



Kellogg's[®]

"Bringing Our Best To You"



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Welcome

For more than 100 years, corporate responsibility has been at the foundation of Kellogg Company and a key part of our heritage and culture. We are pleased to share with you this executive summary of Kellogg's first global Corporate Responsibility Report. This summary highlights key issues addressed in our full report, a 70-page document available in PDF at www.kelloggcompany.com/CR. The full report details our corporate responsibility approach, priorities and targets, and provides a baseline performance review. We hope this summary is useful to our stakeholders, including our consumers, employees, customers, investors, business partners, community members, and governmental and nongovernmental organizations.

This summary and the full report cover Kellogg's wholly and majority-owned operations, and complement other information about Kellogg available on our company Web site (www.kelloggcompany.com) and our nutrition Web site (www.kelloggnutrition.com). Data in this summary are for 2007, except as noted.

Our full Corporate Responsibility Report was developed according to the Global Reporting Initiative (GRI) G3 Guidelines, which provide a recommended framework and indicators for reporting. The full report met a GRI-checked application level of "B." More information on the G3 Guidelines and application levels is available at www.globalreporting.org.



Executive Statement

W.K. Kellogg put his signature on every package of cereal to express his personal pledge to quality and nutrition. In doing so, he began building trust in the Kellogg brand. A century later, our vision is to be the food company of choice.



Jim Jenness
Chairman of the Board

David Mackay
President and CEO

Kellogg Company was founded to provide high-quality, nutritious and great-tasting food. W.K. Kellogg put his signature on every package of cereal to express his personal pledge to quality and nutrition. In doing so, he began building trust in the Kellogg brand. A century later, our vision is to be the food company of choice. But with so many choices available, why should consumers choose Kellogg? We believe it still comes down to trust.

Our brand is our promise. It says consumers can count on us to provide consistently high-quality, delicious and wholesome food.

More and more, consumers also trust companies like ours to care about the things they care about. Beyond the product itself, this includes a wide range of social and environmental concerns that arise in our value chain, such as the impacts of agriculture and food processing on climate change, water availability and energy use, as well as food safety. Consumers are also increasingly concerned about global issues like malnutrition, obesity, public health and access to clean water and nutritious foods. We also face higher expectations from our customers, investors and communities.

We must confront and address this growing range of issues with humility and creativity, making responsible choices. We know that our stakeholders look at the choices we make in deciding whether to choose us.

We manage our company for long-term, sustainable growth using a proven business strategy. We avoid fads and short-term thinking and set realistic targets. We are committed to innovation and to measuring our progress in achieving it. Kellogg has defined a set of values that truly do guide the day-to-day choices and actions of employees at all levels of the company.

All of these elements of our culture, which are fundamental to how we do business, are also drivers of corporate responsibility. They have inspired us to take significant actions on key issues, as described in this report. These actions include an industry-leading pledge on marketing to children, a pioneering move to provide consumer-friendly nutrition information on the front of food packages, and the establishment of ambitious environmental goals.

Our Corporate Responsibility Strategy

In 2008, we began a process that uses our heritage and culture as a solid foundation on which to build a systematic and comprehensive corporate responsibility strategy. Our first Corporate Responsibility Report, which this publication summarizes, provides a look back at our performance in 2007 and part of 2008, as well as a glimpse of our direction and priorities as we move forward.

Providing a transparent and comprehensive account of our goals, our actions, our achievements and our areas of opportunity is the right thing to do – and in keeping with



W.K. Kellogg's vision for the company he founded. W.K. Kellogg's passion, vision and values inspire and guide us as we examine our role and responsibilities in managing an increasingly complex global business and value chain, minimizing our negative impacts and contributing positively to tackling global challenges.

Risks and Opportunities

Developing and implementing our corporate responsibility strategy will strengthen our business and our long-term sustainability. Intensive use of limited natural resources – including clean water, fertile land and fossil fuels – has driven up the cost of the basic inputs to our business, while the interconnections between markets for energy and food are becoming more evident. Nutrition issues, including hunger, obesity and the role of food in contributing to and preventing disease, have taken center stage in public discussion. The globalization of food markets and supply chains has heightened concerns about human rights, food safety and the impacts of transporting foods.

These issues pose both risks and opportunities for Kellogg. As a company with deep expertise in nutrition, we are in a position to expand nutritious food choices for consumers. We see tremendous potential for growth in developing markets. Deepening our understanding of corporate responsibility issues and stakeholder concerns will allow us to take greater advantage of opportunities and challenges created by global markets. Implementing our corporate responsibility strategy will also help to improve the efficiency of our

operations and avoid risks to our reputation. At the same time, we believe our strategy will benefit our consumers and the communities in which we operate.

We have begun the process of defining goals, targets and performance indicators for our key issues. As we move through the process, we will reach out to stakeholders to understand their perspectives and involve them in charting our response to operational and global issues. With a disciplined and thoughtful approach, our strategy will enable us to make decisions about these key issues and create value for our consumers, our customers, our employees, our investors and the environment upon which we all depend.

