials (U.S.)
- Australia Food and Grocery Council (Health, Nutrition and Scientific Affairs Committee)
- Campden BRI (U.K.)
- Canadian Association of Importers and Exporters (Food Committee)
- Consumer Goods Council of South Africa
- Consumer Goods Forum
- European Cereal Trade Association
- European Snacks Association
- Federation of Indian Chambers of Commerce and Industry
- Food Allergy and Anaphylaxis Network (U.S.)
- Food Allergy Research and Resource Program (U.S.)
- Food and Consumer Products Canada
- Food and Drink Federation (Europe)
- Global Food Protection Institute/International Food Protection Training Institute
- Grocery Manufacturers Association (U.S.)
- Institute of Food Technology
- International Association for Food Protection
- International Food and Beverage Alliance
- International Food Information Council
- International Life Sciences Institute
- Joint Institute for Food Safety and Applied Nutrition
- Leatherhead Food Research (U.K.)
- Michigan Food Safety Alliance
- Roundtable on Sustainable Palm Oil
- Snack, Nut and Crisp Manufacturers Association (U.K.)
- Toxicology Forum
- U.K. Association of Cereal Food Manufacturers
- University of Georgia Center for Food Safety
- University of Toronto Program in Food Safety, Nutrition and Regulatory Affairs

## Responsible Sourcing

As a responsible business, Kellogg Company takes great care in the sourcing and procurement of our ingredients and materials. We are committed to an ethical and transparent supply chain free of forced labor, including slavery and human trafficking. We believe it is our duty to raise awareness and educate our internal and external stakeholders on this important issue and to take appropriate steps to verify that slavery and human trafficking do not exist within our operations or within our global supply chain.

Our approach around responsible sourcing has been evolving, with an initial focus on “premiums” – the small gifts and prizes that we distribute through mail-in promotions and store giveaways – that has since been expanded into a code for all other global suppliers. Today, we’re continuing to look for ways to improve our procurement procedures through cross-industry collaboration.

Our responsible sourcing framework began to take shape in 2005. That’s when we conducted an internal assessment and determined that the manufacturers of premiums were our highest-risk supplier group because of the greater potential for human rights violations in the countries where many of these premiums are produced. So, starting in 2006, we began conducting annual third-party and company audits, both announced and unannounced, for all high-risk premium producers.

The Kellogg Premium Social Accountability (KPSA) program we ultimately created provides guidance and code of conduct expectations for all premium suppliers – and for their suppliers and contractors, too. The KPSA principles compel safe and fair treatment of all premium supplier employees and set expectations that suppliers will protect the environment while respecting cultural, ethnic and philosophical differences of individuals within the countries of operation. The principles also require legal compliance to local or country-specific regulations on social accountability, such as minimum wage and age requirements.

We work in partnership with our suppliers to encourage further improvement. We share the results of any third-party audits and expect a full corrective action plan within 14 days.

In 2009, we expanded our responsible sourcing approach to all global suppliers – not just premium suppliers – developing and deploying our global Kellogg Company Supplier Code of Conduct (the “Supplier Code”). The code includes a Responsible Sourcing Framework, which sets expectations for supplier companies around fair labor practices, business integrity, controls, and criteria around environmental, health and safety issues.

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“We expect suppliers to treat their employees with fairness, respect and dignity and to promote a work environment that is free of harassment, forced labor, corporal punishment or other forms of physical coercion.”

- Kellogg Company Supplier Code of Conduct

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We reserve the right to terminate relationships with any supplier whose business conduct is inconsistent with our Supplier Code. Virtually all of our direct<sup>1</sup> suppliers have signed our Supplier Code, which is embedded into new or revised contracts that we sign with each supplier. We have also embedded the Supplier Code into contracts with our key indirect suppliers, focusing on those that are most critical to our business.

## Responsible Sourcing, cont.

In 2012, we continued our engagement with AIM-PROGRESS, a forum for global consumer goods companies that are committed to responsible sourcing, to develop standard supplier code of conduct provisions. Since many of the forum's member companies use the same suppliers, using common responsible sourcing provisions should reduce the administrative and operational burden on suppliers to comply.

As we push for continued improvement, we also are conducting a set of new internal risk assessments to pinpoint those commodities and countries that are at highest risk for violations of working conditions or human rights. We continue to align our work around supplier auditing and will continue to report more on our approach in future Corporate Responsibility Reports.

### SIX PILLARS OF SOCIAL ACCOUNTABILITY

Kellogg holds our ingredient suppliers to six minimum accountability standards:

- No child or involuntary labor
- Safe working conditions
- Freedom to associate and no discrimination
- Protection of the environment
- Fair wages, time off and living conditions
- No harassment or coercion

### KPSA MINIMUM COMPLIANCE STANDARD

At a minimum, Kellogg premium suppliers and vendors in higher-risk countries must meet the following compliance standards.

- No child labor
- No involuntary or prison labor
- No coercion or harassment
- No discrimination
- No serious health and safety workplace conditions
- No interference with freedom of association

<sup>1</sup>Direct suppliers include our co-manufacturing plants and providers of raw materials, ingredients and packaging materials. All other suppliers are indirect.

# MARKETPLACE

## Supplier Diversity

Our supplier diversity program in the U.S. aims to strengthen our communities, providing business opportunities for diverse companies. Our consumers are very diverse. To understand their needs – and to succeed in the marketplace – it's important that we reflect that diversity in our supplier base. When our suppliers succeed, we succeed.

Launched more than 20 years ago, our supplier diversity program supports more than 200 supplier companies owned by women, people of color, disabled individuals, service-disabled veterans, and individuals from the LGBT (lesbian, gay, bisexual, transgendered) community. We aim to have a diverse group of businesses that supply directly to our company (what we call our “first-tier” suppliers). And, we want our suppliers to use diverse companies in their own supply chains (our “second-tier” suppliers).

Over the last two years, we have been taking a hard look at the companies within our database of diverse suppliers to be sure that they are properly certified and that they themselves are using certified diverse suppliers when reporting their second-tier information. We learned through this process that some of our smaller suppliers were not properly certified.

As a result, we have been working with our suppliers to encourage them to obtain the correct certifications. And, today, we believe that more than 95 percent of our first-tier supply base has been properly credentialed, and we continue to improve each year. We now have an automated process to alert our first-tier suppliers when their certifications expire. In 2011, we stopped reporting our second-tier supplier diversity numbers because we could not verify the accuracy of the data being provided to us. We are working with our first-tier suppliers to drive a more robust supplier diversity process into their own supply base.

### Supplier Diversity



Money spent among first-tier suppliers

We have been increasing our annual diverse supplier spending in recent years, with an aim of a 10 percent increase year over year. For 2012, we spent \$380 million, or 6.95 percent of our total spending, on diverse suppliers – our 14th consecutive year of supplier diversity growth. By comparison, in 1999, our spending among first-tier suppliers was just \$49 million.

Each year, we hold a supplier diversity breakfast at our headquarters to acknowledge the contributions of diverse suppliers to our company.

### MILLION DOLLAR CLUB 2012 (first-tier suppliers only)



companies in Million Dollar Club  
(businesses with which we spend  
\$1 million a year or more)



companies in Platinum Club  
(businesses with which we spend  
\$10 million a year or more)



companies in Diamond Club  
(businesses with which we spend  
\$25 million a year or more)

## Case Study: Reformulating Special K® Protein Plus



Special K® Protein Plus has been part of our Special K® product line since 2006. But the weight-manager-friendly cereal had a challenge. Consumers seemed eager enough to buy it for its protein content. But once they tasted it, few purchased it again.

The big reason? Taste. Designed for the consumer interested in a higher-protein diet, the cereal boasted high-fiber, protein-rich flakes that resulted in a chalky texture.

The cereal, which was initially launched as Special K® Low Carb in 2004 before being renamed in 2006, did have a small but loyal following. We saw an opportunity to reformulate the product and open it up to a much greater number of consumers hungry for more protein in their diets. In the spring of 2011, we kicked

off a product reformulation project aimed at improving the cereal's taste and meeting the needs of a wider range of consumers.

"This was one of the most challenging projects I've ever worked on," says Karl M.,<sup>1</sup> part of the Morning Foods innovation team and one of the project leaders. "There's a reason there aren't a lot of high-protein cereals on the market. It is incredibly hard to manufacture a great-tasting, high-protein flake."

The explanations are many. For example, while there are a variety of protein sources available, not all of them work well in a cereal flake and can result in a fragile flake prone to breakage during transportation. It took numerous iterations before the team landed on a formula with an optimal blend of protein sources.

Kellogg launched the new and improved Special K® Protein Plus in July of 2012 to phenomenal results. Sales from each month are consistently higher than they were in the previous year. Health and wellness products are an important part of our portfolio, and we expect the upward Special K® Protein Plus sales trend to continue in 2013.

Although there isn't a protein deficit in most U.S. diets, many Americans are looking to protein to help them reach their weight management goals, says Stacey K., a registered dietitian with the Special K® product line. Protein-rich foods can help bridge the gap between meals and help consumers stay satisfied longer.

"This product was is all about finding ways to deliver tasty protein to consumers," Karl says. "A high-protein cereal that no one eats doesn't do anyone any good. What this project allowed us to do was take an existing item and make it more relevant for today's consumers. We couldn't be more excited about the results."

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<sup>1</sup>To protect the privacy of our non-executive employees, this report uses first names and last initials only.

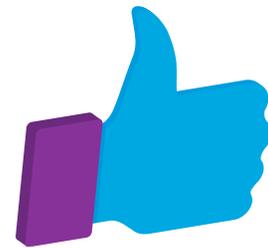
# WORKPLACE

Kellogg Company is made up of great people. Our employees around the world are committed to the company and to each other, and they work hard to ensure our continued success. Our *K Values*<sup>™</sup>, which are lived each day and felt throughout the organization, form the basis of our corporate culture and help to foster community among our employees.

## Workplace Highlights

### Employee Engagement

Our 2012 Global Opinion Survey revealed that we have made excellent progress in communicating a compelling Vision, Purpose, business strategy and employer brand to our employees.



### Employee Safety

In 2012, more than 100 Kellogg locations globally had a Total Recordable Incident Rate below 1.0. This excellent performance is a testament to the commitment of *all* our employees.

### Diversity and Inclusion

In 2012, for the first time, Kellogg was named by *DiversityInc* as one of the Top 50 Companies for Diversity.



## Workplace Highlights, cont.



### Labor Standards

We remain committed to maintaining high labor standards at all our facilities around the world.

### Talent Management

In Latin America and Asia we launched Leadership Essentials, a year-long training program tailored to the manufacturing environment.



### Employee Well-Being

We worked hard to more fully engage our U.S.-based sales and distribution employees in our *Feeling Gr-r-reat™* health management program.

### Case Study: Pulling Together During a Natural Disaster

We gave a W.K. Kellogg Values Award - the highest honor in our company - to the Takasaki (Japan) facility's Procurement and Production teams for their "above and beyond" contributions after the massive earthquake and tsunami in that country in 2011.



## Employee Engagement

At Kellogg, we want to hear employees' ideas and concerns, ensure all employees feel valued, and provide them with the information they need to do their jobs well. We collect feedback from employees in a variety of ways, including through our company intranet, "town hall" meetings, Employee Resource Groups and companywide opinion surveys.

We launched our first truly global intranet— K Connect — in 2012, and it has significantly strengthened our efforts to create a cohesive, unified team among our employees, who are spread out across the globe. K Connect replaced several separate, regional internal websites. Now all Kellogg employees with access to computers can stay better informed about our activities in all of our regions. On K Connect, employees can read, watch and listen to Kellogg news more easily, find company policies and procedures, and use an enhanced search feature for employee and company information. The system also enables social media-like interactions, the option to "like" and "share" specific pages and news items, and the ability to collaborate more easily across geographies.

Also in 2012, we completed another Global Opinion Survey of employees. We wanted to get feedback on a wide range of topics, as well as assess our progress on several priority areas that arose out of the survey we conducted in 2011. In the 2011 survey, we learned that we needed to make clearer connections between employees' work and the company's Vision and Purpose, increase our efforts to engage with manufacturing plant employees and help employees better achieve work/life effectiveness. In response we implemented several initiatives, including, for example:

- refreshing our company Vision and Purpose and communicating it to employees,
- implementing a new development program for plant managers and supervisors, and
- providing employees with work/life effectiveness approaches and solutions.

We received more than 22,000 responses to our 2012 survey, for a 75 percent response rate. (This response rate is the same as we saw in our 2011 survey and is typical for a company the size of Kellogg.) The results showed that we have been successful in communicating a compelling Vision, Purpose and strategy. In addition, we were pleased to see improvements in job satisfaction and positive company perceptions among manufacturing employees, which had been a particular area of focus for us. In fact, on more than 20 items in this year's survey, the responses revealed significant improvement compared to last year among these employees.

In addition, the 2012 survey told us that work/life effectiveness remains a challenge, and we need to do more in this area. We also heard that employees desire better relationships with their supervisors — that there are opportunities to improve two-way communication. And, learning and development options need to be more easily accessible.

In light of these opportunities, senior management developed a plan for improvement that focuses on work/life effectiveness, manager effectiveness and manufacturing excellence. In the area of manager effectiveness, for example, we implemented a new Manager as Communicator resource, refreshed our business leadership model and are developing a new manager evaluation tool, among other initiatives. (See the Talent Management page for more on these initiatives.)

## Employee Engagement, cont.

### Integrating Pringles Employees

On May 31, 2012, we finalized the purchase of Pringles from Procter & Gamble – the second-largest acquisition in our company's 108-year history. That day, approximately 1,700 Pringles employees joined Kellogg Company. But we began welcoming these employees to Kellogg several months before that, when we first announced the acquisition in February 2012.

Our people have always been our greatest asset, and the individuals affected by this acquisition warranted special attention. There was much to be done, from sharing Kellogg Company's culture and values to managing the practical details of setting up payroll, benefits and technology for each new person. To make sure information was readily available, Kellogg created a password-protected website for Pringles employees, where we regularly posted updates and information guides about our transition activities. Kellogg leaders also visited Pringles sites around the world to engage face-to-face with Pringles employees. And, our Human Resources and Information Technology teams held in-depth "onboarding" events in all regions.

We celebrated together on May 31 with a spirit of fun and promise. Our senior leadership team welcomed our new employees through a variety of audio and written messages, as well as "town hall" events at all key Pringles locations. Across 72 global Kellogg locations, we shared Kellogg's® and Pringles® products and marked the occasion with banners, t-shirts and posters. Across all sites, employees captured candid moments on video, and we collected these clips into a Day One celebration video that commemorates this special day in Kellogg history.



## Employee Safety

Employee safety has always been a core value at Kellogg. We want all Kellogg employees to work in safe and secure environments and to return home safely each day. To fulfill this vision, we are developing world-class safety programs, with an ultimate companywide goal of zero injuries and occupational illnesses.

Around the world, each Kellogg manufacturing plant, warehouse distribution center and office has its own safety improvement goals, and these facilities track and report their performance monthly using our environmental, health and safety (EHS) management system called Kellogg Cares About People & Planet, or K-CAPP.<sup>1</sup>

Beginning in 2012, people safety was added as a performance measure in our annual bonus plan program for people managers and executives, in order to help us continue to build our culture of safety performance and deliver on our safety goals.

We continue to engage employees at all levels in safety discussions through safety committees. We have site-level safety committees at every manufacturing location, as well as country and business unit safety committees and a Global Executive Safety Committee, chaired by Kellogg Company President and CEO John Bryant.

The progress we have made in recent years has been due to a variety of programs and efforts. Our recent work to strengthen the company's manufacturing operations, for example, included "people safety" as one of four key priorities (along with food safety, customer service and financial excellence).

We also delivered EHS training programs throughout the year to further develop capabilities on everything from ladder safety and proper lifting techniques to electrical hazards and vehicle-backing procedures. In Australia, for instance, we launched a new training program in June 2012 to address manual handling issues – i.e., lifting, bending and reaching. As a result of this program and other initiatives, we saw fewer of these types of injuries in Australia in the second half of 2012.

We have worked hard to ensure that our product distribution staff – who often work in our customers' retail locations – can do their jobs safely. One improvement we have been implementing at certain customer locations in the U.S., for example, is storing back stock on rolling carts rather than high shelves. The carts, which are unique to Kellogg, eliminate the safety risks involved with using ladders or machinery to retrieve the product. More than 7,000 of these carts are now in use.

### The Safety 7

Launched in 2012, our "Safety 7" initiative was developed to continue building a strong safety culture at Kellogg. Our business leaders focus on these priority areas when they visit our manufacturing plants. While the Safety 7 in no way represent all of our risks or areas of regulatory requirement, they are key priorities because they align with other critical efforts (such as food safety), are an area in which we have experienced incident trends, or represent areas of higher risk in our operations.



<sup>1</sup>As mentioned in previous reports, we traditionally worked toward a 15 percent improvement each year in our overall safety metrics. In 2012 we shifted to a different model, whereby each location has its own goal, as determined by its past performance. For example, locations that have a Total Recordable Incident Rate (TRIR) below 1 have a target to stay below 1; locations with a TRIR between 1 and 1.99 have a target of 10 percent year-over-year improvement; and locations with a TRIR between 2 and 2.99 have a target of 20 percent year-over-year improvement, etc.