We are pleased to report on our efforts so far. We welcome your feedback (corporateresponsibility@kellogg.com), and look forward to sharing our progress with you in future reports.

A handwritten signature in black ink, appearing to read "Jim Jenness".

Jim Jenness
Chairman of the Board

A handwritten signature in black ink, appearing to read "David Mackay".

David Mackay
President and Chief Executive Officer

Company Profile

With 2007 sales of nearly \$12 billion, Kellogg Company is the world's leading producer of cereal and a leading producer of convenience foods, including cookies, crackers, toaster pastries, cereal bars, frozen waffles and vegetable-based meat alternatives.



"Our 32,000 employees around the globe are committed to our consumers, customers and communities."

David Mackay, President and CEO

32,000*	Employees worldwide
180	Countries where our products are marketed
19*	Countries where our products are manufactured
59*	Manufacturing facilities
\$11.8 billion	2007 net sales
\$1.1 billion	2007 net earnings
7 percent	2007 shareholder return
\$2.76 per share	2007 diluted earnings per share
\$1.03 billion	2007 cash flow
\$9.908 billion	2007 operating costs
\$472 million	2007 capital expenditures
\$444 million	2007 income taxes
\$36.8 million	2007 community investments

**2008 data*

Data in the company profile section is in U.S. dollars.



Kellogg Company Around the World



Kellogg products are manufactured in 19 countries and marketed in 180 countries around the world. Kellogg is a publicly traded company headquartered in Battle Creek, Michigan.



Governance and Strategy

Good governance and sound ethical practices are essential to a company's success. They help build trust with investors, customers and other stakeholders, and provide the foundation for a well-run company. At Kellogg, they also provide the foundation for our evolving corporate responsibility strategy.

Kellogg's Corporate Responsibility Governance and Management

Corporate responsibility governance is an important role of our Board of Directors, which operates through six committees composed of independent directors. We established a Social Responsibility Committee of the Board in 1979. Recently, the Committee updated its charter to specifically include corporate responsibility. The Committee now oversees aspects of our corporate responsibility approach, including our community investment strategy and initiatives, diversity, equal opportunity matters, nutrition and regulatory affairs, environmental protection, ethical business conduct, consumer affairs, and the development of our corporate responsibility strategy and the preparation of this report. Other committees of the Board address corporate responsibility issues as well. For example, the Audit Committee reviews various environmental issues. The Board, as a whole, also addresses key issues discussed in this report, including many relating to health and nutrition.

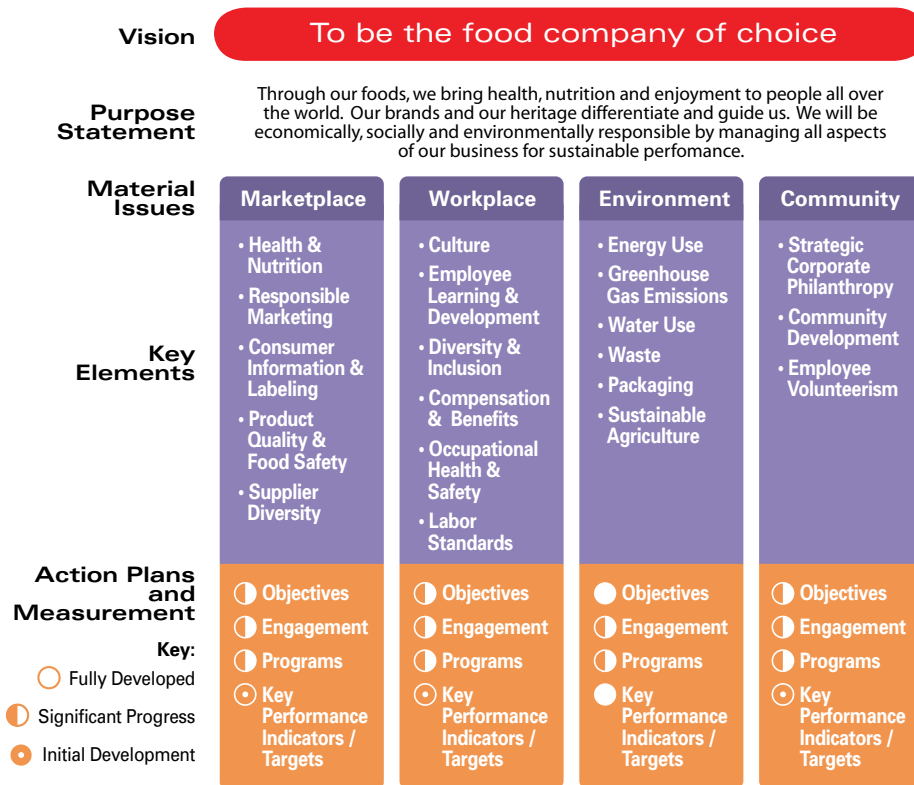
We recently established a new structure for corporate responsibility management at Kellogg, including the new position of chief sustainability officer, who reports to the CEO. Through this structure, we will drive initiatives across our business units and gather input on important regional issues.

A Global Code of Ethics guides the business practices of all Kellogg employees worldwide. During 2007, 13,122 employees received annual Compliance and Ethics training, which was conducted in 13 languages.

Our Evolving Corporate Responsibility Strategy

To help us respond to the risks and opportunities posed by the changing expectations of our stakeholders, we have begun to develop a more comprehensive corporate responsibility strategy.

Corporate Responsibility Strategy Framework



As a first step, we identified the range of issues that occur across Kellogg’s value chain (see the figure on page 10) and then conducted a materiality analysis to determine which are most relevant to the company and its stakeholders.* In our analysis, the issues that ranked highly for societal interest and concern and impact on Kellogg included food quality and safety, health and nutrition, climate change and energy use, and consumer information and labeling. The full set of material issues were grouped into four areas that form the structure for this report and the further development of the strategy: marketplace, workplace, environment and community (see figure above).

To better understand best practice in addressing the key issues identified, we benchmarked the approaches of industry peers and leading companies in other sectors. In an interactive workshop in June 2008, our Global Leadership Team reviewed the issues and our current positioning and agreed on where they would like to see the company

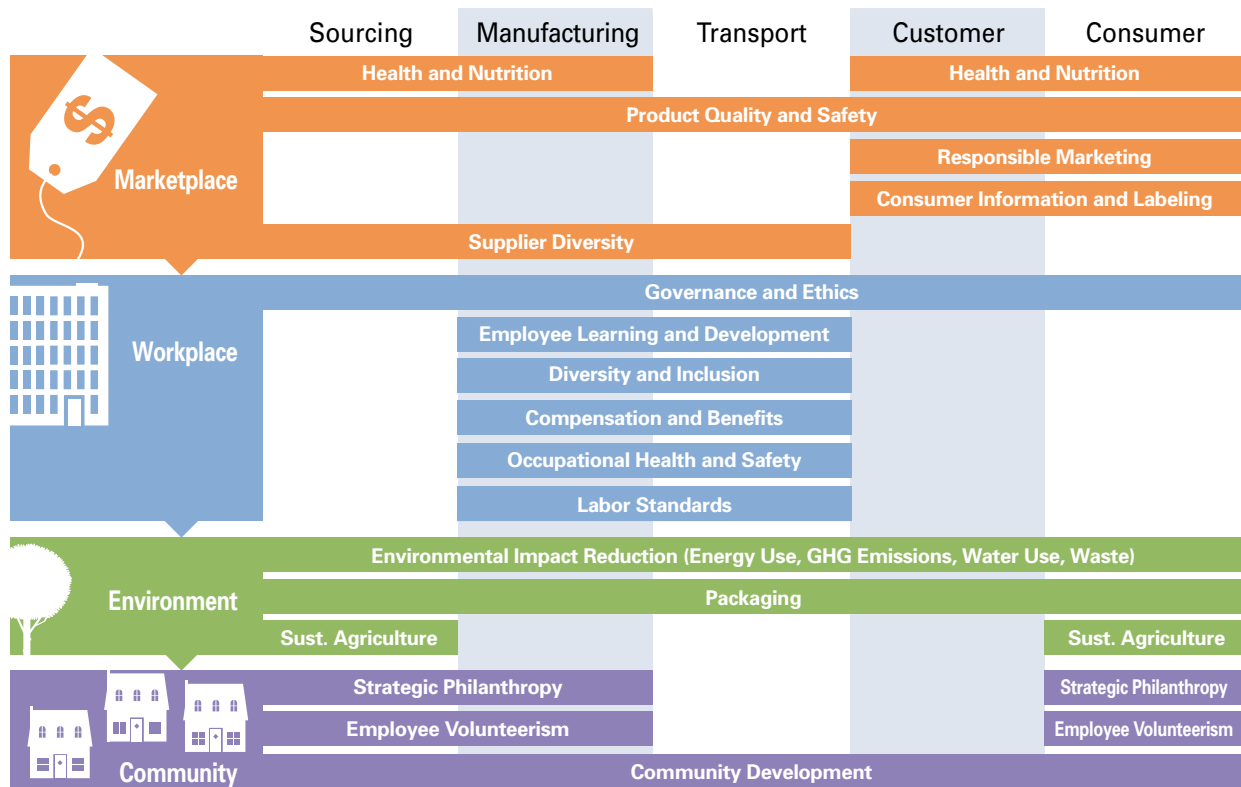
positioned in five years, as a way to set direction for the development of more detailed plans. As an example, one of our ambitions in the marketplace arena is to “continue to advance our efforts as a trusted leader in creating ethical and responsible marketing standards and ensure that our consumers have access to all the information necessary to make healthy and informed choices.” Our full report outlines our ambitions in the areas of marketplace, workplace, environment and community.

The next steps in our strategy development process are to identify overall objectives, actions needed to achieve the objectives and goals and key performance indicators for each of the issues. We have completed these steps for the environmental area and are working to do the same in the other key issue areas (see figure above). We will update our progress in future reports. In addition, we intend to expand our stakeholder engagement efforts to be more comprehensive and systematic.