# WORKPLACE

## Employee Safety Performance

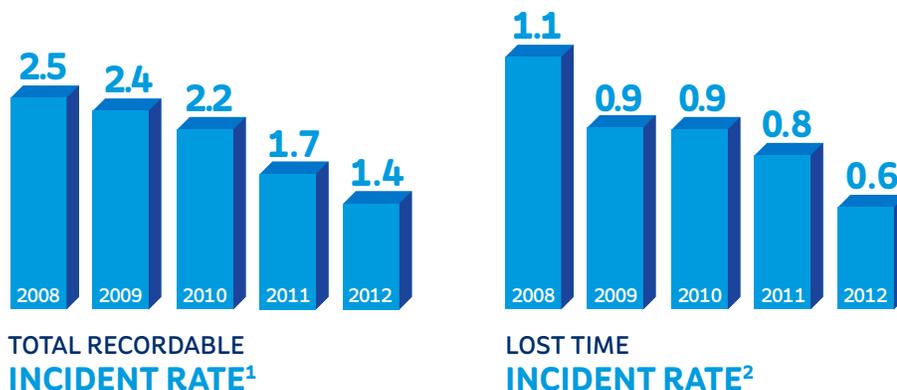
We achieved significant safety progress in 2012 – progress that reflects the enthusiasm and hard work of our team members at Kellogg locations around the globe.

Companywide, our Total Recordable Incident Rate (TRIR) decreased 19 percent in 2012 compared to 2011; it was down 45 percent compared to 2008. Our Lost Time Incident Rate decreased 23 percent in 2012 compared to 2011; it was down 44 percent compared to 2008.

In addition, more than 100 Kellogg locations globally (manufacturing sites as well as sales and administrative office locations) had a TRIR under 1.0 in 2012. We are very proud of this accomplishment; it is a tribute to the leadership and commitment of all of our employees.

And, many of our facilities have maintained this kind of performance for a long time. As of year-end 2012, for example, our Zanesville plant in Ohio had gone 2,266 days (i.e., more than 6 years) without a lost-time incident.

Similarly, our Charlotte bakery in North Carolina, as of year-end 2012, had gone 1,302 days since their last lost-time safety incident and 714 days since their last recordable incident. The Charlotte facility has also perfected the art of celebrating their safety successes; for example, they lead “safety marches” through the plant and host employee appreciation events to mark safety milestones. These types of celebrations help to build teamwork and ensure that employees stay motivated about safety.



<sup>1</sup>Total Recordable Incident Rate = (the total number of recordable cases x 200,000 hours)/total labor hours worked. In this formula and the one below for Lost Time Incident Rate, the 200,000 hours represents the equivalent of 100 employees working 40 hours per week, 50 weeks per year, and provides the standard base for the incidence rates.

<sup>2</sup>Lost Time Incident Rate = (the total number of incidents that resulted in days away from work x 200,000 hours)/total labor hours worked.

## Employee Safety Performance, cont.

### Kellogg Locations with No Total Recordable Injuries and No Lost Time Injuries in 2012

#### Manufacturing Plants

Anseong, South Korea  
Baltimore, Maryland  
Charlotte, North Carolina  
Portable Foods (Wrexham, UK)  
Severskaya, Russia  
Takasaki, Japan

#### Office Facilities

South Texas Sales Office (Houston, Texas)

#### Distribution Centers

Akron, Ohio  
Albuquerque, New Mexico  
Auburn, Maine  
Gonzales, Louisiana  
Kansas City, Missouri  
Long Island, New York  
Memphis, Tennessee  
Milwaukee, Wisconsin  
Montgomery, Alabama  
Phoenix, Arizona  
Portland, Oregon  
Salt Lake City, Utah  
San Antonio, Texas  
Seattle, Washington  
South Florida (Weston), Florida  
Springfield, Missouri  
St. Paul, Minnesota  
Tracy, California

### Kellogg Locations with No Lost Time Injuries in 2012

#### Manufacturing Plants

Augusta, Georgia  
Belleville, Ontario  
Bremen, Germany  
Chicago (Illinois) Bakery  
Florence, Kentucky  
Grand Rapids, Michigan  
Kansas City, Kansas  
London, Ontario  
Louisville, Kentucky  
Memphis, Tennessee  
Muncy, Pennsylvania  
Rome, Georgia  
Seelyville, Indiana  
Taloja, India  
Wyoming, Michigan  
Zanesville, Ohio

#### Distribution Centers

Atlanta, Georgia  
Cranbury, New Jersey  
Denver, Colorado  
Evansville, Indiana  
Hartford, Connecticut  
Houston, Texas  
La Palma, California  
Loudon, Tennessee  
Omaha, Nebraska  
Orlando, Florida  
Warren, Ohio

# WORKPLACE

## Diversity and Inclusion

To ensure our success in the marketplace, it is essential that we understand our consumers – who they are and what they like and value. To do that well, we need a workforce that mirrors the diversity of our consumers. We also want a corporate culture in which all employees feel included and valued at work and inspired to do their best. We see both diversity and inclusion as key drivers of business success, and we are working to accelerate our progress toward a more diverse and inclusive workforce.



We hold our leaders accountable for diversity and inclusion performance and provide good visibility into their progress by including diversity and inclusion in their annual performance evaluations. In addition, all people managers have individual performance development plan objectives relating to diversity.

To foster diversity at the highest levels of our company, we hold a worldwide talent review across our organization each year. This process includes a review of diversity metrics. As an outcome of this succession planning, we make sure we have the right training, development and mentoring programs in place so that candidates of all backgrounds are prepared for future career progression.

In the U.S., our seven Employee Resource Groups (ERGs) offer one way for employees to engage with each other and with Kellogg. The ERG for veterans – K Vets & Supporters – was launched in 2012 to honor military service and strengthen the company’s ability to effectively recruit and “onboard” veterans (see p. 57). In 2013, our ERG for female employees, called Women of Kellogg, is looking to expand engagement with their Kellogg colleagues in Canada. We also have 13 permanent Diversity and Inclusion (D&I) Councils – 12 in the U.S. and one in Canada – which work to foster D&I in particular functional areas of the company.



## Diversity and Inclusion, cont.

In 2012 we formed a new Latino Engagement Council (separate from our Latino ERG). This group brings together individuals from an array of functions – Marketing, Sales, Human Resources, Supplier Diversity, etc. – to develop recommendations for how to better engage with Latinos in our workplace and in the marketplace. Going forward, we hope to set up similar Engagement Councils for other demographic groups of growing influence.

Also in 2012, Kellogg's Corporate Citizenship Fund provided \$100,000 in grants to a number of nonprofit organizations that promote diversity and inclusion, including the following:

- Casa Central, a social services agency focused on improving the lives of Latinos in the Midwest
- National Council of La Raza, the largest Hispanic civil rights and advocacy organization in the United States
- National Urban League, a civil rights organization dedicated to elevating the standard of living in historically underserved urban communities
- Organization of Chinese Americans, a national group dedicated to advancing the social, political and economic well-being of Asian Pacific Americans
- Parents, Families and Friends of Lesbians and Gays (PFLAG), a nonprofit group promoting the health and well-being of lesbian, gay, bisexual and transgender persons and their families and friends, through support, education and advocacy
- Wounded Warrior Project, a nonprofit providing programs and services to injured service members as they transition to civilian life

In addition, we gave \$75,000 to the National Association for the Advancement of Colored People (NAACP) for the tenth Kellogg's NAACP Law Fellows Program.

For more information on Kellogg Company's diversity efforts, see our diversity and inclusion report, called *Features*, at [www.kelloggdiversityandinclusion.com](http://www.kelloggdiversityandinclusion.com).

## Diversity and Inclusion, cont.

### Our Commitment to Veterans

In 2011 and early 2012, Trevor H.<sup>1</sup>, a Marine Reservist from Battle Creek, Michigan, was deployed to Afghanistan, leaving his wife, family and job at Kellogg's Battle Creek plant behind. After his assignment, he returned home safely to a new baby and to Kellogg Company teammates eagerly awaiting his arrival.

Because of the support provided by Kellogg before, during and after his tour of duty, Trevor nominated his supervisor and Kellogg Company to receive a Patriot Award, which recognizes individuals and organizations that provide extraordinary support and cooperation to citizens who serve in the military. The award was bestowed by the Employer Support of the Guard and Reserve (ESGR), an agency of the U.S. Department of Defense, at a ceremony in August 2012.

We were honored to receive this recognition, as we have a long-standing tradition of valuing and supporting military veterans. Most recently, this support was manifested in the establishment of the K Vets & Supporters ERG.

K Vets & Supporters was founded by two employees who know firsthand the many positive qualities and useful skills that military veterans can bring to a civilian employer. Jason S., who works in Sales at Kellogg, graduated from West Point Military Academy in 1994 and served in the U.S. Army until 2000. Greg M., who works in our International Snacks function, served in the U.S. Navy from 1985 to 1991 and then was a reservist until 2006.

"Veterans have great planning and organizational skills, good communication skills, the ability to properly define goals and motivate others to achieve those goals, and the ability to stay calm under pressure," said Jason. Greg added: "Veterans also have great discipline, a commitment to diversity and inclusion and a desire to win." He said he hoped the K Vets & Supporters ERG would increase employees' understanding of the military and help dispel stereotypes about veterans being rigid or strict.

Like all ERGs, K Vets & Supporters is open to all Kellogg employees, though it primarily seeks to honor and support the almost 800 current U.S. employees who have self-identified as service veterans. While the ERG currently operates only in the U.S., the plan is to expand it globally to celebrate and recognize Kellogg employees who have served in the military in their own regions.

This new ERG complements our other efforts to support veterans, such as our donations to the Wounded Warrior Project and our purchase of goods and services from companies owned by disabled veterans.

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<sup>1</sup>To protect the privacy of our non-executive employees, this report uses first names and last initials only.

# WORKPLACE

## Diversity Recognitions and Data

We're proud of our efforts to create a diverse and inclusive corporate culture, and we have been honored by numerous outside organizations. In bestowing Kellogg with the special award "Top Companies for Diversity – Management Progress," DiversityInc noted our inclusion of diversity among our leaders' bonus plan metrics, our active Employee Resource Groups and our strong supplier diversity program, among other accomplishments.



DiversityInc 2012 Top 50 Companies for Diversity and Top Companies for Diversity – Management Progress



Hispanic Business Best Diversity Practices



Human Rights Campaign Corporate Equality Index 100% Score



Employer Support of the Guard and Reserve Patriot Award



Black Enterprise 40 Best Companies for Diversity

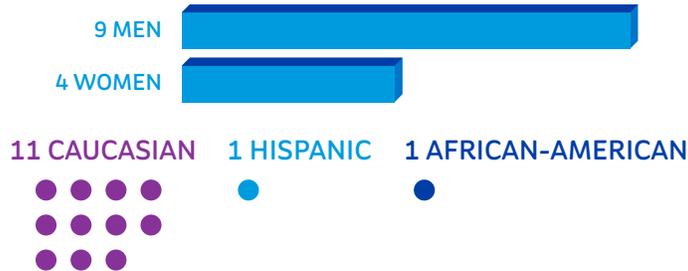
### Maria Fernanda Mejía Receives Recognition



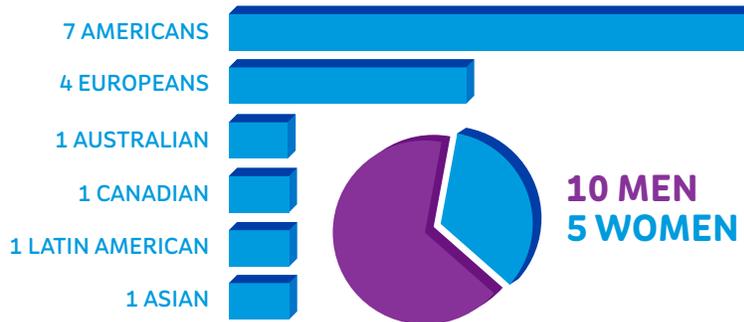
Maria Fernanda Mejía, President of Kellogg Latin America, was named by *Expansión* magazine as one of the "50 Most Powerful Women" in Mexico. Mejía ranked 8th on the list.

## Diversity Recognitions and Data, cont.

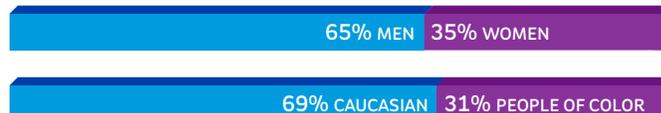
### Kellogg Board of Directors



### Global Leadership Team



### U.S. WORKFORCE



### Promoting Diversity in the Legal Profession



In 2011, Kellogg Canada was a founding member of Legal Leaders for Diversity and Inclusion (LLD). Sixty of Canada's chief legal officers have signed the LLD pledge, in which they commit to hiring law firms and suppliers that are either minority-owned or reflect a commitment to diversity, and to pushing for greater diversity and inclusiveness in their own departments and organizations.

In 2012, Av Maharaj, who is Vice President and Chief Counsel for Kellogg Canada and Kellogg International and also LLD chair, was recognized along with his LLD counterparts as a 2012 Canadian Diversity Champion by the group Women of Influence.

# WORKPLACE

## Labor Standards

We respect the laws of the locations in which we operate. And, we continue to maintain high labor standards at all our facilities around the world and to uphold and protect the basic human rights of our workers. We do not tolerate child labor or forced labor, and we have not identified any Kellogg-owned operations at which there is a risk for these types of problems.

We regularly audit our manufacturing and distribution facilities to ensure compliance with government regulations and Kellogg policies relating to employment practices. We also occasionally contract for external audits (in areas such as the administration of benefits and payroll) to confirm our compliance.



We carry our commitment to high labor standards through to our suppliers through our global Supplier Code of Conduct. This Code requires suppliers to treat their employees with fairness, respect and dignity and to promote a work environment that is free of harassment, discrimination, child labor, forced labor, corporal punishment or other forms of physical coercion. For more on this topic, see the Responsible Sourcing page of this report, as well as our corporate website.

### Collective Bargaining

About 25 percent of Kellogg Company's North American workforce is represented by unions. During 2012, we negotiated 26 collective bargaining agreements covering approximately 3,000 workers.

## Talent Management

All companies face the challenge of matching the right person to the right job and then developing the talents and capabilities of those employees so they can simultaneously grow in their careers and help grow the business.

In 2012, Kellogg embarked on a project to transform our global recruiting capability – to improve the way we attract, select and onboard talent across all Kellogg locations. We have implemented a consistent recruiting and onboarding approach that leverages advancements in applicant tracking technology, social media, direct sourcing and recruiting analytics. We also refreshed all interview training and selection guides for hiring managers, simplified the online application for internal applicants, and introduced a new global assessment tool for external candidates. In addition, in the U.S. recruiting was moved back in-house, such that all hiring for salaried, professional roles is now managed by a dedicated Kellogg Recruiting team.

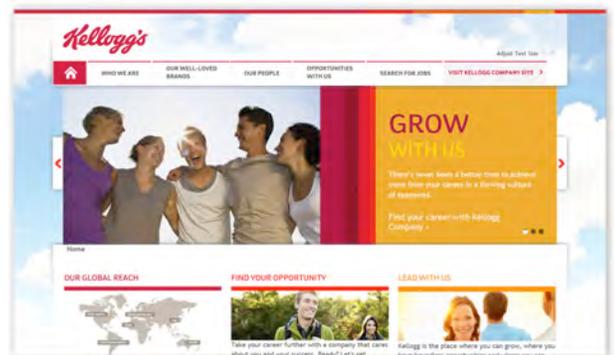
As part of this project, we also took the opportunity to enhance our global employer brand – allowing us to better showcase Kellogg as an employer of choice both internally and externally. A key component of this was the launch of the new Kellogg Careers website, in tandem with the rebranding of all recruitment materials and recruiting-focused social media sites.

By the end of 2013, all of our global regions will have implemented these significant recruitment changes.

We are already experiencing benefits from these enhancements, including reducing the time and cost needed to hire new employees and better consistency in our recruiting and sourcing strategies. The new approach is also achieving high satisfaction ratings from managers about the quality of hires and service levels. And, the rebranded careers website has seen a 122 percent increase in visitors. Finally, we are pleased to have increased the percent of positions filled by internal Kellogg employees, showing that we truly value Kellogg experience and are promoting a “grow from within” culture.

Also in 2012, we continued to build a cohesive leadership team through our Global Learning & Insights Community (GLIC). Established in 2011, this coalition of 150 senior leaders from across Kellogg seeks to strengthen our ability to share knowledge, gain insights, build capabilities and drive greater alignment around goals and priorities company-wide. GLIC members gather each year to discuss and align on key issues that will help Kellogg to achieve its Vision of enriching and delighting the world through foods and brands that matter. In 2012, GLIC members discussed our business strategy, emerging markets, cutting-edge innovation and consumer dynamics, among other topics.

As planned, we also launched Great Start, our new global onboarding program, in 2012. Great Start incorporates all that is necessary for an employee to get off to a strong start at Kellogg, including everything from our history to our brands to our Talent Management practices – all delivered by our own leaders. To accompany the live experience all employees receive, we are also unveiling an online global onboarding portal that will allow employees to access the information they need to begin their career journey at Kellogg.



## Talent Management, cont.

And, we unveiled a new success model for Kellogg employees, called K Power to Grow. This model outlines the behaviors necessary to achieve our Vision and bring our strategy to life. As this is being rolled out on a phased basis beginning in 2013, we'll provide more information in our 2013 report.

Finally, in response to our 2012 Global Opinion Survey results we developed tools to help our employees balance their work and life. Our new work/life tools, web portal and employee and manager resource center launched in January 2013 and will provide valuable information and resources to our employees.

Also in response to the Global Opinion Survey, we developed and implemented Manager as Communicator, a special online portal designed to help busy Kellogg people managers become stronger, more confident communicators. The Manager as Communicator site features a mix of information, resources and easy-to-use tools that managers can put to use every day in communicating with their teams. The site is updated regularly.

As reported last year, we introduced a Supervisor Success program in 2011 in our manufacturing plants. More than 75 percent of all U.S.-based Kellogg plant managers and supervisors completed this program in 2011 and 2012. The program covers an array of management, leadership and employee development skills, tailored to the plant environment. In 2012, we renamed the program Leadership Essentials and rolled it out in Latin America and Asia. Leadership Essentials will enable plant managers and supervisors to continue to broaden their skills, and will engage them more directly in the success of the company.

## Employee Well-Being

Kellogg was founded on a strong belief in the importance of nutrition and exercise in promoting well-being, and over a century later, that belief remains at the heart of our business. We encourage our employees to bring that heritage to life every day by balancing the “calories in/calories out” equation.

The health and wellness of employees is important to Kellogg not only because it benefits our employees as individuals, but because it benefits us as a business. A healthy, active lifestyle can help to curb rising health care expenses, for instance.

Our wellness and benefit program offerings vary by country, so that we can meet employee needs in each location while complementing (but not duplicating) services and coverage offered by government-run programs. In the U.S., our *Feeling Gr-r-reat*™ health management program focuses on prevention, fitness and wellness. Through this program, our U.S. employees can get flu shots, undergo health screenings and health risk assessments, and participate in health challenges and weight-loss programs, among other things.

This year in the U.S., we put an intense focus on getting our sales and distribution employees – who work all over the country – more engaged in our *Feeling Gr-r-reat* program. For the first time, for example, we offered onsite biometric health screenings to our distribution employees in 20 U.S. locations. Overall, almost 11,500 U.S. employees participated in our onsite health screenings in 2012, which is the highest annual participation since the program’s introduction.

We have also set up a *Feeling Gr-r-reat* Ambassadors Network, made up of more than 100 employees who are passionate about health and wellness. These employees are helping to spread the word and encourage their peers to take part in Kellogg Company’s *Feeling Gr-r-reat* programs.

In Canada, health and wellness initiatives include the Creekbank K Club, the London Health Centre and an employee gym membership reimbursement policy. The initiatives offered to Canadian employees include fitness classes and challenges, personal fitness assessments, health screenings, flu shots, nutrition campaigns, wellness-related “lunch and learns” and a sponsored Weight Watchers® program.

In Australia, our employees participate in a unique initiative called “R U OK? Day.” This national program is aimed at inspiring people to regularly ask each other how they are doing and to provide support and encouragement when needed. Kellogg Australia also offers an Employee Assistance Program – a free, voluntary and confidential counseling service for employees facing personal challenges. A similar service is available to our U.S. employees.



In September, our *Feeling Gr-r-reat* team sponsored National Kellogg Wellness Day, and Kellogg offices around the U.S. celebrated this day in different ways. At our headquarters in Battle Creek, Michigan, for instance, we held a group walk and set up a fruit and water snack break for employees.

## Employee Well-Being, cont.

### Encouraging Strong Starts

As an extension of Kellogg Company's sponsorship of the U.S. Olympic and Paralympic Teams, Kellogg employees in the U.S. were invited to submit an essay describing their or a family member's athletic potential and how a strong start to the day – including good nutrition – is important to pursuing that potential. Winners received a prize and internal recognition.

#### Feeling Gr-r-reat™



In 2012, 68 percent of our eligible U.S. employees took part in either a *Feeling Gr-r-reat*™ health assessment or a biometric health screening.

## Case Study: Pulling Together During a Natural Disaster

After the catastrophic earthquake (and subsequent tsunami and nuclear reactor meltdowns) that devastated Japan in March 2011, Kellogg Company responded in the best way we knew how – by donating a total of \$500,000 in food and funds to humanitarian organizations operating in the hardest-hit areas.

At the same time, our employees in Takasaki, Japan, had to address the earthquake's impact on our manufacturing facility there. Getting the plant back up and running was not just important to our business – it was critical for the people of Japan, who needed food, especially shelf-stable products such as cereal.

While our plant's problems were minor compared to what some in the country were facing, they were not insignificant. In fact, it required a tremendous amount of teamwork and hard work to get the plant operational.

In 2012, Kellogg Company gave a W.K. Kellogg Values Award to the Takasaki facility's Procurement and Production teams, for their "above and beyond" contributions during this crisis. The W.K. Kellogg Values Award is our company's highest honor. Named for our founder, the award recognizes employees who consistently model our *K Values*<sup>TM</sup> while making significant contributions to our business results.

"All of the Takasaki employees demonstrated enormous respect and care for one another – and for the business – during this period of adversity," said Masumi S., Kellogg Company's supply chain director for the region.<sup>1</sup> "They also really showed a passion for ensuring that the business carried on successfully, which was no small matter."

Takasaki is an inland city in the Gunma Province of central Japan. Despite being more than 300 miles from the epicenter, our facility there sustained some earthquake damage, including broken windows, compromised water- and air-supply pipes and cracks in the ceiling and walls, among other problems. The quake occurred on a Friday, and by Saturday – a day when the plant was typically closed – numerous employees and contractors were onsite to survey the facility and begin repairs. It was soon determined that the plant did not sustain any severe structural damage, and all necessary fixes were completed in less than a week.

But several additional challenges quickly arose. First, the plant's inventory of cereal box liners typically came from supplier companies in eastern Japan – companies that were wiped out by the earthquake and tsunami. The Kellogg plant's Procurement team acted quickly and found an alternative supplier in Korea, and then worked tenaciously to arrange an airlift of the new liners. Then, the Production team tackled the task of adjusting and recalibrating the packing machines so that they would work properly with the new (and slightly different) liners.



Left to right: Hisashi S. (Production Control Manager), Hidetaka O. (Production Manager), Hitoshi I. (ER & Admin Manager), Mineo I. (Purchasing Manager)<sup>1</sup>

<sup>1</sup>To protect the privacy of our non-executive employees, this report uses first names and last initials only.

## Case Study: Pulling Together During a Natural Disaster, cont.

The second challenge was the availability of electricity. Due to the Fukushima power plant shutdown, the Japanese government had to ration power, which for the Kellogg facility in Takasaki meant going four hours without electricity each day (in two separate two-hour stints). This affected all of the plant's employees, as it meant altering production schedules from regular shifts five days a week to shorter (but more numerous) shifts seven days a week.

"The Production employees accepted these new arrangements without complaint," said Hidetaka O., the plant's production manager. "They said, 'We will do whatever we have to do, no matter the situation.' It was amazing."

The third and final challenge involved protecting against possible radiation in incoming ingredients and packaging materials due to the reactor meltdowns. The radiation levels of all incoming materials and ingredients were carefully tested, and the atmosphere in the plant was also continuously tested. No radiation was discovered.

In the face of these difficult circumstances, the Takasaki team performed admirably. Production schedule meetings were held every day, to discuss in real time how to allocate materials, labor and electricity to best advantage. And, no safety incidents were reported during this period. Ultimately, production levels were restored to normal within just one month, with no loss of quality in the finished product.

"The plant employees' positive, can-do spirit, quick actions in finding solutions, and passion for the business made them great role models – and highly deserving of the W.K. Kellogg Values Award," said Masumi. "They truly inspired us."

# ENVIRONMENT

It is widely agreed that humankind is using the Earth's natural resources faster than they can regenerate, and that everyone – including companies in every industry as well as consumers worldwide – needs to play a part in building a more environmentally sustainable society. This section describes Kellogg Company's efforts to minimize our environmental footprint and develop more sustainable solutions.

## Environment Highlights

### Environmental Management

In 2012, our European business completed a social and environmental sustainability assessment for our entire value chain, to better understand risks and set priorities.



### Water Use

Our Manchester, U.K., plant reduced its water use by 26% in 2012, in part by installing a reverse-osmosis system that enables treated “gray water” to be used for cooling.

### Energy Use and GHG Emissions

Seven of our U.S. bakeries once again earned the U.S. Environmental Protection Agency's Energy Star certification.



# ENVIRONMENT

## Environment Highlights, cont.



### Waste

Seven Kellogg plants around the world maintained their zero-waste-to-landfill status.

### Sustainable Packaging

Among our 2012 packaging innovations in the U.S. was a stand-up cereal bag (without any external box) made from 15% post-consumer recycled polyethylene.



### Employee Initiatives

GoGreen team members at our Querétaro, Mexico, facility held an electronics recycling drive that collected 742 kgs of material; the team also organized employee discussions about energy, water and waste efficiency.

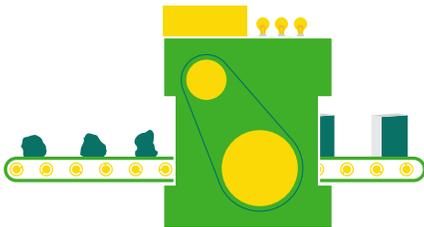
### Sustainable Agriculture

We have been working more closely with our agricultural suppliers, including rice growers in Spain and corn farmers in Argentina, among others.



# ENVIRONMENT

## Environment Highlights, cont.



### Case Study: Rome Georgia Plant

Our plant in Rome, Georgia, has reduced its energy use (per metric tonne of food produced) by 23% since 2005.

### Our Environmental Goals and Commitments

In our manufacturing operations, we are working to:

- reduce our energy use, greenhouse gas emissions and water use (per metric tonne of food produced) by 15-20 percent from 2005 to 2015, and
- decrease waste sent to landfill (per metric tonne of food produced) by 20 percent from 2009 to 2015 (after already reducing this metric by 41.5 percent from 2005 to 2009).

We have also joined with other consumer goods companies to help stop deforestation. The Consumer Goods Forum (CGF) pledged in late 2010 to mobilize its collective resources to help achieve zero net deforestation by 2020. As a member of the CGF, we support this commitment. For example, we do not purchase soy products from tropical deforested regions. Instead, we purchase soy almost exclusively from the U.S., with some supply for our Latin American operations sourced from Argentina. Our commitments regarding the sourcing of palm oil and packaging material also grew out of the CGF deforestation pledge.

CGF members also pledged in 2010 to take action to phase out certain refrigerants that are potent greenhouse gases. Kellogg Company's six frozen foods manufacturing plants, all of which are in the U.S., use ammonia in their large-scale refrigeration systems. Ammonia is a natural refrigerant and is not a greenhouse gas.

## Environmental Management

Commitment to strong environmental performance starts at the top of our company. Our Board of Directors' Social Responsibility & Public Policy Committee oversees the company's sustainability efforts and climate policy. At the executive level, our Chief Sustainability Officer oversees environmental sustainability. We have directors of sustainability in the U.S. and Europe, as well as environmental, health and safety (EHS) heads in every region and business unit. These leaders support the implementation of our EHS strategy.



We have set companywide goals to help drive reductions in our direct environmental impacts, with specific reduction goals for each manufacturing plant that align with these overall targets. The plants report monthly on progress, and managers' performance reviews and bonuses are based, in part, on their plant's performance compared to the targets. We have also made public commitments relating to deforestation and refrigerants. See the Environment landing page for details on our goals and commitments.

### Compliance and Auditing

To ensure compliance with environment-related company policies and government regulations, we use a web-based, ISO-aligned EHS management system called K-CAPP (Kellogg Cares About People & Planet). See the Corporate Responsibility Strategy and Governance section for more on K-CAPP and our internal auditing and compliance procedures.

In 2012, we finalized an agreement with the U.S. Environmental Protection Agency to pay a \$500,000 compliance penalty and to complete an environmental project at our Battle Creek plant. This agreement was related to our discovery in 2007 that we did not have the correct permits for the low levels of emissions that are produced when cooking products that contain certain flavorings, such as maple and vanilla. We self-reported the problem at that time and have been operating under the correct permits since 2008.

### Incorporating Sustainability Criteria

In 2012 we conducted a project in Europe to more effectively build environmental and social sustainability into the design of our foods and packaging. We assessed water risks, carbon risks and social risks for all ingredients, packaging materials, manufacturing facilities and transportation. We then developed criteria for each aspect that would let us determine what "good," "better" and "best" would look like for a new product, from an environmental and social perspective. The criteria are now being piloted in our new-product development processes in Kellogg Europe.

### Lifecycle Sustainability Assessment

Building from work completed in 2011 with one of our U.S.-based brands, we conducted a lifecycle sustainability assessment in 2012 of our entire European business, in order to identify key social and environmental priorities for the business going forward.

## Environmental Management, cont.

We enlisted a seven-person external advisory board to help with the effort. Advisory board members included Adisa Azapagic, Ethos Research and University of Manchester; Tod Christenson, Antea Group; Alan Hayes, Institute of Grocery Distribution; Harish Jeswani, Ethos Research; Marieka Leegwater, Solidaridad; David McLaughlin, World Wildlife Fund; and Martin Staeheli, BSD Consulting. Kellogg had worked with several of these individuals on the 2011 project and highly valued their continued contributions. The advisory board members brought their personal and organizational perspective to the process and provided their advice, knowledge and experience. We shared with these experts a range of information about our business, including, for example, information about ingredients and suppliers, facility environmental performance, packaging, transportation, business travel and so on.

The first phase involved a business-level “hotspot analysis,” during which the advisory board (working with Kellogg staff) identified key social and environmental issues in the Kellogg Europe business value chain. In the second phase we analyzed and prioritized those issues. Phase three, which will be ongoing, involves taking action on the priority issues. We look forward to reporting on these efforts in future reports.

### **Benchmarking Best Practices**

Kellogg participates in many sustainability-related industry efforts, and we use these forums, along with other methods, to share, assess and improve our sustainability practices. In Mexico, for example, Kellogg has been a member of the Mexico chapter of the Global Environmental Management Initiative (GEMI) since 2011. GEMI is an organization of leading companies dedicated to fostering sustainability solutions through the sharing of tools and information. Through GEMI, Kellogg participated in the Industrial Symbiosis Forum and the Green Expo, both in Mexico City, at which we shared our own successful practices and learned about others in the areas of water use and waste management.

### **Using Natural Resources Efficiently**

In July 2012, we held a Sustainability Summit in Detroit with representatives from our manufacturing sites in the U.S., Canada and Mexico, as well as individuals from our Global Engineering and EHS functions. Participants discussed and shared successful energy- and water-reduction practices employed at our sites and identified corporate and vendor resources available to support the execution of plant-specific sustainability plans.

### **Environmental Recognitions in Latin America**

In 2012, our Querétaro and Toluca plants earned Environmental Leadership for Competitiveness recognitions from Secretaría de Medio Ambiente y Recursos Naturales (SEMARNAT), Mexico’s natural resources agency, in acknowledgement of the plants’ environmental improvement projects.

Also in 2012, our Bogotá, Colombia, plant earned an Environmental Business Management Stage 2 certification from the Secretaria Distrital de Ambiente, the national government agency in charge of environmental regulation. This certification indicates that the plant is in compliance with all regulations and that employees have completed an environmental training program. We expect the plant to complete Stage 3 of the certification in 2013. Stage 3 includes training in environmental management systems and the development of internal auditors for ISO 14000.

## Water Use

As a food company, our business depends on access to fresh water. We use water as an ingredient in our foods; for cleaning our manufacturing plants; in heating, cooling and irrigation systems; and for personal use in bathroom and canteen areas. Even more important, our agricultural suppliers are reliant on fresh water to grow the grains and other crops that form the basis of our foods. We estimate that agriculture accounts for more than 95 percent of the water used during the lifecycle of our foods.

This is why we are so mindful of the growing scarcity of global fresh water supplies, which are under increasing pressure due to the burgeoning global population and the effects of climate change. Changing climate patterns are also expected to cause water-related social problems, such as the interruption of global food supplies due to drought or flooding.

In the face of these serious challenges, we are determined to do our part to reduce our water use and use water more efficiently, and to encourage our suppliers to do the same. Specifically, Kellogg Company is committed to:

- understanding and demonstrating compliance with all legal requirements relating to the sourcing, use and discharge of water;
- controlling water use and wastewater discharge to limit potential impacts on the environment; and
- achieving our water-use reduction goals.

The Sustainable Agriculture page discusses how we're working to drive water-use sustainability in our supply chain; this section addresses our efforts to reduce the use of water in our own operations.