*Materiality is a familiar concept in financial accounting that has recently been applied to corporate responsibility as a way to focus a company’s efforts on those issues that pose the most significant risks and opportunities. Our full report discusses our materiality analysis in more depth.

Corporate Responsibility Across the Value Chain

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



Progress and Performance

The table below identifies current activities at Kellogg in our key corporate responsibility areas, along with future plans, challenges and our current performance. We look forward to advancing our corporate responsibility strategy and performance across our company.

Marketplace

Where we are

- ▶ Acquisitions to expand healthful products (e.g., Bear Naked, Kashi, Gardenburger)
- ▶ Development and roll-out of Kellogg Global Nutrient Criteria (KGNC)
- ▶ Development and expansion of consumer-friendly Guideline Daily Amount labeling
- ▶ Product reformulations (meeting KGNC, eliminating trans fats, etc.)
- ▶ Enhancement and expansion of healthy lifestyle and fitness messaging in product marketing
- ▶ Enhancement of food quality and safety strategy
- ▶ Increased spending on supplier diversity

Where we are going

- ▶ Expand strategy for consumer information, education and transparency
- ▶ Expand consumer engagement around health and nutrition in new markets
- ▶ Evaluate and improve effectiveness of health and nutrition education programs
- ▶ Expand responsible sourcing program; engage with suppliers
- ▶ Meet increased supplier diversity spending targets
- ▶ Develop Marketplace Key Performance Indicators and targets

Key challenges

- ▶ Addressing global health challenges including obesity, malnutrition, diabetes, heart disease
- ▶ Innovating and reformulating products to address health concerns while maintaining great taste
- ▶ Balancing popular perception about nutrition with validated science
- ▶ Managing product safety within a global supply chain

Performance*

- ▶ Insight Investment ranked Kellogg first among U.S.-based global food companies in responsiveness to obesity
- ▶ Compliance with commitment to shift products marketed to children under 12 to only those that meet the KGNC
- ▶ More than 95 percent of portfolio converted to 0 grams trans fat per serving
- ▶ Diverse supplier spending at 5.8 percent, up from 1.9 percent in 1999

Workplace

- ▶ Global Code of Ethics and Code of Conduct for Manufacturing for suppliers
- ▶ Comprehensive Code of Ethics training
- ▶ Recognized excellence in corporate governance
- ▶ *K Values*™ training
- ▶ Periodic culture survey
- ▶ New learning curriculum and business leader model
- ▶ Investments in diversity and inclusion programs and initiatives
- ▶ *Feeling Gr-r-reat*™ wellness program
- ▶ Continuous improvement in occupational safety

- ▶ Continue to engage employees and provide learning and development opportunities to create talent powerhouse
- ▶ Invest further in diversity and inclusion programs and recruitment to build a work force that is representative of consumer demographics
- ▶ Develop Workplace Key Performance Indicators and targets

- ▶ Ensuring that we continue to build a diverse and inclusive employee population
- ▶ Ensuring that human resource investments continue to drive culture of innovation
- ▶ Progress toward ultimate goal of zero illnesses and injuries on the job
- ▶ Ensuring that labor standards are met by suppliers

- ▶ Award in recognition of the *Feeling Gr-r-reat*™ program
- ▶ Outperforming comparable companies in employee engagement benchmark
- ▶ Multiple recognitions as a leading company for diversity and inclusion
- ▶ Total Recordable Injury Rate 47 percent lower than industry average

Environment

- ▶ New senior management structure overseeing environmental sustainability
- ▶ 15-20 percent reduction targets for greenhouse gas emissions, energy use, water use and waste (per metric tonne of food using a 2005 baseline)
- ▶ Industry partnerships to drive sustainable packaging
- ▶ Multi-stakeholder partnerships to define sustainable agriculture

- ▶ Embed environmental sustainability practices throughout company
- ▶ Implement multiple efforts in facilities worldwide to achieve reduction targets
- ▶ Expand internal networks to share best practices company-wide
- ▶ Ensure new acquisitions meet environmental policies
- ▶ Explore ways to encourage and support sustainable agriculture
- ▶ Identify cost-effective alternative energy options

- ▶ Finding new markets and infrastructure to increase re-use and recycling of waste streams
- ▶ Understanding potential impact of climate change on our food ingredient supply

- ▶ 4.5 percent decrease in energy use since 2005**
- ▶ 4.0 percent decrease in CO2 emissions since 2005**
- ▶ 6.9 percent decrease in water use since 2005**
- ▶ 5.9 percent increase in waste generated since 2005 (though a 6.6 percent decrease from 2006 to 2007)**

Community

- ▶ Founding member of Global FoodBanking Network
- ▶ Significant contributions of food to hunger and disaster relief programs
- ▶ Exemplary support for United Way efforts in communities where we operate
- ▶ Volunteer incentive program

- ▶ Focus even more strategically on the communities in which we operate
- ▶ Place even greater emphasis on those programs that align with our objectives as a global food company
- ▶ Gain a deeper understanding of communities that are new to Kellogg
- ▶ Develop Community Key Performance Indicators and targets

- ▶ Developing methods to evaluate the impact of strategic philanthropy programs
- ▶ Finding ways to affect and reduce the growing problems of obesity and malnutrition

- ▶ More than \$40 million in cash and \$120 million in products donated over last five years
- ▶ Increased United Way contributions by more than \$2 million since 2003

*All data is global unless noted **Per metric tonne of food



Marketplace

Kellogg is committed to providing high-quality foods that satisfy a diverse range of consumer needs and tastes. With more than 1,500 products sold in 180 countries, we strive to meet our consumers' desires while taking into account broader societal concerns about health and nutrition, product quality and food safety.