## Water-Related Risks and Opportunities

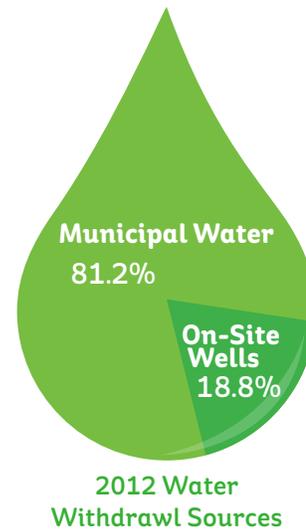
In 2010 we assessed our water-related risks to give us insight into where we face issues relating to water availability and quality. We used the World Business Council for Sustainable Development (WBCSD) Global Water Tool to map our facility locations, to determine where water availability was at risk in the future. We also completed site-specific surveys to understand water flow, regulatory pressures, cost and water management programs. And we evaluated several key ingredient supplies and associated water-related business risks, overlaying our supply source locations against global water stress maps and renewable water supply projections.

The results from this assessment have helped us to identify and prioritize water-related business risks, monitor projected trends and evaluate regional conditions. The assessment is updated as we acquire new locations. It was updated in 2012, for instance, to incorporate three new manufacturing sites – the two Pringles plants we acquired plus a new cereal production facility that will be built outside Chennai, India.

Using the World Resources Institute's 2025 Water Availability Index<sup>1</sup> (one of the indicators in the WBCSD's Global Water Tool), we identified a number of Kellogg sites located in water-stressed areas. Five of those are in areas of "extreme stress:" Valls, Spain; Linares, Mexico; Botany, Australia; Sri City, India; and San Jose, California.

In Omaha, Nebraska, which is one of the water-stressed regions, Kellogg is also a major user of water. In the past few years, we have made significant strides in reducing our water use and any potential impact of our operations in that watershed.

Each year since 2010, we have shared the results of our water-risk assessment publicly via the Water Disclosure program of the Carbon Disclosure Project (now known as just CDP). Our Water Disclosure submission describes in detail the risks and opportunities we face relating to water and our strategies for addressing them. Among the types of risks identified are physical risks relating to declining water quality, flooding and increased water scarcity, and regulatory risks relating to mandatory water efficiency and conservation measures. These risks could result in, for example, higher prices for water and the need to adapt through changes in plant design, operation and production capacity. We have developed business contingency plans to address these types of risks. And of course we are working to become more water-efficient in our operations and in our supply chain, to reduce these types of risks for our business.



<sup>1</sup> Kellogg assesses its operations against a projection of the average annual renewable water supply per person for individual river basins in the year 2025. Projections are based upon the annual runoff data obtained from the University of New Hampshire and population projections based on national middle-range growth rate estimates from the United Nations' Population Division. Water availability is developed by dividing global runoff values at the river basin level by the population of each basin. The global runoff database is based on a water balance model driven by climate variables (e.g., temperature and precipitation) and calibrated with observed discharge data from monitoring stations. The model takes into account land cover and soil type; however, water transport, quality, technology (e.g., desalination) and deep groundwater sources are not accounted for. (See [http://www.wri.org/biodiv/pubs\\_description.cfm?pid=3056](http://www.wri.org/biodiv/pubs_description.cfm?pid=3056) and [http://pdf.wri.org/pagemaps/page\\_freshwater\\_maps.pdf](http://pdf.wri.org/pagemaps/page_freshwater_maps.pdf).)

# ENVIRONMENT

## Our Water Performance<sup>1</sup>

During 2012, we continued to work toward our goal of reducing water use (per metric tonne of food produced) by 15 to 20 percent from 2005 to 2015. As seen in the lower chart at right, our water use per metric tonne of food produced increased slightly in 2012. But it is down 13 percent since our baseline year of 2005, so we are on track to meet our 2015 goal.

Around the world, our facilities have implemented a range of water-saving initiatives that are helping us to reduce water use and use water more efficiently.

Our Manchester, U.K., manufacturing plant, for example, installed a reverse-osmosis system in 2012. The reverse-osmosis-treated water is used in “gray water” applications in the factory, such as in wet scrubbers and cooling operations that are separate from food production. As a result of this new system, the plant reduced its water usage 26 percent in 2012.

Our plant in Omaha, Nebraska – which we highlighted for their water-reduction success in last year’s report – continued to make strides in 2012. After decreasing water use 16 percent per metric tonne of food produced in 2011, the facility reduced this water metric by an additional 9 percent in 2012. They achieved these reductions through a variety of water-saving measures, such as operating one boiler instead of two, identifying and repairing failing valves, installing reduced-flow spray nozzles for clean-in-place conveyor washing, and installing low-flow hand-washing sinks, among others.

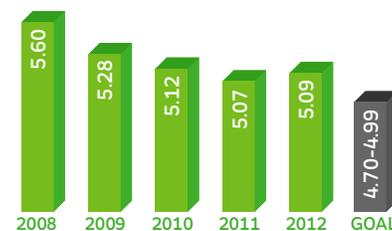
Our cereal plant in Charmhaven, Australia, is located in a temperate climate that is prone to periods of drought, during which strict water restrictions are enforced. We have been working toward more water-efficient processes in this plant in order to minimize the potential impact of these restrictions on our operations. In 2012, for example, the plant installed an automated tub washer. The tubs, which are used in the manufacturing process to hold food or food waste, were previously washed manually. The automated washer is expected to use 90 percent less water than manual washing, in addition to reducing the potential for worker injuries related to manual handling.

Our Querétaro plant – which is located in an arid region of Mexico – has not discharged any water into the public wastewater treatment system for the past decade. All wastewater is treated on-site and then reused for irrigation on the facility’s grounds.

See the Rome, Georgia, plant case study for another example of how one of our plants has been reducing its water use.



**TOTAL WATER USE**  
(IN MILLIONS OF CUBIC METERS)

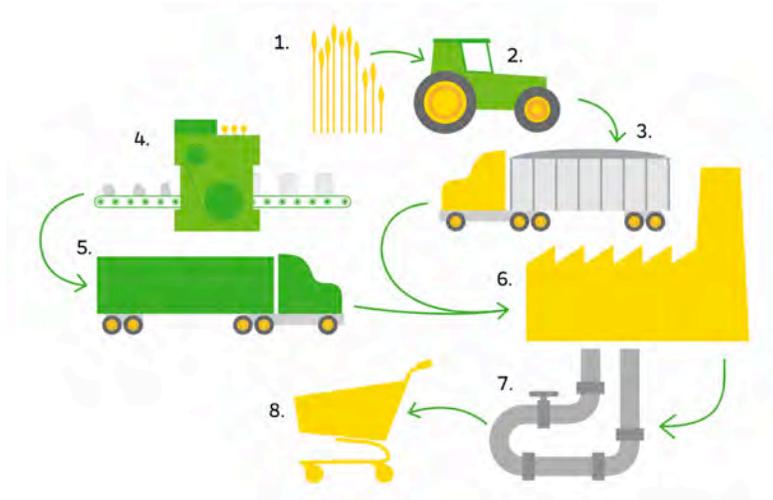


**WATER USE PER METRIC TONNE OF FOOD PRODUCED**  
(IN CUBIC METERS)

<sup>1</sup>Our water data are for our global manufacturing facilities only. They do not include water use at our offices or warehouses. The data for all years have been adjusted to remove our Navigable Foods business in China, which we divested in 2012. Also, the data do not include the Pringles plants, which we acquired mid-2012.

## Energy Use and Greenhouse Gas Emissions

Fossil-fuel-derived energy is used throughout our value chain, as it is for all food companies. For example, energy is required to:



1. Manufacture agricultural fertilizers and other farm inputs and bring them to market,
2. Run the farm equipment needed to plant, fertilize and harvest the grains, fruits, nuts and other agricultural ingredients that go into our foods,
3. Transport those ingredients to our manufacturing plants,
4. Manufacture the materials (such as cartonboard and plastic films) needed to package our foods,
5. Transport those packaging materials to our manufacturing facilities,
6. Run the production lines to make our foods,
7. Heat water for cleaning our facilities, and
8. Transport our finished foods to market.

Most of these uses of energy are outside of our direct control. On average, in fact, more than half of our products' life-cycle carbon emissions occur in the raw materials supply chain. That's part of why we work to encourage sustainable practices in our agricultural supply chain and minimize our use of packaging.

The area over which we have most control is the energy used in our own facilities and transportation fleet. We consider this energy use to be one of our most significant direct environmental impacts, because the greenhouse gas emissions that result from burning fossil fuels contribute to climate change.<sup>1</sup>

<sup>1</sup> Carbon dioxide is the most prevalent of the greenhouse gases associated with the manufacture of our products. Our emissions metrics take into account all types of greenhouse gases emitted due to our energy use, however, and are technically measured in "carbon dioxide equivalents."

## Climate Change Risks and Opportunities

We are mindful of the risks and opportunities we face as a company due to climate change, and we outline them in detail in our submission to the Carbon Disclosure Project (CDP), which is available online.

Some of the risks, for example, include changes in rainfall patterns, reservoir levels, snowpack and average temperatures, which may affect agriculture and stress supplies of fresh water. These types of physical risks may also affect the cost of agricultural supplies, which are a significant component of our overall costs.

We also face regulatory risks and associated costs. In the U.K., for example, two of our sites are permitted under the EU Emissions Trading Scheme. Under the next phase of this scheme, which begins in 2013, stricter targets have been set, which means we will likely have to purchase carbon dioxide allowances each year to make up for our predicted shortfall. Also, separate U.K. regulations relating to the next phase of the climate change agreements have come into force, which will also mean strict energy-reduction targets for us. These tougher regulations will give us an opportunity to drive further efficiencies in our plants, but they may also increase our costs.

In Australia, the Clean Energy Act took effect in July 2012. Although our Australian business is not directly affected by this law, we are starting to experience the impact of pass-through costs from suppliers that are required to purchase carbon permits.

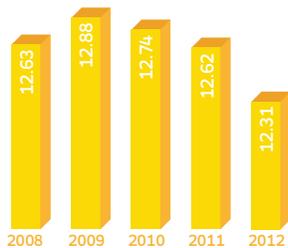


# ENVIRONMENT

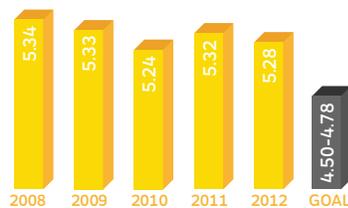
## Our Energy and Greenhouse Gas Performance<sup>1</sup>

We continue to work toward our goal of reducing our global energy use and greenhouse gas (GHG) emissions (per metric tonne of food produced) by 15 to 20 percent from 2005 to 2015. As seen in the charts below, our performance on these two metrics was essentially flat in 2012.

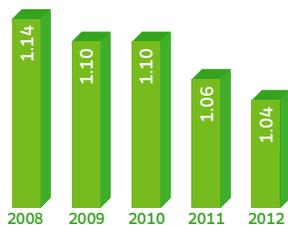
Since 2005, our baseline year, our energy use and GHG emissions per metric tonne of food produced have each decreased by 7.4 percent, putting us slightly behind in our efforts to meet our 2015 energy and GHG goals. Progress toward these goals has been challenging for several reasons. Changes in our manufacturing plants' sanitation practices (see the Food Safety discussion), for example, mean we are now using more hot water (and thus more energy to heat it) than before. Also, in Europe, our efforts have been hampered by lower production due to the region's continuing economic struggles. There's a certain base load of electricity that's needed to keep plants operational, which means that "energy use per metric tonne of food produced" may rise during periods of lower production. Nonetheless, we have been using lean manufacturing techniques and analyzing our energy usage carefully to determine where additional reductions and efficiencies can be realized cost-effectively.



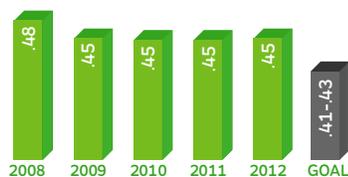
**TOTAL ENERGY USE**  
(IN MILLIONS OF GIGAJOULES)



**ENERGY USE PER METRIC TONNE OF FOOD PRODUCED**  
(IN GIGAJOULES)



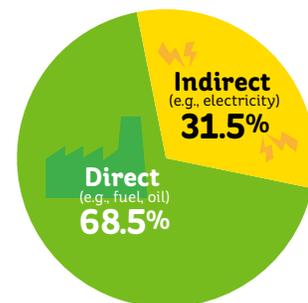
**TOTAL GREENHOUSE GAS EMISSIONS**  
(IN MILLIONS OF METRIC TONNES)



**GREENHOUSE GAS EMISSIONS PER METRIC TONNE OF FOOD PRODUCED**  
(IN METRIC TONNES)

### Our Energy-Efficient Bakeries

Seven of our U.S. bakeries have once again earned the U.S. Environmental Protection Agency's Energy Star certification for best-in-class energy performance, placing them in the top 25 percent of similar facilities nationwide for energy efficiency. Last year, the EPA awarded these same locations the first-ever Energy Star certifications for bakeries. The Energy Star-certified bakeries include our facilities in Augusta, Georgia; Cary, North Carolina; Charlotte, North Carolina; Cincinnati, Ohio; Columbus, Georgia; Florence, Kentucky; and Louisville, Kentucky.



**Types of Energy Used, 2012**

<sup>1</sup> Our greenhouse gas emissions data are calculated using the GHG Protocol Corporate Accounting and Reporting Standard developed by the World Resources Institute and the World Business Council for Sustainable Development, and they cover Scope 1 and 2 emissions. Note that our energy and GHG data are for our global manufacturing facilities only. They do not include energy or emissions from our transportation fleet, offices or warehouses. The data for all years have been adjusted to remove our Navigable Foods business in China, which we divested in 2012. Also, the data do not include the Pringles plants, which we acquired mid-2012.

## Facility Initiatives

In 2012, many of our facilities looked for ways to use new technologies to reduce energy use and greenhouse gas (GHG) emissions; others focused on improving how we manage our energy usage to ensure we are tapping available efficiency opportunities.

In the U.S., for example, we're working with vendor partners to replace the drive systems on motors and gear boxes in our plants with new ones that are up to 50 percent more energy efficient. We have started doing change-outs in our bigger manufacturing plants and will continue through all of our U.S. plants as resources become available.

Our Battle Creek, Michigan, plant has continued to make strides in reducing its energy use, in part by upgrading its drive systems and also via improved maintenance and more-efficient operation of steam and compressed air systems, among other projects. All told, the plant decreased its energy use (per metric tonne of food produced) by 6 percent in 2012.

At our frozen foods plants in Atlanta, Georgia, and San Jose, California, we reduced natural gas use significantly in 2012 – by 60 percent in Atlanta and 7 percent in San Jose (per metric tonne of food produced). These reductions were accomplished by switching from boilers to energy-efficient water heaters.

We also pilot tested new energy-efficient Eggo® waffle irons at one of our U.S. plants in 2012. The new irons, which use 10 percent less electricity, were a success, so we will be installing them at our two other waffle-producing plants in the U.S. in 2013.

New chillers were installed at our Manchester, U.K., plant in August 2012. It is estimated that these will result in energy savings of 5 gigawatts/year.

Our plant in Takasaki, Japan, undertook a project to replace fluorescent light bulbs in the packing area of the plant with high-efficiency LED lighting. The LED bulbs use 70 percent less electricity and are more eco-friendly because they do not contain mercury. Plus, they have an expected lifespan of 60,000 hours, as opposed to 8,000 hours for fluorescents.

Beginning in 2012, our Information Technology department began a companywide rollout of new computers. The new models are approximately 25 percent more energy efficient than our previous ones, which will help us save about 280,000 kilowatt-hours annually – the equivalent of the energy use of 25 homes in the U.S. The rollout will be completed in 2013.

Several of our locations rely on alternative energy sources for some of their power. Our plant in Linares, Mexico, for example, uses 125 state-of-the-art solar collectors to heat water that feeds two boilers. In addition, we have a small solar installation at our plant in Allyn, Washington, and we use biogas as a fuel for our boilers at our Lancaster, Pennsylvania, facility.

Finally, see the Rome, Georgia, plant case study for a detailed example of how one of our plants has been reducing its energy use.

### Environmental, Health and Safety Training

We deliver numerous training programs at our facilities each year on various operational aspects of environment, health and safety management. In 2012, these programs covered topics such as regulatory compliance, maintenance of equipment, recognizing environmental hazards, and why sustainability is important to Kellogg Company's business, among other topics.

## Transportation Initiatives

In the U.S. and parts of Mexico, Kellogg trucks and a contracted fleet move our finished foods to market. In recent years, we have undertaken an array of initiatives to improve the efficiency of fleet operations – from more-efficient routing to improvements in packaging and loading – and we continue to look for these kinds of opportunities. Reducing transportation-related energy use helps us to both decrease greenhouse gas (GHG) emissions and save on fuel costs, so we track these metrics carefully.

In 2012, our carbon dioxide (CO<sub>2</sub>) emissions per case of food delivered stayed about flat. We have reduced these emissions 20 percent since 2006.



**KELLOGG-OPERATED**  
U.S. TRUCK FLEET, CO<sub>2</sub> EMISSIONS  
PER OUTBOUND CASE

Our contracted transport for the U.S. has shown dramatic reductions in GHG emissions per outbound case – more than 50 percent reduction since 2005. The primary driver behind these improvements is the use of “intermodal” shipping – in particular, the combination of truck and rail shipping, which is particularly useful and fuel-efficient for transportation across long distances.

Our Kellogg-operated fleet and about 90 percent of our contracted fleet are enrolled in the U.S. Environmental Protection Agency’s SmartWay program. SmartWay is a partnership among government, business and consumers to help reduce fuel use and improve air quality. In the SmartWay program, companies are given scores based on efforts to promote fuel efficiency and improve environmental performance. Scores improve when companies adopt fuel-efficiency and emission-control technologies, policies and strategies for their fleets.