Health and Nutrition

We believe that all foods can have their place in a diet, with balance and moderation. Exercise and a well-rounded dietary approach are integral to a healthy lifestyle. These concepts underpin our Global Nutrition Policy, which outlines our commitments to our consumers.

Our product portfolio is as diverse as our international consumer base and can help consumers better manage their particular dietary needs. We offer lower-fat and lower-salt foods, portion-controlled options and items with reduced calories and sugar content. Many of our innovations respond to specific health concerns, with products supportive of brain health, heart health, digestive health and weight management.

In December 2005, in response to growing evidence linking trans fats to heart disease, we announced a plan to eliminate or reduce trans fatty acids from our products worldwide. By the end of 2007, more than 95 percent of our portfolio worldwide – including all of our wholesome snacks and ready-to-eat cereals and most of our crackers – had been converted to 0 grams trans fat per serving.* To coincide with these efforts, we began investing in new technologies and alternatives to trans fats.

Responsible Marketing

We are committed to marketing and communicating about our brands in a responsible, truthful and transparent manner, allowing consumers to make informed choices.

In June 2007, in what many viewed as an industry-leading approach, we announced new nutrition standards, called the Kellogg Global Nutrient Criteria (KGNC), to determine which products will be marketed to children. Products that do not meet the Nutrient Criteria will not be advertised to children under 12 or will be

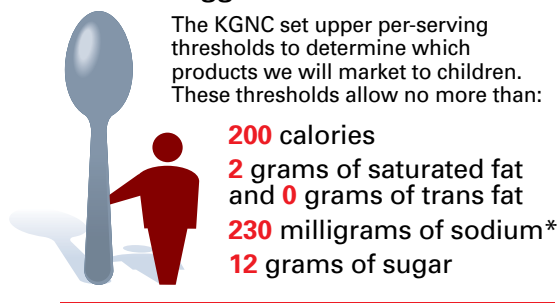
**The Food and Drug Administration has determined that amounts of less than 0.5g per serving are dietetically insignificant for all fats, including trans fat, and should be declared as "0g" trans fat per serving on the Nutrition Facts panel. As a result, consumers may see products that list 0g trans fat on the label, while the ingredient list still shows "partially hydrogenated oil."*

reformulated to meet the Nutrient Criteria by the end of 2008. (Our prior guidelines already prohibited advertising to children under the age of six.)

When we announced our new standard, about half of the products we marketed to children worldwide did not meet the criteria. Since then, we've worked hard to introduce new products that do meet the criteria and reformulate existing ones by reducing sugar, salt, fats, and adding other grains. Today, for example, U.S. versions of *Rice Krispies*®, *Cocoa Krispies*®, *Corn Pops*® and *Apple Jacks*® meet or exceed the KGNC.

By the end of 2008, the majority of our products currently marketed to children will meet the new KGNC. Those that do not meet the criteria will no longer be marketed to children under the age of 12.

Kellogg Global Nutrient Criteria



Our Worldwide Marketing and Communication Guidelines, which we recently updated to reflect our latest additional commitments, continue our heritage of responsible business practices. They cover online and established media, in-school activities, licensed property use, contests and promotions, as well as related areas of privacy protection, e-commerce and digital media. We are taking significant steps to limit access by children under 12 to the Web sites of brands that don't meet the KGNC. For example, in 2009, we will be adding age screening and/or parental consent features.

Consumer Information and Labeling

In February 2005, we became the first company to voluntarily introduce nutrition information labeling – in the form of Guideline Daily Amounts, or GDAs – on the front of

cereal packaging. GDAs were designed to provide simple, at-a-glance information about a product and where the food might fit in a consumer's daily 2,000-calorie diet. The labels include per-serving percentages of calories, total fat, sodium and total grams of sugar. This fact-based, front-of-pack labeling system, which complements the more detailed nutrition and ingredient labels found on the side or back panels of packages, also identifies the nutrients consumers typically need more of, such as fiber, calcium and potassium, among others.

The GDAs were introduced in the United Kingdom and then rolled out in Europe and Australia, where they were also adopted by many other major international food manufacturers and retailers. In 2007, we extended the labeling program to the United States, Mexico, Canada and South Korea. Further expansion continued in 2008 to South Africa and Latin America.

Nutrition education is an important part of what we do, and we have a long history of proactively encouraging health and fitness. For example, we have developed active, school-based nutrition programs in the U.S., Canada, Denmark and Sweden.

The Importance of Breakfast

As the world's leading producer of cereals, Kellogg understands the importance of breakfast for people of all ages, especially children. Scores of studies around the globe have consistently shown that kids who eat breakfast have more physical and mental energy than those who do not. Breakfast eaters are also more likely to have healthier body weights, greater vitamin and mineral intakes and better memory skills.

Pre-sweetened cereals have been demonstrated to be a good source of vitamins and minerals for children. Research shows that children who eat a cereal breakfast, including pre-sweetened cereal, have lower BMIs (body mass index) and better nutrient content in their diets. According to the National Health and Nutrition Examination Survey, less than five percent of the sugar consumed by U.S. children comes from ready-to-eat cereals. And the 2005 U.S. Dietary Guidelines note that small amounts of sugar can improve the taste of nutrient-dense foods that might not otherwise be consumed.

* 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 percent of the sodium is attributed to the leavening agent necessary to the functionality and form of the food.



Product Quality and Food Safety

The quality and safety of our foods is a top priority at Kellogg. Managing the integrity of more than 1,500 products requires extensive coordination across our global operations, from the sourcing of raw materials to manufacturing, packaging and distribution. The globalization of the food-supply chain in the 21st century has made food safety particularly challenging.

At Kellogg, we don't view food safety as a competitive issue. When one food company experiences a product safety problem, consumers lose confidence in the entire industry. We actively engage with other food manufacturers and industry groups to ensure that we are in line with best practices to produce the safest products for consumers.

We have a comprehensive and robust quality model to ensure product safety. The elements of the model include:

- ▶ internal training programs
- ▶ internal and supplier audits
- ▶ periodic product testing
- ▶ environmental pathogen monitoring
- ▶ allergen controls
- ▶ labeling verification systems

In 2007, Kellogg's supplier diversity program was recognized with prestigious awards from four organizations:

DiversityBusiness.com

America's Top Organizations for Multicultural Business Opportunities

Michigan Hispanic Chamber of Commerce
Corporation of the Year

Michigan Minority Business Development Council
Corporation of the Year

Native American Business Alliance
Advocate of the Year

- ▶ recall procedures and traceability programs
- ▶ benchmarking of industry best practices

Our full report, available at www.kelloggcompany.com/CR, discusses these elements in detail.

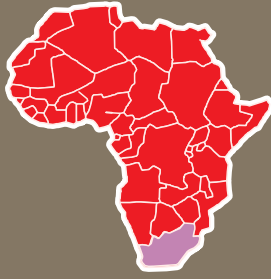
Supplier Diversity

More than 20 years ago, we began a supplier diversity program in the U.S. to increase our use of supplier companies that are owned by women and minorities. Today's program includes suppliers representing more than 300 businesses owned by minorities, women and disabled veterans in the U.S. Our Million Dollar Club, which recognizes those diverse companies from which we purchase more than \$1 million in goods and services, has grown from 14 companies in 2001 to 49 in 2007. We have seven companies in our

Platinum Club, recognizing diverse companies with which we spend \$10 million or more per year.

We are also working with our suppliers to ensure that they create opportunities for sourcing from diverse suppliers. We began tracking our second-tier diversity supplier spend in 2005.





Mini, whose first name means 'daytime' in Zulu, has had a successful and fulfilling 17-year career in Kellogg's human resources department in Johannesburg. It's a far cry from his apartheid-era boyhood in the rural town of Ladysmith...."



Employee Engagement

South Africa is a nation of stark contrasts, with one of the greatest disparities between rich and poor of any country in the world. Half of South Africa's nearly 48 million residents live in poverty. Yet the country has never had a formalized mechanism for feeding the legions of hungry – until now.

In 2009, the Global FoodBanking Network, or GFN, will open the first of what will become a national system of food banks in South Africa. Kellogg Company has been a key donor and leader in the process. And Mini K. , director of organizational transformation for Kellogg's South African division, has been one of the primary drivers.

Mini, whose first name means "daytime" in Zulu, has had a successful and fulfilling 17-year career in Kellogg's human resources department in Johannesburg. It's a far cry from his apartheid-era boyhood in the rural town of Ladysmith, part of the KwaZulu-Natal province. Many evenings, he said, his mother would have nothing to cook for her seven children.

"My mother would build a fire, put on a pot of water to boil, and go to our neighbors to ask for food," Mini said. "I know what hunger is about."

When the GFN approached Kellogg in 2007 about spearheading the initiative, the project fell into Mini's lap. In the year that followed, he spent countless hours – both during the business day and on his own time – preparing to get the food banks up and running.

As a member of the GFN's Food Sourcing Committee, Mini has to liaise with supermarkets, restaurants, hotels and other companies to convince them to donate food that would otherwise be thrown away. The committee also encourages farmers to sell some of their produce to the GFN for use in the food banks.

A pilot food bank is expected to open in the city of Cape Town in the first quarter of 2009. Ultimately, the GFN plans to operate food banks in four cities and four rural communities.

For Mini, the project has struck a deeply personal chord. "Even when my formal working days are over, I will continue with the food bank," the 58-year-old said. "This is my torch."



Workplace

At Kellogg, we not only aspire to be the food company of choice, we want to be the employer of choice in the communities in which we operate. We seek to foster a safe, inclusive, values-driven workplace that develops and rewards employees for ethical behavior and sustainable results.