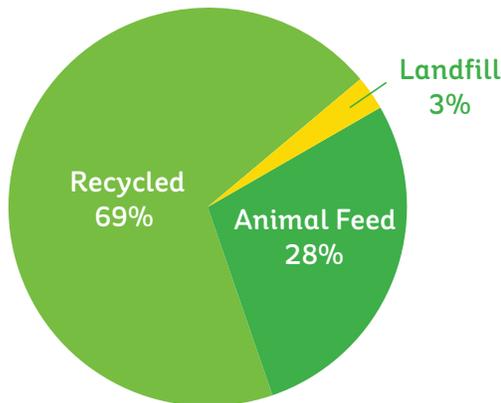
In the U.K., we are part of a pilot project that is testing longer semi-trailers for product delivery. The U.K. government in 2011 approved a limited trial of these types of trailers, which can each hold 15 percent more product than a typical semi-truck. We are utilizing the longer trucks on just one key route to date, but we estimate that even this single change will mean avoiding the equivalent of 80 metric tonnes of CO<sub>2</sub> emissions per year.

# ENVIRONMENT

## Waste

In this era of increasingly scarce natural resources, leftover or unwanted materials have come to be seen as valuable assets rather than “waste.” Many companies – and consumers – now do their best to minimize waste and find new uses for discards, sending unwanted materials to landfill only as a last resort.

At Kellogg, approximately 3 percent of our overall waste ends up in a landfill. The remaining 97 percent is recycled or sold to livestock operators to be used for animal feed. (A tiny portion – less than .01 percent – is sent for energy recovery.) Waste to landfill is the metric we track most closely and report on, as it is the one we most want to minimize.



### How We Define Waste

For Kellogg, waste includes any material leaving our manufacturing plants that is not part of the finished product or its packaging. This includes, for example, paperboard, metal, wood or other materials designated for recycling; food waste sold for animal feed; and any remaining material headed for landfill or incineration.

# ENVIRONMENT

## Our Waste Performance<sup>1</sup>

We have a goal to reduce waste to landfill 20 percent by 2015 (per metric tonne of food produced), compared to a 2009 baseline. Between our original base year of 2005 and 2009, we reduced this waste metric by 41.5 percent.

In 2012, we decreased our waste to landfill by 2 percent per metric tonne of food produced. (This isn't apparent in the bar chart, due to rounding.) That means that by the end of 2012, we had reduced waste sent to landfill by 11.6 percent (per metric tonne of food produced) compared to the 2009 baseline, putting us on schedule to meet our goal.

Our long-term vision is to send zero waste to landfill, and we are continuing to work toward that goal companywide. In Europe, all Kellogg facilities have pledged to achieve zero waste to landfill by 2015. We've made this voluntary commitment together with other members of the U.K. Food and Drink Federation, an industry association. Four Kellogg Europe plants have achieved it thus far – Bremen, Germany; Valls, Spain; Manchester, England; and the snack plant in Wrexham, Wales. The Pringles plant in Mechelen, Belgium, which we acquired mid-year, also sends zero waste to landfill. Elsewhere in the world, our plants in Anseong, Korea; Lancaster, Pennsylvania; and Blue Anchor, New Jersey, also have achieved zero waste to landfill.



<sup>1</sup> Our waste data are for our global manufacturing facilities only. They do not include waste generated at our offices or warehouses. The data for all years have been adjusted to remove our Navigable Foods business in China, which we divested in 2012. Also, the data do not include the Pringles plants, which we acquired mid-2012.

## Waste Reduction Initiatives

Our plant in Muncy, Pennsylvania, has made good progress in recent years in reducing the amount of waste it sends to landfill. In 2009, employees there began to focus on increasing recycling rates and were able to identify a number of recycling opportunities. In the years since, the plant has purchased several pieces of equipment – including compactors, balers, choppers and recycling bins – that enable the collection and diversion of key materials such as plastic bags, stretch film and plastic packing bands. Since 2009, the facility has decreased its annual waste sent to landfill by 31 percent, or 82 percent per metric tonne of food produced.

When employees at the Kellogg office in Pittsburgh, Pennsylvania, found themselves with a surplus of office furniture, equipment and supplies, they searched for ways to donate the material rather than send it to landfill. After looking at several options, Kellogg ended up donating – rather than landfilling – about a half ton of material. Recipients included the YMCA and City Mission in Pittsburgh.

Kellogg is also very committed to helping reduce food waste, as this kind of waste has social, environmental and economic impacts. Nearly all of the food waste from our manufacturing plants is sent for use as animal feed. And, we have been a leader in “rescuing” food that would otherwise be diverted – raw ingredients as well as finished products – and donating it to feed people in need. For details on these efforts, please see the case study in the Hunger Relief section of this website.



**Recycling containers in packaging areas for stretch film and plastic**

## Sustainable Packaging

Product packaging is essential for protecting our foods in their journey from manufacturing facilities to retailers to consumers' homes. The outside of the packaging also provides us with space to communicate product attributes and nutrition information.

At Kellogg, we work hard to ensure that our packaging is effective in protecting our foods while minimizing the materials used – in order to both keep product costs down and reduce packaging's environmental footprint. We also work to boost the recycled content of our packaging and increase its recyclability.

The first cereal box we produced more than 100 years ago was made using recycled cardboard, and we remain committed to the sustainable use of forest products. In 2012, 84 percent of our food cartons globally were made from recycled fiber content. Of the forest-product-based packaging material we use that is not recycled, more than 99 percent is made from certified sustainably grown virgin fiber. This material is certified either through the Forest Stewardship Council (FSC) or the Sustainable Forestry Initiative (SFI). This commitment helps us to fulfill our obligations as a member of the Consumer Goods Forum.

Our corrugated cases (the secondary packaging that protects our products during transit) contain a higher percentage of virgin paper fiber to maintain strength while reducing weight. Globally, 48 percent of the corrugated material we use to transport our products is made from recycled content. The virgin material in our corrugated cases is also SFI or FSC certified. And all of it, of course, is recyclable.

To help our packaging specialists deliver sustainable solutions, we developed a sustainable packaging framework that focuses on improving performance in three key areas: the package-to-food ratio, percent recycled material content and percent materials that are commonly recoverable. We track and communicate our progress internally through quarterly reports.

Finally, we are involved with several industry-wide efforts to promote sustainable packaging. In the U.S., for example, we are one of 10 organizations that founded AMERIPEN – the American Institute for Packaging and the Environment – in 2010. AMERIPEN works to promote science-based decision-making regarding packaging and advocates for a future in which all production, distribution and consumption are sustainable. We are also a member of the Sustainable Packaging Coalition, and we participate in Walmart's Packaging Supplier Scorecard project.

# ENVIRONMENT

## Sustainable Packaging, cont.

### Recent Packaging Projects

Each year our packaging team works on 100-plus projects involving either designing packaging for new products or improving packaging for existing products. Among our packaging innovations in 2012 was a stand-up cereal bag (without any external box) that reduces packaging materials by more than 80 percent compared to the bag-in-box version. The bag, which holds *Kashi GOLEAN® Crisp!*™ cereal, uses 15 percent post-consumer recycled polyethylene. It's the first time this material has been used in a flexible food package. If it performs as well as we expect and is accepted by consumers, we will look for other opportunities to use it in the future.



In South Africa we introduced another innovation— a stand-up, printed bag for a new product called *Kellogg's® Corn Flakes Porridge*. We developed this packaging in response to observations about consumer behavior in South Africa, where many people travel to and from the grocery store on foot. We noticed that consumers who purchased traditional “bag-in-box” cereal would immediately discard the box after purchase and then put the remaining bag in a tote bag or backpack, because it fit better and was easier to carry home. Our stand-up bag solution eliminates the need for the box, uses 80 percent less material than the bag-in-box style, results in less waste and ensures that consumers have access to key nutrition information that previously appeared only on the box.

was reduced by 30 percent, and we are able to ship 20 percent more product per truckload, thereby reducing overall fuel consumption.

The success of our *Special K® Pastry Crisps* presented an opportunity to redesign the packaging for warehouse stores. The traditional box-in-box design was replaced with a high-gloss corrugated carton. As a result, the packing weight

In an effort to minimize the use of non-value-added packaging, we recently converted the shipping cases for many of our single-serve snack products from corrugated cases to shrink-wrapped bundles. This reduced packaging weight by 13 percent.

## Sustainable Packaging, cont.

### Expanding the Recycling of Cereal Box Liners

Most of our cereal, cracker and waffle box liners are made of high-density polyethylene (HDPE) which is coded as #2 flexible plastic. This is the same material used to make white plastic grocery bags. Number 2 plastic is commonly recycled, but the recycle symbol is not typically printed on plastic bags or liners. Kellogg is undertaking initiatives in two regions to help people recognize liners that are recyclable and encourage them to recycle this material.

In Australia, we are one of 10 partners working with an organization called RED Group to enable the recovery and recycling of flexible plastics such as cereal box liners. These plastics are not accepted through curbside recycling, so RED Group and its partners are placing dedicated collection bins inside major retailers. The collected plastics will then be converted into quality recycled-plastic park benches and play equipment for schools and communities. Kellogg is helping to fund and sponsor the program, which launched in 2012.

In the U.S., Kellogg is helping to pioneer the How2Recycle labeling system developed by the Sustainable Packaging Coalition, an industry working group. The label – which conforms to the U.S. Federal Trade Commission’s “Green Guides” regarding labeling and gives specific directions to consumers about what aspects of the packaging (including the liner) can be recycled and how – will appear on certain Kellogg’s®, Kashi®, and Nutri-Grain® products in early 2013. The Sustainable Packaging Coalition aims for the label to appear on the majority of consumer product packaging by 2016.



# ENVIRONMENT

## Employee Initiatives

Many of Kellogg Company's sustainability initiatives have grown out of efforts to achieve our companywide environmental goals. In other words, they are driven from the top down. Other projects and programs are driven from the bottom up by our employees, often through GoGreen teams, which exist at Kellogg locations all over the world and conduct activities and initiatives of their own choosing. Our GoGreen teams help to build a sustainability culture within Kellogg, drawing on the ideas of interested employees and encouraging people to make more sustainable choices outside of work as well.



### Environmental Education for Kids in Linares, Mexico

Our GoGreen team in Linares, Mexico, sponsored a day of environment-related games and activities for more than 700 children at a local school. One game, called "From a Gray House to a Green One," taught kids the importance of conserving energy in their homes. Later in the day, the children visited with and learned about exotic animals, from pythons to macaws. The presentation included messages about animal behavior and the importance of saving animals from extinction.



### Going Green at Our Querétaro Facility

At our Querétaro, Mexico, facility, GoGreen members in 2012 organized everything from employee "chats" and skits about energy, water and waste efficiency, to an electronics recycling drive (with 742 kgs of material collected), to a group visit of the wildlife rehabilitation facility where Kellogg donates leftover food for the animals. The Querétaro team also sponsored Green Week for the second year in a row, during which children of employees learned about conserving water and energy and the importance of the three Rs – reducing, reusing and recycling.



### Planting Trees in Latin America

GoGreen members in Venezuela and in Mexico (from our Querétaro and Toluca facilities) participated in several reforestation and replanting efforts in local parks and natural areas. All told, about 340 employees and their children planted 970 trees, shrubs and cacti. Furthermore, the Toluca employees "adopted" a local natural area called Parque Sierra Morelos and plan to revisit it every year to help with reforestation.

## Employee Initiatives, cont.



### Boosting Recycling in Battle Creek, Michigan

GoGreen team members at our Battle Creek, Michigan, headquarters organized a partnership with Dart Container to begin recycling foam cups. The cups will be remade into other consumer products such as plastic lumber and picture frames. The GoGreen team, which has a goal of recycling more than 100,000 cups annually, organized and promoted a “Foam Cup Challenge” to spread the word about the effort.



### Recycled Art Show in Battle Creek, Michigan

The Battle Creek team also sponsored a Recycled Art Show, at which all art objects were made from repurposed materials. The show coincided with America Recycles Week in November. Some of the artwork was made by Kellogg employees and their family members, while other pieces were owned by employees and loaned to Kellogg for the show. The effort sought to raise awareness about how items could be reused and upcycled instead of thrown away. The GoGreen team also hosted a “lunch and learn” to discuss recycled artwork and sponsored a meeting with local artists.



### Beach Cleanup in Puerto Rico

In Puerto Rico, Kellogg employees participated in an International Coastal Cleanup day for the second year. Employee volunteers and their families, together with other local citizens, collected trash, plastics and cigarette butts in an effort to keep the beach clean for the local community and wildlife alike.



### Celebrating Earth Day in Canada

Finally, employees in three of our Canada locations – Belleville, London and Creebank – organized litter cleanup days on Earth Day (April 20) 2012. The cleanups were held in public parks and other natural areas near Kellogg facilities.

## Sustainable Agriculture

We know that our most significant environmental impacts occur in our supply chain, in the growing of our agricultural ingredients. According to a new report, agriculture is the single-largest driver of deforestation on Earth, the largest user of water, the biggest user of chemicals and the most significant source of water pollution.<sup>1</sup> In recent years, food security – i.e., the question of how to feed the ever-increasing global population going forward – has also emerged as a critical issue facing the agriculture industry.



Nearly all of the foods we make at Kellogg are derived from simple grains, and fortunately, grains have a lower environmental impact than many other foods. They are also a good way to feed the world, as they use fewer resources per calorie to produce than, say, meat or cheese.<sup>2</sup>

As a responsible food company, we want to do our part to minimize the impacts of agricultural production and help the agricultural sector be more sustainable. It's the right thing to do, and it's what our consumers – who are increasingly interested in where and how their food is grown – expect us to do.

As discussed in this section,<sup>3</sup> our sustainable agriculture work focuses primarily on the grains we use most – wheat, corn and rice – as well as on palm oil. Our approach involves working with breeders and growers of these products and in partnership with other organizations. We are also beginning to look more closely at our cocoa supply chain; we look forward to reporting on those efforts in the future. (See the Responsible Sourcing section for general information about our efforts to ensure an ethical and transparent supply chain.)

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<sup>1</sup> World Wildlife Fund, *The 2050 Criteria: Guide to Responsible Investment in Agricultural, Forest, and Seafood Commodities* (Washington, DC: World Wildlife Fund, 2012), p. 2. Available at [http://awsassets.panda.org/downloads/the\\_2050\\_criteria\\_report.pdf](http://awsassets.panda.org/downloads/the_2050_criteria_report.pdf).

<sup>2</sup> See, for example, U.N. Food and Agriculture Organization. (2006). *Livestock's Long Shadow: Environmental Issues and Options* (Rome: FAO); Eshel, G, and Martin, PA. (2006). Diet, energy, and global warming. *Earth Interactions*, vol. 10; Mcdiarmid, J., et al. (2011). *Livewell: A Balance of Healthy and Sustainable Food Choices*. (Surrey, UK: World Wide Fund for Nature).

<sup>3</sup> See also the special Sustainable Agriculture section in our 2011 Corporate Responsibility Report.

## Sustainable Agriculture, cont.

### Simple Grains

Most of our foods are derived from the goodness of simple grains. To learn more about how some of our most popular cereals are made – and to meet some of the farmers who grow our grains – visit [www.kelloggs.com/en\\_US/simplegrains.html](http://www.kelloggs.com/en_US/simplegrains.html).

For a closer look at our work with rice farmers in the U.S., watch the video at [www.youtube.com/watch?v=kh4J4oY-xcY](http://www.youtube.com/watch?v=kh4J4oY-xcY).

### Where Are Our Ingredients Grown?

There's no question that Kellogg is a global company with a global supply chain. But most of our ingredients are grown and sourced in the same regions as the manufacturing plants where they are made into our popular and delicious foods.

Our foods made in Australia, for example, are made with 100 percent Australian-grown grains. All of the rice and corn we use in our U.S. products is grown in the U.S., as is the majority of the wheat (a small percentage is grown in Canada). All of the wheat for our products made in Europe is grown in Europe. In Colombia, 100 percent of the rice we use and 50 to 60 percent of the corn we use comes from local growers.

While many factors go into determining where we source our ingredients (including cost, quality, availability and so forth), the "localness" of the supply is one important criteria.

# ENVIRONMENT

## Partnerships

We have been encouraging agricultural sustainability beyond our own supply chain through a variety of multi-stakeholder and industry partnerships.



### Field to Market

Since 2007, Kellogg has been a member and funder of Field to Market, The Alliance for Sustainable Agriculture. Field to Market – which in 2012 became an official 501(c)3 nonprofit – is a diverse group of U.S.-based grower organizations, agribusinesses, food and retail companies, conservation groups, universities and agency partners focused on defining, measuring and promoting the sustainability of food and fiber production.



### Sustainable Rice Platform

Kellogg co-founded the Sustainable Rice Platform to develop and deploy global standards for sustainable, resource-efficient rice production. This multi-stakeholder effort is a joint initiative of the United Nations Environment Programme, the International Rice Research Institute, Louis Dreyfus Commodities and Kellogg Company. At present, the Platform is focused on assembling a global inventory of sustainable rice growing practices, with agreed-upon principles and practices to be developed in 2013. A Kellogg representative sits on the Platform's advisory committee and also the technical committee.



### Sustainable Agriculture Initiative Platform

We are active members of the Sustainable Agriculture Initiative Platform in both Europe and Australia. This food industry effort aims to share knowledge, raise awareness and support the implementation of sustainable agriculture principles and practices broadly. In Europe, a Kellogg representative has been co-chairing the arable crops group for the past two years. In Australia, a Kellogg representative co-chairs the water group and sits on the management committee.



### AIM-PROGRESS

We continue to be active in AIM-PROGRESS, a forum for consumer goods companies seeking to enable and promote responsible sourcing practices and sustainable production. Through our membership in AIM-PROGRESS, we network with peer companies and seek alignment on pre-competitive issues relating to the definition and evaluation of best practices in responsible sourcing.

## Partnerships, cont.

### Kellogg Hosts Policy Discussion

In Europe in late 2012, Kellogg Company's "European Breakfast Club" organized a discussion among approximately 30 stakeholders on the topic of reform of the EU Common Agricultural Policy (CAP), which is set to take place in 2014. Participants shared a wide array of views on CAP, with the Kellogg representative maintaining that CAP should be market-oriented (particularly in the sugar sector) and promote the sustainable management of resources, while also encouraging long-term investment in the productivity and competitiveness of EU food supply chains – particularly in European rice and wheat cultivation, R&D, and supporting young farmers and farm business startups.

*"As a local Extension Educator for the University of Nebraska-Lincoln Extension, I appreciated the invitation to be a part of the Field to Market pilot project and the ability to have input with industry partners and farmers.*

*The challenge we have is producing high-yielding corn in a way that protects the environment, conserves natural resources, minimizes greenhouse gas emissions and makes a profit. Field to Market gives corn growers comparative information on energy use, nitrogen use, water use, soil erosion and greenhouse gas emissions on a per-bushel basis. It's important to look at these measures in this way.*

*I have already used information from the Field to Market pilot project in winter educational meetings when teaching about best management practices. Crop rotation, no-till farming and fine-tuning applications of nitrogen fertilizer and irrigation water can reduce emissions and be neutral or gaining in crop yield.*

*We have several farmers in the pilot project conducting some exciting on-farm research for the first time with cover crops to enhance soil health and soil carbon. We also are seeing wider adoption of watermark soil moisture sensors for irrigation management."*

**Randy Pryor, University of Nebraska-Lincoln Extension**

## Our Work with Grain Breeders and Growers

Over the past few years, we have sought to work more closely with the farmers who grow our grains – to build relationships with them, learn about their current growing practices and work together to drive sustainability improvements. We are also now taking the next step of providing assistance to growers (in the form of assessment tools, external advice from agronomists and so forth) to help make their operations more sustainable.

We have also continued to work – as we have done for many years – with crop breeders and researchers to promote the breeding of new and improved crop varieties. Specifically, we encourage the development of varieties that are more environmentally sustainable, are drought tolerant, have higher yields or even have more fiber or other nutrients. Kellogg Company's grain scientists keep on top of the latest developments in breeding, support breeding work at universities, and communicate with researchers at private seed companies to let them know the characteristics of crops we are seeking.

Our work with growers and breeders focuses on rice, corn, wheat and other grains. Detail on the scope of our efforts is provided below.

### Rice

Rice is essential to the diets of much of the world's population. Kellogg is a large user of medium-grain rice. We use this variety not just for our *Rice Krispies*® cereals, but for *Special K*® and other beloved brands as well. Kellogg has invested for many years in rice breeding programs and partnerships, and we are starting to work more closely with some of the farmers who nurture our rice from seed to harvest.

In Louisiana in 2012, for instance, we launched a Rice Master Grower program together with rice farmers, the Louisiana Rice Mill and the Louisiana State University AgCenter (which will run the program). This practical, voluntary program:

- Communicates information on good agronomic practices,
- Helps and encourages growers to adopt sustainable rice agronomic practices,
- Understands that rice production must be profitable in order to be sustainable, and
- Recognizes growers participating in the program.

Grower participants can earn a Platinum, Gold, Silver or Bronze certification, depending on the extent of their participation, documentation of their practices, and demonstrable improvements in their practices. For example, growers are asked to document their tillage practices, soil testing methods, seeding rates, fertilizer management, irrigation practices, integrated crop protection management and harvest yield. Our intention is that the Rice Master Grower program will bolster long-term social and economic well-being among farmer communities, ensure a continuous supply of rice for Kellogg products and drive environmental improvements in rice production.

We have also been working closely with rice growers in Spain. In the Delta del Ebro region, we have walked the fields with farmers to see firsthand their current farming practices and talked with other organizations active in the rice-growing area. Our efforts to date have focused on identifying key issues – such as water management – and providing funds to pay for expert agronomists who can give the growers advice and assistance. We have also been in discussions with representatives of a national park in the area and a bird conservation group to determine how best to preserve and promote bird habitat.

In Thailand and Vietnam, we have been funding and supporting rice breeding research and rice scientist training. We have also been supporting research at the Louisiana State University AgCenter. And we actively support – through

## Our Work with Grain Breeders and Growers, cont.

funding and scientist mentorship – the International Rice Research Institute’s initiatives on developing future farming systems that will mitigate the impacts of rice cultivation on the environment.

See the Partnerships page for information on our work with the Sustainable Rice Platform.

### Corn

Corn, or maize as it is known in most parts of the world, is an essential grain for much of the world’s population. But a relatively small percentage of it is grown for human consumption; most is used to feed livestock or for industrial applications. For many of our brands, such as *Kellogg’s Corn Flakes®*, the quality of the corn grit – its hardness and uniformity – is specific and unique and requires special varieties of corn. We are therefore committed to investing in and supporting corn breeding, in order to achieve the attributes we require; we also work with corn growers and millers to help drive improvements in the sustainability of their agronomic practices.



In Nebraska, we are in our fourth year of work with corn farmers. These farmers have been inputting data regarding their farming practices (e.g., fertilizer use, irrigation, yields, etc.) into the Fieldprint Calculator. With four years of data, we are now beginning to identify and communicate best practices, to encourage more sustainable practices by all of the growers. Other partners in this work include Bunge (our supplier), the University of Nebraska and the U.S. Department of Agriculture’s Natural Resource Conservation Service. We plan to expand this effort in 2013 to include corn farmers in Illinois.

We are also working closely with more than 200 farmers in Argentina who grow our unique corn. With the help of a resident agronomist (who is also a faculty member at the National University of Rosario), we are taking steps to ensure the corn crop has the attributes we need, while also improving the sustainability of growers’ agricultural practices.

On the breeding side, Kellogg Company’s crop scientists are funding research at the University of Illinois that seeks to improve the nutrition profile of corn. We are also funding a quality assessment of selected corn materials from the World Corn Germplasm Bank, which is located at the International Maize and Wheat Improvement Center in Mexico.

### Wheat

Wheat is one of the most widely cultivated grains for human consumption. And just as consumers regularly use wheat flour in their home kitchens, we use wheat in almost all of our products. For example, we use hard red winter wheat flour in many of our crackers and cookies, and a special soft white winter wheat in our *Frosted Mini-Wheats®* cereals. And, we are continually seeking ways to work with the farmers who grow this grain and the breeders who help to sustain and improve it.

In North America, we have visited with wheat millers and growers in North Dakota, Michigan and in Canada. In the U.K., we are just beginning a process of engagement with wheat growers. We look forward to reporting on the progress of these efforts in our next report.



## Our Work with Grain Breeders and Growers, cont.

In terms of research, we have relationships with private- and public-sector wheat breeders around the world and have invested heavily in new innovations in wheat. For example, we are currently supporting breeding work at Michigan State University that is seeking to improve the disease resistance and pre-harvest sprouting of soft white wheat. We also support wheat breeding at Cornell University and are tapping into their library of heirloom varieties. And, we have a working relationship with a major wheat breeder in Mexico.

In Canada, Kellogg is a member of the Ontario Cereal Industry Research Council, which is actively researching topics of precompetitive interest to wheat users in that province. In particular, we are interested in work they are doing to understand the drivers of flavor in red bran versus white bran.

A Kellogg representative also serves on the Board of Directors of the Heartland Plant Initiative (HPI), which is actively speeding the rate of conventional breeding using a newly developed technology. Through the HPI, we have been delving into the large library of ancient wheat varieties in the vaults at Kansas State University, seeking naturally occurring varieties that have improved drought tolerance or other desirable agronomic properties.

### Other Grains

While wheat, corn and rice are our largest-volume grains, we use other specialty grains in some of our favorite foods as well. These include the 7 Whole Grains blend in Kashi products, oats in many of our bars (such as Nutri-Grain®), as well as barley. We also support heritage grains, such as amaranth grown by small-scale farmers in Mexico.

In 2012, our Kashi business worked with growers and a company called Grain Millers, Inc., to identify sustainable agriculture practices that could be used more broadly by our grower communities. The practices touched on everything from soil fertility to crop rotation to the wise use of herbicides and pesticides.

We also continue to support a program in Mexico that helps smallholder farmers learn how to grow amaranth, a unique native grain that's particularly nutritious. Kellogg is one of several funders of Mexico Tierra de Amaranto (MTA), which teaches community members how to grow and harvest amaranth, use the plant in cooking and baking, and sell the foods they make. The program has been particularly successful in giving rural women a means to earn income for their families. See last year's report for more on this program.



## Our Work with Grain Breeders and Growers, cont.

### Genetically Modified Crops

We understand consumers have questions and strong preferences about the foods they eat, and we continue to actively monitor the science, regulations and our consumers' preferences on numerous topics, including ingredients from genetically modified (GM) crops.

Leading health organizations worldwide have concluded that GM ingredients are safe, based on the results of more than 400 studies. This approach adds desirable traits from one plant to another, without introducing anything unnatural or using chemicals, so crops grow quicker, are more plentiful and potentially more nutritious. GM ingredients have been around for the past 20 years, are represented in the vast majority of the foods on grocery shelves in many countries, and help keep food costs down. They also help feed the hungry and malnourished in developing nations.

However, in some markets around the world we do not use GM ingredients, based on input from our consumers and local availability. Because we predominantly source ingredients in the markets where they are sold, Kellogg foods likely include ingredients derived from GM crops in the same proportion that they occur in the local supply chain.

In the U.S., for example, genetically modified crops such as corn and soy have been grown for the past two decades, and GM corn accounts for 97 percent of the commonly available type of food corn grown in the U.S. and used by Kellogg. The U.S. wheat and rice used by Kellogg are non-GM, as those crops do not have commercially available GM seeds for selection by U.S. farmers.

For U.S. consumers who prefer alternatives, existing nationwide labeling programs give people the information they need. These include "certified organic," "GE-free," and "Non-GMO Project Verified" labeling. Our Kashi brand, in fact, offers a variety of Non-GMO Project Verified options.

We will continue to review information from the scientific and regulatory agencies on this topic, as well as our consumers' preferences.

### Celebrating Milestones in Australia

In Australia in 2012, Kellogg honored four farming families who have each been supplying grains to our company for 50 years. The Peters family and the Petersen family both grow corn in Queensland; the Morshead family grows rice in New South Wales; and the Cotton family raises wheat in New South Wales.



## Palm Oil

Palm oil is used in a broad array of common consumer goods, especially foods, soaps and cosmetics. We use palm oil in some of our cookie doughs, for example. Most palm oil is grown and produced in Southeast Asia, and the rapid expansion of palm oil production has been associated with the destruction of tropical forests in that region. We are a very minor user of palm oil – buying about 0.1 percent of the global supply annually – but as a socially responsible company we are deeply concerned about its environmental impacts.

Since 2008 Kellogg has taken active steps to source sustainably grown palm oil and to help to end the deforestation associated with palm oil cultivation. In fact, all of the palm oil we use today is 100 percent sustainably sourced through a combination of GreenPalm certificates, mass balance and segregated, sustainably grown supply. Also, 100 percent of the palm oil we use comes from suppliers who are members of the Roundtable on Sustainable Palm Oil (RSPO), a multi-stakeholder organization working worldwide to ensure that palm oil production is economically viable, environmentally appropriate and socially beneficial.

Specifically:

- In Europe, we began using a segregated supply of sustainably grown palm oil in the summer of 2012. By the end of 2013, we expect that at least 90 percent of the palm oil we use in Europe in our snacks, except *Pringles*®, will be segregated sustainably grown. The palm oil we use in *Pringles*® in Europe is sourced through the mass balance system, which combines sustainably grown and conventional palm oil.
- In other markets where neither a segregated or mass balance supply are sufficient or feasible, we continue to help growers fund the transition to sustainably grown palm oil by purchasing GreenPalm certificates to cover 100 percent of our current palm oil use, as we have done since 2010. (See next page.)

We have been members of the RSPO, and have purchased palm oil only from other RSPO members, since 2009. With the RSPO and other stakeholders, we continue to explore solutions to this global issue and to encourage our mass balance suppliers to continue to increase their percentage of sustainable palm oil as the available supply increases. We also require, through our Supplier Code of Conduct, our vendor partners to commit to reducing their impact on the environment.

We are a member of the Consumer Goods Forum (CGF) and support the CGF's pledge to help achieve zero net deforestation by 2020, as discussed in the Our Commitments section of this report. Our purchasing policies relating to palm oil help us to meet this commitment.



# ENVIRONMENT

## Palm Oil, cont.

### About GreenPalm Certificates

GreenPalm is a certificate trading program that serves as the official broker of the RSPO for trade in sustainable palm certificates. It works like this: Any time an RSPO-certified manufacturer produces one metric tonne of sustainably grown palm oil, they can sell one certificate through GreenPalm's trading system. In that way the producers receive a financial benefit for growing sustainable palm oil, giving them an incentive to grow more (and giving other growers incentive to do the same). By buying enough GreenPalm certificates to cover the current equivalent amount of palm oil we use, Kellogg is supporting the production of that amount of sustainable palm oil, even though in most regions it is not segregated in the marketplace for us to purchase directly.

Currently, *Kellogg's Pop-Tarts®*, as well as Girl Scout cookies made by our subsidiary Little Brownie Bakers, include the GreenPalm logo on their packaging.



## Case Study: Rome Georgia Plant

At Kellogg, each of our manufacturing plants is unique. Some are big, some are small. Some make cereals, some snacks, some frozen foods. Because of their unique nature, each plant focuses on different aspects of their operations when working to meet their environmental goals.

And then there are those that have specific challenges due to the products they make. Take our snacks plant in Rome, Georgia, for instance.

“We make *Rice Krispies Treats*®, among other things,” said Dave W., Rome plant director.<sup>1</sup> “And let’s face it, *Rice Krispies Treats*® are extremely sticky.”



The plant thus traditionally used a lot of water to clean the conveyor belts. When facilities managers began taking a hard look at resource use back in 2006, they quickly realized that water usage needed to be reduced.

Like most plants, the Rome facility uses a system of hoses and nozzles, known as belt washers, that cleans the conveyor belts with high-pressure streams of water. But the Rome plant has a lot of them (about 50), and back in 2006 they sprayed about 10 gallons of water per minute each.

Kellogg engineers set to work designing and installing a new belt-washing system. Their designs evolved through several iterations, getting more and more efficient each time. The most recent upgrade, which was installed in 2012, uses just 2 to 3 gallons per minute each.

Plant leadership also identified – and reduced – other major sources of water use. Previously, for instance, the plant used two sizable boilers. After completing a re-piping project in 2010, the plant was able to decommission the larger boiler. And in 2012 they undertook a project that nearly eliminates the need for the remaining boiler.

“All of the water we use for sanitation and cleaning, which is the majority of our water use, now runs through a high-efficiency water heating system,” explained Mike H., the Rome plant’s engineering and facilities manager. “It’s basically a gigantic on-demand hot-water heater.” Mike and other Kellogg engineers custom-designed the system to meet the plant’s needs. In the not-too-distant future, Mike hopes they can shut down the remaining boiler entirely.

Through these and other measures, the Rome plant succeeded in reducing its water use (per metric tonne of food produced) by 69 percent in 2012. Since 2005, the baseline year, they’ve reduced this measure by 80 percent.

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<sup>1</sup> To protect the privacy of our non-executive employees, this report uses first names and last initials only.

## Case Study: Rome Georgia Plant, cont.

### Reducing Energy Also a Priority

The plant has also made good strides in reducing energy use. “Over the past five or six years,” said Dave, “we’ve tried to implement at least one big energy-efficiency or energy-reduction project each year.” And that work has paid off, as the plant has reduced its energy use (per metric tonne of food produced) by 1 percent in 2012 and 23 percent since 2005.

The biggest of these projects occurred in 2010 when the team replaced the facility’s entire HVAC system. The new system is much more modern and efficient, as it recirculates the air inside the plant instead of constantly pulling new air from outside and cooling or heating it to the desired temperature. It also better controls condensation and humidity, which is important from a food safety perspective.

They have also completely revamped the plant’s air compressor system. And in 2012 they upgraded all lighting to the latest high-efficiency fluorescent bulbs, in addition to installing motion detectors and dimmers in areas that are infrequently used.