Culture

Kellogg's *K Values*[™] set us apart as a company and form the basis of our workplace culture. Kellogg employees at all levels take the *K Values*[™] seriously, and we refer to them regularly in our work. Most of our new employees take part in an orientation program – customized to each location – that includes training in the *K Values*[™]. In addition, employee performance reviews take into account an employee's adherence to and demonstration of the *K Values*[™]. In these reviews, employees self-assess and are rated by their managers regarding not only *what* they accomplished during the review period, but *how* they accomplished it – that is, how well they put the *K Values*[™] into practice in achieving the required accountabilities.



Diversity and Inclusion

Kellogg seeks to maintain a work force that is diverse in terms of gender, sexual orientation, age, culture, ethnicity, geography, experience, skills and work styles, reflecting the consumers we serve. We have had a specific Diversity and Inclusion initiative for about 10 years, and in 2005 the company made the decision to accelerate its efforts by creating an Office of Diversity and Inclusion and a diversity and inclusion plan. As part of the plan's implementation, an Executive Diversity and Inclusion Council – sponsored by CEO David Mackay and consisting of 18 executives from across the company – was created in late 2007.

We offer diversity and inclusion training to build awareness, competency and business acumen among our employees. Our Global Leadership Team has undergone diversity and inclusion training. And in 2008, more than 50 diversity and inclusion training sessions were offered to Kellogg employees in the U.S. alone.

We have five Employee Resource Groups (ERGs) in the U.S. – one each for African-American, female, young professional,

Global Workplace Safety

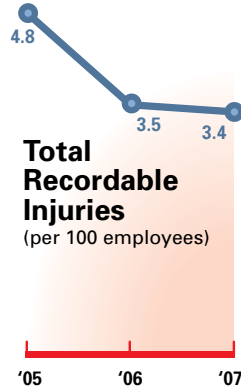
Latino and multinational employees. The ERGs are involved in recruitment, orientation of new employees, professional development, networking, retention and cultural awareness. While the company and executive leaders sponsor and support the groups, participation is voluntary and open to all interested employees.

We are working to improve diversity within our company and believe that our diversity and inclusion plan has set us on the right path. Our efforts thus far have been recognized by several independent organizations.

Occupational Health and Safety

Nothing is more important than the health and safety of our employees. Safety performance improvement goals are included in each sector of our business. Although our long-term goal is zero injuries, a 15 percent reduction is our yearly target for continuous improvement. In 2007, Kellogg's Total Recordable Injury Rate was 47 percent lower than the food industry average. Four of our facilities in 2007 did not experience a recordable injury and 10 did not record any lost work day cases.

2005-2007



Total Recordable Injuries
(per 100 employees)



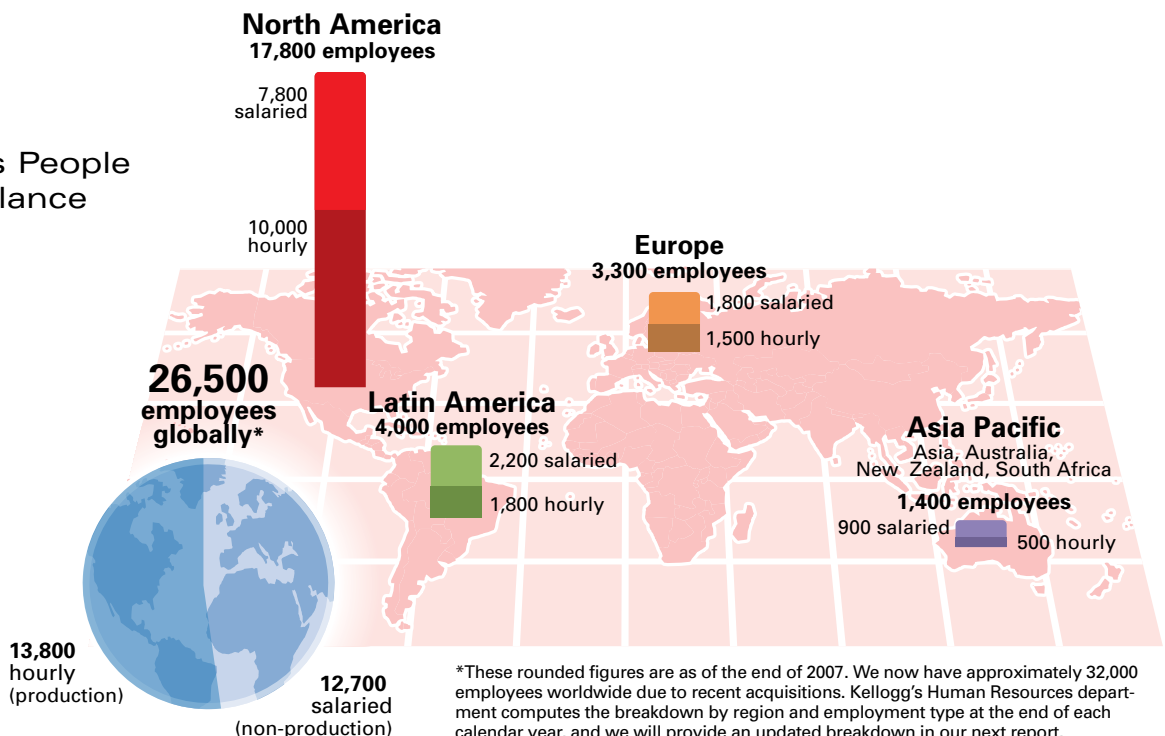
Lost Time Injuries
(per 100 employees)