### Reducing Waste by Increasing Recycling

Reducing waste has also been a key focus. In fact, the plant has reduced waste to landfill by 37 percent since 2009 (per metric tonne of product produced), through myriad individual efforts. Those efforts began in earnest back in 2007, when plant leaders took a trip to the landfill to get a better look at what’s in their solid waste, and they learned that about half of it was ingredient bags. Since then, they’ve found a company that recycles those bags, so they don’t go to landfill.

“That particular recycling effort doesn’t save us any money,” said Dave, “but many of the other environmental projects do. And really, each person in my senior leadership team has a passion for doing the right thing for the environment and sustainability, whether it drives cost savings or not.”

# COMMUNITY

At Kellogg, we have a long history of investing in our communities. Our founder, W.K. Kellogg, was not just a great entrepreneur; he was also one of the great philanthropists of the 20th century, giving away virtually all of his wealth.

More than a century later, his legacy lives on. We concentrate our philanthropic efforts on the communities where our employees live and work, while simultaneously exploring ways to address broader societal challenges. In early 2013, we unveiled a more targeted social responsibility strategy focusing on hunger relief, particularly breakfast. The Hunger Relief section of this website spotlights our food contributions and breakfast programs. We also have been focused on community development as well as programs that support diversity.

Kellogg Company and Kellogg's Corporate Citizenship Fund (KCCF) provide funding for charitable donations. The W.K. Kellogg Foundation is a separate entity and makes its own social investments. Founded by Mr. Kellogg in 1930, the Kellogg Foundation is governed by its own independent Board of Trustees.

## Community Highlights

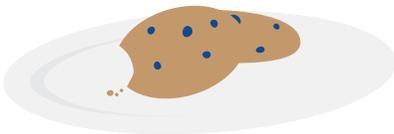
### Strategic Philanthropy

We launched our new “Breakfasts for Better Days™” strategic platform, focusing on hunger relief and programs that support breakfast for children and families.



### Brand Philanthropy

We donated 6 million cookies to American Red Cross blood donors through our “Be a Good Cookie” program.



### Community Development

We raised a company record \$7.3 million for United Way to benefit communities across the U.S.



## Strategic Philanthropy

Over many years, we have worked to align our community investments with what we do best as a business. As a global food company, we believe it is important to support issues relating to nutrition, particularly hunger. In 2012, we revisited our charitable giving strategy with an eye toward further sharpening our focus and creating better alignment between our giving programs and our core competencies. We want to be as strategic with our corporate philanthropy as we are with our business as a whole, so these investments have the greatest impact where they are needed most.



As part of this focus, we launched a new corporate philanthropy initiative in early 2013 – *Breakfasts for Better Days*<sup>TM</sup> – with more targeted goals and investments, including a focus on hunger relief and programs that support breakfast for children and families. As the world's leading cereal company, we have committed to providing 1 billion cereal and snack servings<sup>1</sup> – more than half of which are breakfasts – to children and families in need around the world by the end of 2016.

To help these children get a healthy breakfast, we pledged \$1 million in grants in the U.S. to nonprofit partners Action for Healthy Kids, Share Our Strength's No Kid Hungry<sup>®</sup> campaign and the Food Research and Action Center so that more schools can participate in federally funded breakfast programs.

While we know that our philanthropic dollars and programs have been doing much good, we believe that a more strategic approach can achieve even greater, and more measurable, impact. We are also exploring ways to maximize product donations for people in need and to further engage our employees in hunger-relief service projects. We look forward to sharing more details on this strategic initiative in our next Corporate Responsibility Report.

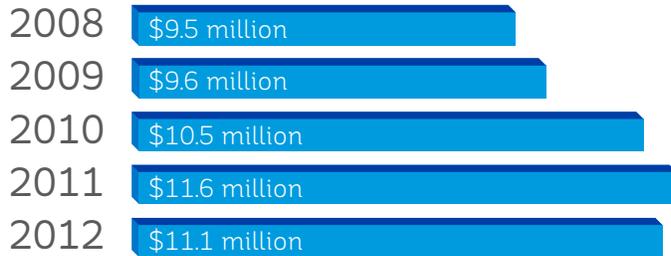
In 2012, we supported a variety of nonprofits and charitable programs, providing \$13 million in cash and \$39 million in food during the year. The cash total includes charitable contributions made by some of our individual brands for specific causes, many of which are highlighted on product packages or advertised in stores or through online campaigns. We achieved our goal of donating the equivalent of 2 to 2.5 percent of pre-tax annual profits through both cash and in-kind contributions.

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<sup>1</sup>A serving is approximately 1 ounce.

## Strategic Philanthropy, cont.

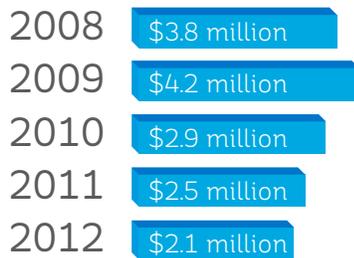
### Cash Contributions



### In-Kind Contributions<sup>1</sup>



### Brand Philanthropy



<sup>1</sup>Products valued at cost of goods sold (COGS), except for cookies donated to the Red Cross for its blood drive programs. In-kind donations fluctuate year to year based on a number of factors, including the amount of unsaleables.

## Strategic Philanthropy, cont.

### W.K. KELLOGG FOUNDATION

The W.K. Kellogg Foundation (WKKF) supports children, families and communities as they strengthen and create conditions that propel vulnerable children to achieve success as individuals and as contributors to the larger community and society. Guided by the belief that all children should have an equal opportunity to thrive, WKKF works with communities to create conditions for vulnerable children so they can realize their full potential in school, work and life.



Based in Battle Creek, Mich., WKKF works throughout U.S. and internationally, as well as with sovereign tribes. Special emphasis is paid to priority places where there are high concentrations of poverty and where children face significant barriers to success. The Kellogg Foundation's priority places in the U.S. are in Michigan, Mississippi, New Mexico and New Orleans, and, internationally, are in Mexico and Haiti.

The foundation's integrated philanthropic approach centers on whole child development – ensuring the emotional, social, cognitive, physical, cultural and civic development of young children, with a special emphasis on prenatal months to age 8, within the context of families and communities.

The Kellogg Foundation was founded in 1930 as an independent, private foundation by our company's founder, W.K. Kellogg. It receives its income primarily from the W.K. Kellogg Foundation Trust, which was set up by Mr. Kellogg when he donated most of his fortune – \$66 million – to create the foundation's endowment, which is held by the trust. In addition to its diversified portfolio, the trust continues to own substantial equity – more than 20 percent – in the Kellogg Company. In 2012, Kellogg paid more than \$135 million in dividends to the trust to support the foundation's work.

While the company, the trust and the foundation have enjoyed a longstanding relationship, each is governed by its own independent boards of trustees.

## Brand Philanthropy

Kellogg Company's brands support a broad range of charities and philanthropic activities. In 2012, for example, our Keebler brand continued the "Be a Good Cookie" program launched the previous year. Through this campaign, Keebler is donating 6 million cookies per year to the American Red Cross for them to share with blood donors. This effort is promoted on about 175 million packages of Keebler cookies each year to provide visibility to, and encouragement for, blood donations. Keebler will be the official cookie at every Red Cross blood collection operation in the U.S. through at least 2014.

Historically, the Red Cross has served a cookie to every blood donor as a way to say thank you – and to replenish the body following a donation. Prior to the Keebler donation, the Red Cross purchased the cookies. Keebler's contribution saves the Red Cross nearly \$2 million each year, allowing the organization to put more resources into better fulfilling its mission. The collaboration between the Red Cross and natural one, as Kellogg has partnered with the organization for years to provide assistance during disasters.

In 2012, Keebler and the American Red Cross recognized a blood drive coordinator from Kansas with a new "Ernie Keebler Goodness Award," which is designed to recognize "good cookies" who encourage acts of goodness. The chosen award recipients are leaders in their communities who donate their time, energy and blood to help others in need. The first recipient of the award, Jon Beadles, of Wichita, has donated 55 units of blood to the American Red Cross over four years. He received a one-year supply of Keebler cookies, \$1,000 in Walmart gift cards and a crystal trophy of Ernie Keebler.



### Program Award

Our "Be a Good Cookie" campaign won a 2012 "Silver Halo Award" for Best Health Campaign from the Cause Marketing Forum, which promotes cause-related marketing events and initiatives. In making the award, the Forum judges noted that they "loved that this campaign was not about fundraising, but about underwriting costs and boosting awareness for both brand and cause." The Halo Awards are the organization's highest honor.

# COMMUNITY

## Brand Philanthropy, cont.

The following are additional examples of our brand philanthropy initiatives in 2012.



### Give a Child a Breakfast

In the U.K. and Ireland, information on our “Give a Child a Breakfast” campaign was included on more than 20 million packages of cereal, raising more than \$475,000 for breakfast clubs that will provide close to 1 million school breakfasts.



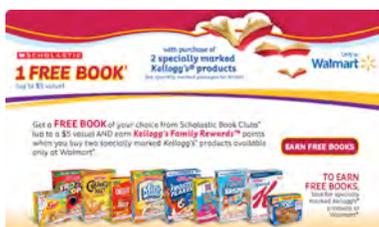
### Landcare Australia

In Australia, our *Be Natural*® line of cereals and snack bars has partnered with the organization Landcare Australia since 2010 in an effort to make a positive contribution to our natural landscape. In 2012, *Be Natural*® funded 20 local environmental groups across Australia through an open grants program focusing on community gardens and supporting urban landcare groups. *Be Natural*® is investing \$250,000 for grants, awards and licensing fees, including 20 grants of \$2,500 each that communities can apply for to build their own community gardens.



### Life Saving

Also in Australia, we support Surf Life Saving Australia and included promotional messages for the organization on cardiopulmonary resuscitation (CPR) training on certain packages of Nutri-Grain® cereal.



### Scholastic Books

In the U.S., several of our brands – including *Kellogg's Raisin Bran*®, *Nutri-Grain*®, *Eggo*®, *Pop-Tarts*®, *Cheez-It*®, *Rice Krispies Treats*®, *Froot Loops*®, *Keebler*® and *Frosted Mini-Wheats*® – joined with Scholastic (a book publishing company) and Walmart to encourage children to choose books they love to read. Nine out of 10 children say they are more likely to finish reading a book that they pick out themselves. With the purchase of two specially marked Kellogg's products or one Kellogg's Tri-Pack at Walmart, parents received a coupon for a free Scholastic book, valued at up to \$5. Together, parents and their children could visit the Scholastic website to choose a favorite book from a selection of hundreds.

## Brand Philanthropy, cont.



### Share Breakfast

Our Kellogg's "Share Breakfast" program helps support breakfast for schoolchildren in the U.S. and Canada. See the Hunger Relief section for more details.



### Kashi REAL Campaign

In December 2012, Kashi sponsored a Facebook campaign, as part of Kashi's REAL (Renew Eating And Living) project, with the nonprofit Spoons Across America to help more people learn about the origins of their food. Over the course of three weeks, for each person who helped share Spoons Across America's message on their personal Facebook page, Kashi donated \$10 to the organization – up to \$35,000. Spoons Across America offers food- and nutrition-based educational programs for elementary and middle school students to inspire healthy eating and help them learn about the origin of their food.



### Special K® Breast Cancer Awareness Project

In Venezuela, Special K® supported a breast cancer awareness project that promoted the benefits of early diagnosis. Coordinated in conjunction with SenosAyuda A.C., the campaign included social media outreach information on select Special K® packages and on the Special K® website.

# COMMUNITY

## Community Development & Physical Fitness

In addition to our community development initiatives, some of our programs in 2012 focused on physical fitness activities, including sports programs for young people.

Our largest community campaign, in support of United Way, generated a company record \$7.3 million in 2012 to benefit communities across the U.S. The gift, which exceeded our United Way campaign goal by 14 percent, includes individual employees' and retirees' pledges and dollar-for-dollar matching grants from Kellogg's Corporate Citizenship Fund. (KCCF).



During the 2012 campaign, 34 U.S. locations reported year-on-year increased donations of 10 percent or more; eight of these locations reported increases of more than 100 percent. In addition, more than 1,500 Kellogg employees put their commitment to work through United Way's "Days of Caring" service projects, benefiting nearly 25 nonprofit organizations in our communities.

The following are additional examples of our community work in 2012.



### Physical Activity



#### Swim Active

In the U.K., our Swim Active program has invested approximately \$2.4 million since 2006 in community projects that have helped more than 65,000 people get active through swimming. The program, which has broken down barriers to swimming across the U.K., has also provided special lessons for disabled children and transportation to pools in rural locations. During 2012, Kellogg Swim Active became focused on school swimming – something that is part of the school curriculum in England. As a result, 3,200 young people were provided with extra swimming lessons.



#### Rafa Marquez

In Mexico, we supported the Rafa Marquez Foundation, which promotes nutrition, sports and education. A popular soccer player who formerly was on the Mexican national team and now is a player with Mexican Club León, Marquez is well received by and inspiring to children. The foundation supports 700 children from impoverished communities. In 2012, the KCCF contributed \$60,000 to the organization. Our company also donated more than 70,000 servings of cereal.

# COMMUNITY

## Community Development & Physical Fitness, cont.



### 10K Races

Also in Mexico, Kellogg sponsored a series of 10-kilometer races to encourage healthy lifestyles. Approximately 16,000 runners from five states participated.



## Education



### Lorena Ochoa

We continued our support of the Fundación Lorena Ochoa, a nonprofit in Mexico founded by retired professional golfer Lorena Ochoa. Her foundation operates a primary school in Guadalajara for approximately 350 underprivileged students. In 2012, we provided 120,000 servings of cereal as part of their breakfast for children at school program.



### Stephanie Alexander Kitchen Garden Foundation

The Kellogg Australia Charitable Foundation provided \$250,000 to the Stephanie Alexander Kitchen Garden Foundation, which helps schools build gardens and develop curricula on nutrition, gardening and cooking. Since 2009, we have contributed more than \$450,000 to this organization, which reaches about 35,000 children across Australia. The program teaches children how to grow, harvest, prepare and share fresh and seasonal food.



### Education for At-Risk Children

In Colombia, 80 percent of our employees volunteered in 2012 with Dividendo por Colombia, which supports education for at-risk children.

# HUNGER RELIEF

Hunger is the world's biggest health risk, according to the World Food Programme. And given the rapidly growing global population, the long-term sustainability and security of the food supply is becoming an increasingly critical concern. Already, more than 870 million people<sup>1</sup> around the world – or one out of every eight – lack access to adequate nutrition, which is a fundamental building block for healthy, educated, viable communities. The problem is acute even in developed countries. As a leading food company, we know that the most significant impact we can have on society is through our foods.

## Kellogg's Breakfasts for Better Days™

Feeding the hungry has long been one of our core social initiatives. From food donations during times of disaster to breakfast programs for schoolchildren, providing food for those who need it is inherent to who we are and what we do. In early 2013, we announced a new corporate philanthropy initiative, *Breakfasts For Better Days™*, that makes hunger relief – breakfast programs in

particular – our signature cause. By the end of 2016, Kellogg will provide 1 billion cereal and snack servings – more than half of which are breakfasts – to children and families in need around the world.<sup>2</sup>

Because we believe in the power of breakfast to feed better days and better lives, we're committed to expanding our support of breakfast clubs that provide morning meals and important nutrition to schoolchildren. (See the Community section for more on our strategy work.)

## Hunger Relief Highlights

### Food Donations

In 2012, we donated \$39 million in products.



### Disaster Relief

In the wake of Hurricane Sandy, Kellogg Company committed more than \$500,000 to relief efforts, including \$250,000 in food to Feeding America, among other donations in 2012.

<sup>1</sup>The World Food Programme

<sup>2</sup>The goal of 1 billion servings is based on an approximate serving size of 1 ounce.

# HUNGER RELIEF

## Hunger Relief Highlights, cont.

### Breakfast Programs

We focus our philanthropic work in particular on helping provide nourishing breakfasts for children.



### Focus on Low-Income Families

We launched a website designed to provide nutrition information to low-income mothers in the U.S.

### Feeding the Future

Grains are an efficient food that can play a key role in feeding a growing population.



### Case Study: From Food Waste to “Food Rescue”

We’re focused on how we can increase our food donations, turning food waste into “food rescue.”

## Hunger Relief as a Cross-Pillar Topic

In 2008, when we developed our comprehensive, global corporate responsibility strategy, we grouped our major corporate responsibility issues into four categories or pillars: Marketplace, Workplace, Environment and Community. As we’ve implemented the strategy and fully embedded it into our day-to-day work, it has become clear that some topics cut across multiple areas. Hunger relief is one of these topics. Because of the cross-pillar nature of this topic, we discuss it here, in its own section.

# HUNGER RELIEF

## Food Donations

For many decades, we have demonstrated a deep commitment to providing food for those in need. As discussed in the Community section, we have committed to providing 1 billion cereal and snack servings – more than half of which are breakfasts – to children and families in need around the world by the end of 2016. We have also been exploring ways to maximize the amount of food we donate so we can make an even greater impact.

One of the best ways to get our foods to those who need them is through the global network of food banks. In the U.S., our product donations are primarily made through Feeding America, the nation's largest hunger-relief charity. Globally, we donate to food banks in Australia, Belgium, Canada, Colombia, Denmark, France, Germany, Greece, Guatemala, Ireland, Italy, Mexico, Spain and the United Kingdom. Recently, Kellogg established a corporate food redistribution project in Russia, partnering with Cloudwatcher, a charity that distributes food in the Russian Federation. We also were able to provide the Food Bank in Dublin with a new vehicle for use distributing food.



Many of our employees volunteer their time and talents at local food banks. In our headquarters community in Michigan, for example, nearly 500 employees participated in volunteer projects from June through October in 2012 that supported food-insecure families. In Canada, employees from our Ontario headquarters engaged in a friendly competition with other area food companies to help Canadians struggling with hunger. Seven Kellogg teams made up of more than 65 employees took part in the 2012 Food Industry Food Sort Challenge to see who could sort and box the most donated food products. In less than an hour, Kellogg volunteers sifted through nearly 20,000 pounds of food – more than a quarter of which was donated by Kellogg. The effort ultimately benefited about 2,300 people in need.

We are also proud to support The Global FoodBanking Network (GFN), an international organization dedicated to creating and strengthening food banks and food bank networks. Kellogg helped found the GFN in 2006, and the organization has grown significantly in the years since. Today, the GFN supports food bank systems in 23 countries.

In 2010 and 2011, in addition to other grants, we donated \$5 to the GFN for every message of feedback we received on our Corporate Responsibility Reports, and we are doing so again for our 2012 report, up to a \$10,000 cap. (Write to [corporateresponsibility@kellogg.com](mailto:corporateresponsibility@kellogg.com) to provide feedback.)

We observed World Food Day (Oct. 16, 2012) with a number of initiatives around the world, including the donation of \$125,000 from Kellogg's Corporate Citizenship Fund in cash and food to six Latin American food banks and social relief agencies. We also marked the day by kicking off our "Help Give a Child a Breakfast" campaign in the U.K., an effort aimed at raising funds to provide breakfasts for children who are currently going to school hungry. (For more on this and other initiatives, see the Breakfast Programs section.)

# HUNGER RELIEF

## Food Donations, cont.

### Fighting Hunger Together

According to the U.S. Department of Agriculture, one out of every six Americans doesn't know where their next meal will come from during the course of a year. In an effort to help, Kellogg joined with Walmart, Feeding America and four other major food companies to help provide for those in need.

We signed on to Walmart's "Fighting Hunger Together" initiative, launched during Hunger Action Month in the fall of 2012, which enabled consumers to help by purchasing select Kellogg products at Walmart stores. We provided the funding equal to donating 2 million meals through this initiative, which ran from September 17 through October 12.



\* Products valued at cost of goods sold, except for products donated to the Red Cross for its blood drive programs.

# HUNGER RELIEF

## Disaster Relief

In the aftermath of a natural disaster, people often lack the things we all normally take for granted – especially food that is safe to eat and will stay that way. Shelf-stable goods, such as cereals, snack bars and other packaged snacks, are typically in high demand, which is why we are quick to respond with food assistance. Our efforts in 2012 included the following:

- We committed \$500,000 – half in cash from Kellogg's Corporate Citizenship Fund to the American Red Cross for overall relief work and the other half in food from the company to Feeding America – to help with relief efforts after Hurricane Sandy struck the Northeast U.S. coast in October. In addition, we partnered with "Anderson Live," Anderson Cooper's daytime television program, to help families whose lives were devastated by Hurricane Sandy by donating two additional semi-trucks full of cereal and snacks to Feeding America, to help with relief and recovery efforts in New York. Our final food donation was approximately \$355,000.
- Following Hurricane Isaac in late August, we donated approximately \$355,000 worth of cereals and snacks to food banks in the Gulf Coast region of the U.S.
- We donated nearly \$150,000 worth of cereal to Feeding America food banks in several states, including Kansas, Kentucky, Indiana, Ohio and West Virginia, to help with recovery efforts following a spate of tornadoes in the early part of the year.
- Also in the U.S., we contributed nearly \$300,000 worth of food following wildfires in the West and to help those in flood-ravaged communities in the nation's Southeast.
- Kellogg Central America donated \$25,000 to the Red Cross to support victims of the November 7 earthquake in Guatemala.
- Kellogg Company Mexico and the Mexican Food Bank Association donated 1 million snacks to help the people in the states of San Luis Potosí and Zacatecas who were affected by droughts.
- Kellogg Russia provided approximately 1,675 pounds of food, worth about \$6,200, to help victims of the flooding that devastated parts of the Krasnodar region of southern Russia in July.
- Kellogg Italy donated about \$48,000 in food and cash in response to an earthquake in the northern Emilia Romagna region.



# HUNGER RELIEF

## Breakfast Programs

All too frequently, and all around the globe, teachers struggle to educate children who come to school hungry. In some countries, including the U.S., governments provide breakfast for children who don't receive a morning meal at home. In other countries, government-sponsored breakfast programs do not exist. In those nations, we support and promote "breakfast clubs" that offer meals at school. School-based breakfast clubs are a proven – and cost-effective – way to tackle child hunger in the mornings while simultaneously improving students' academic performance, behavior, attentiveness and attendance rates. Given our company's belief in the power of breakfast and its nutrition benefits, we now focus the majority of our philanthropic efforts toward breakfast initiatives for children in need around the globe.



As the world's leading cereal company, Kellogg will provide 1 billion cereal and snack servings – more than half of which are breakfasts – to children and families in need around the world by the end of 2016.<sup>1</sup> In doing so, we will expand our participation in breakfast clubs and similar programs that provide morning meals and important nutrition to school-children.

We launched our first breakfast clubs in the U.K. in 1998. In the years since, we have helped to create and support programs in countries including Australia, Belgium, Canada, Germany, New Zealand, Spain and Sweden. Most recently, Kellogg Ireland created a partnership with a charity called "Healthy Food for All" to fund a pilot program supporting the establishment of four new breakfast clubs in North Dublin.

Kellogg Spain is leading the development of breakfast clubs in that country. Following a very successful pilot project in Madrid, the Kellogg's Corporate Citizenship Fund will fund three more breakfast clubs in Madrid and two other Spanish cities.

The breakfast club work in the U.K. is our longest-running club program globally and arguably our most robust. We have invested more than \$3.2 million since 1998 in the education charity ContinYou, which has set up more than 550 breakfast clubs – including 52 new ones in 2012 – to deliver more than 3 million breakfasts every year to children who need them most. The newest breakfast clubs will provide about 180,000 breakfasts in their first year.

In the fall of 2012, we released new research that revealed that more kids than ever in the U.K. are going to school hungry. The survey of 500 teachers found that children are relying on teacher handouts, and schools are increasingly turning to food banks to provide food for breakfast clubs. Furthermore, financial problems have forced many schools to make difficult decisions that often result in the closures of school-based breakfast clubs. Despite the work of Kellogg and other supporters of breakfast clubs, recent reports show that 40 percent of breakfast clubs in cash-strapped schools across England closed during the 2011-12 school year due to insufficient funding.

Four out of five teachers surveyed told Kellogg that their pupils are coming to school hungry, and that the problem is getting worse. And nearly a third of teachers admitted to bringing in food for the pupils who have missed out on breakfast.

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<sup>1</sup>The goal of 1 billion servings is based on an approximate serving size of 1 ounce.

# HUNGER RELIEF

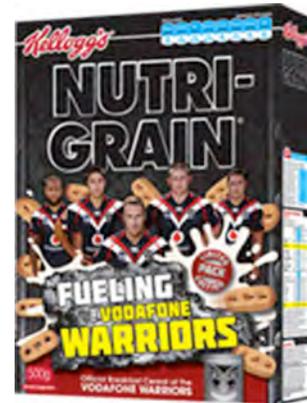
## Breakfast Programs, cont.

In response, Kellogg launched a nationwide campaign, called “Help Give a Child a Breakfast.” With the program running in the U.K. and Ireland, we committed to raising nearly \$500,000 in 2012 and again in 2013 to provide schools with funding for breakfast clubs and to provide 3 million breakfasts through our partnership with the food redistribution charity, FareShare, over the next two years.

Along a similar theme, Kellogg Australia teamed with the Woolworths supermarket chain in response to a concerning statistic that nearly 500,000 Australian kids are going to school with empty stomachs. The new study by a professor from the University of Sydney<sup>2</sup> also revealed that children who ate a breakfast of cereal and milk performed better academically than those who consumed nothing at all or who ate other options, such as toast or just fruit. The greatest impact was observed in boys.

This startling information inspired Kellogg and Woolworths to embark on a month-long “Breakfast Crusade” headed by former Olympian Melinda Gainsford-Taylor. The campaign included donations of cereal through the Kellogg “Breakfast Buddies” program, which has delivered more than 1.2 million bowls of cereal to Australian schools and community groups since its inception in 2007.

In New Zealand, where we also sponsor breakfast clubs, we have been working with the Vodafone Warriors One Community “Breakfast Warriors” program to educate kids about the importance of breakfast. The Vodafone Warriors, a national rugby team, sends players to visit schools to talk about breakfast. Through this program, Kellogg provided breakfast for about 800 young people during 2012.



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<sup>2</sup>O'Dea, J.A. & Mugridge, A. (2012) Nutritional quality of breakfast and physical activity independently predict the literacy and numeracy scores of children after adjusting for socioeconomic status. Health Education Research. doi:10.1093/her/cys069

# HUNGER RELIEF

## Action for Healthy Kids

Even in the U.S., where the federal government funds school breakfast programs, fewer than half the 19.4 million children who are eligible for free or reduced-price breakfasts actually take part. This represents a huge opportunity to improve children's lives and school experiences. To help, we provide support for Action for Healthy Kids, a nonprofit organization dedicated to fighting childhood obesity and undernourishment.



During the 2011-12 school year, Kellogg's Corporate Citizenship Fund and Kellogg Company provided funding to increase the number of children participating in breakfast programs in certain schools in California, Florida, Illinois, Kentucky and Ohio. Grants awarded by the Kellogg's Corporate Citizenship Fund allowed Action for Healthy Kids to work collaboratively with school breakfast experts, school leaders, students, parents and community stakeholders to help ensure that students receive a nutritious and balanced breakfast to start their day.

**As a result of the partnership with Action for Healthy Kids, participation in breakfast programs jumped by 41 percent across nine school districts, giving an additional 12,000 students in the U.S. access to a healthy breakfast.**

### Share Breakfast

For a few years, Kellogg's Share Breakfast program has funded grants to Action for Healthy Kids to support kids in need. In 2012, actor Taye Diggs joined us to help spread the word about our program. Every time someone shares a public service announcement featuring Diggs via several social media sites, Kellogg's will help share a breakfast with a child in need through a donation to Action for Healthy Kids.

Our goal is to help provide more than 1 million breakfasts to kids during the 2013-14 school year.

In late 2012, nearly 70 schools in 25 states received more than \$1,500 each in grants from Action for Healthy Kids, thanks to the Share Breakfast campaign. These contributions give school administrators ways to boost the participation rates in government-funded breakfast programs through efforts such as breakfast in the classroom or "grab and go" meals.



# HUNGER RELIEF

## Focus on Low-Income Families

It's called the Special Supplemental Program for Women, Infants and Children, but it's better known by its acronym, WIC. Funded by the U.S. federal government and administered by individual states, the program aims to improve the health of low-income pregnant women, their infants and young children. Participants receive a monthly voucher that they can use to buy approved foods – including cereals.

Each year, more than 6 million women and children participate in WIC, purchasing an estimated \$570 million worth of cereal annually. The program only approves cereals that meet certain nutrition requirements, so we work hard to ensure we have a broad range of foods that earn the WIC seal of approval. In 2012, we were proud to offer 15 cereals that met WIC nutrition criteria.

While we see a business opportunity in the program, more important, we also see a common intent. WIC's purpose is safeguarding the health of low-income women, infants and children up to age 5 who are at nutrition risk. Kellogg Company's purpose is nourishing families so they can flourish and thrive. In other words, we want to help needy families and we want to help make WIC a better program.

That's just one reason why we recently launched Kellogg's Healthy Beginnings, a website designed to bring nutrition information to low-income mothers. Launched in 2012, the website offers recipe ideas, nutrition tools and a state-by-state list of WIC-approved Kellogg cereals, among other information. We plan to launch a Spanish language version in the summer of 2013.

We also respond to specific requests from WIC to improve the nutrition profiles of existing cereals. This past year, for example, we boosted the folic acid in two of our cereals to better meet the nutrition needs of pregnant women. And, we created a new, kid-friendly, lower-sugar cereal that is specifically aimed at WIC participants. Scooby Doo®, which hit store shelves in 2012, is a good source of fiber (3 grams), made with whole grains and 6 grams of sugar per serving.

In recent years, we have focused on developing other nutrition tools, recipes and materials, in English and Spanish, to help low-income U.S. families adopt healthy nutrition habits and encourage greater consumption of affordable fruits and vegetables. These resources have been distributed to more than 1 million families through WIC clinics, pediatricians' offices and retailers. Our work in this area earned us recognition as a "Fruit and Veggies Role Model" by the Produce for Better Health Foundation.



# HUNGER RELIEF

## Feeding the Future

The world's population is expected to grow from 7 billion today to an estimated 9 billion by 2050. Kellogg is actively working with governments, nongovernmental organizations and others in our industry to explore ways to make our foods – and the agricultural practices for our ingredients – more sustainable for the long term and to help make sure there's enough food to feed the world. Grains, which form the basis of most of our products, are an environmentally efficient food that can play a key role in feeding a growing population. For more on our work on helping produce grains even more sustainably, please see the Sustainable Agriculture section.



# HUNGER RELIEF

## Case Study: From Food Waste to “Food Rescue”

Every year, an estimated 1.3 billion tons of food produced for human consumption is lost or wasted, according to the Food and Agriculture Organization of the United Nations. This waste, which totals about a pound of food per person per day, occurs all along the supply chain – from agricultural production to manufacturing, from retailing to home consumption. And yet, in stark contrast, millions of people also go hungry each day.

At Kellogg, we have for years repurposed food waste from our manufacturing facilities for use as animal feed. But more than ever, we aim to “rescue” food that would be diverted – raw ingredients as well as finished products – and donate it to feed people in need. To do this, we’re making changes within our own operations, and we’re working with our retail partners to find solutions.

For example, sometimes, our manufacturing plants can turn out finished cereals that are perfectly safe and delicious, but aren’t quite up to our high quality standards. Typically, these products would likely have been collected for use as animal feed. At our Battle Creek plant, we have begun a program to steer these foods instead to food banks. And our plant in Linares, Mexico, rescued 50 tons of *Special K*® that couldn’t be used for normal sale after production. Local food bank volunteers helped us repackage and label the cereal for donation.

On occasion, we donate leftover ingredients as well as production runs of products that we manufacture during our research and development phases. For example, in Australia, the nonprofit OzHarvest rescues food that would otherwise be discarded, donating it to those in need.

When we create or reformulate a product, we run many trials to make sure we get it right. This process produces food that is of high quality but is not intended for sale. In 2012, we agreed to put our excess trial foods to better use, becoming the first food manufacturer in Australia to partner with the charity. In 2012, we donated about 5.5 tons of excess trial foods to OzHarvest, which distributed the food to schools for breakfast programs and to other community charities.

In the U.K., our snacks production site in Wrexham recently started a new relationship with the food redistribution charity, FareShare. The group takes food in damaged packaging that is not suitable for retail and redistributes it to dozens of community-based organizations. The food is in perfectly good condition but the display packaging may be creased or torn. During 2012, we were able to divert more than 15,000 pounds from animal feed to FareShare in North Wales.

We know there’s also a big opportunity to increase donations of so-called “unsaleable” products at retail stores in the U.S. These are foods that cannot be sold due to packaging damage, expiration or discontinuation. (The box may be dented, for example, but the product inside is still perfectly safe. Sell-by-dates, meanwhile, don’t mean the product will be bad; they are simply a recommendation for maximum freshness.) In 2012, we kicked off a pioneering partnership with Kroger, a leading supermarket chain in the U.S., for Kellogg retail store representatives to collect damaged or expired Kellogg snacks and send them to Feeding America.

# HUNGER RELIEF

## Case Study: From Food Waste to “Food Rescue,” cont.

In the past, and in accordance with industry practice, any of our direct store delivery, or DSD, foods that were damaged or expired at the retail end would have been destined for disposal. Now, however, in conjunction with Kroger, we’re reclaiming these unsaleable goods and sending them to Feeding America. We were the first company to initiate a process that allows the store to donate products distributed through DSD. We have expanded this program to many other retailers in the U.S.

We’re also partnering with other retailers and food manufacturers through the Food Waste Reduction Alliance Project, which is providing industry support to reduce food waste while increasing food donations.

### Reducing “Unsaleables” at U.S. Retail Stores

We’re focused on reducing waste from “unsaleables” at the retail end. In the past, damaged or expired products were thrown away. Because we typically have to credit retailers for part of the cost of unsaleable products, we have an interest in minimizing the waste of them. To address the issue, we conduct more than 100 week-long audits annually at customers’ warehouses and retail stores throughout North America to determine where we can improve our performance related to these unsaleable goods. Over the past decade, unsaleables have dropped by nearly 50 percent in many of our businesses, resulting in about 20 million fewer packages of food wasted annually. Our company’s unsaleables policy encourages retailers that receive our products via warehouse deliveries to donate any unsaleable Kellogg foods to Feeding America.