Labor Standards

Kellogg maintains high labor standards at all of our manufacturing and distribution locations around the globe, including but not limited to: a safe work environment, adherence to compensation and employment laws and regulations, access to freedom of association, and freedom from child labor or forced labor. Kellogg conducts regular audits at its manufacturing and distribution locations to ensure adherence to regulatory requirements and Kellogg policies in such areas as compliance with payroll requirements, grievance processing, benefit administration, and so forth.

Kellogg suppliers must comply with all labor laws in the country of origin, as well as with our Global Code of Ethics, which contains prohibitions against child labor, forced labor and corporal punishment that may go beyond local laws. Each of our suppliers must also agree to follow the Kellogg Code of Conduct for Manufacturers and maintain a Social Accountability program, setting forth a policy for compliance regarding working conditions.

Kellogg's People at a Glance



Environment

For Kellogg to be the food company of choice, we must make responsible choices relating to the environmental issues relevant to our business. Toward that end, we have set ambitious environmental goals in the areas of energy use, greenhouse gas (GHG) emissions, water use and waste and implemented initiatives aimed at achieving these goals.* We also recently reconfigured our management structure and updated and strengthened our Global Environmental Policy. We are also working with key external stakeholders – including industry associations, nonprofit organizations and government agencies – to further our achievement of these goals.** With these steps, we have positioned ourselves to make significant progress in the coming years.

Energy Use and Greenhouse Gas Emissions

Our use of energy for the manufacturing and transportation of our products is our most significant environmental impact. It contributes to resource depletion and the emission of greenhouse gases, which contribute to the pressing issue of anthropogenic climate change.

We have made measurable progress in reducing energy use and GHG emissions in recent years. The figures at right illustrate our performance since 2005. The data show that our overall energy use and carbon dioxide (CO₂) emissions increased in 2007, due to expansions in production. Nonetheless, our energy use and CO₂ emissions per metric tonne of food continued to decrease.***

We achieved these reductions through a variety of energy-efficiency projects in our facilities worldwide. For example:

Kellogg is targeting **15-20%**
REDUCTIONS in energy use, greenhouse gas emissions, water use and waste per metric tonne of food produced by 2015, working from 2005 baselines.***

**This section includes examples of a handful of these types of initiatives; more are described in our full report.*

***These partnerships are listed in our full report.*

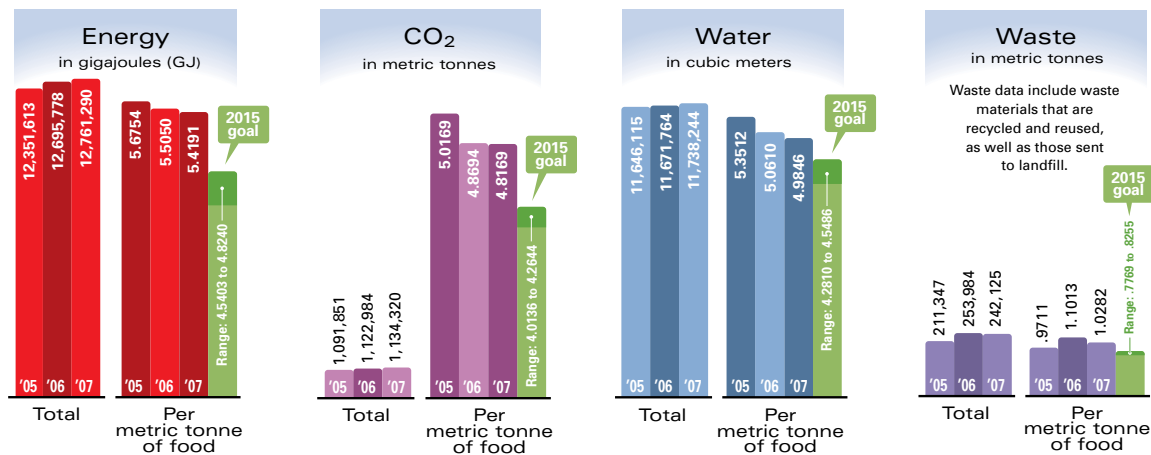
****"Metric tonnes of food" is a measurement of actual food product, not including packaging.*

*****Does not include contract manufacturing partners' facilities.*



Global Manufacturing Data 2005-2007

Environment Key Performance Indicators



- ▶ A lighting retrofit across multiple manufacturing and warehouse facilities in the U.S. and Canada has reduced lighting-related energy use by more than 25 percent since late 2005.
- ▶ In India, our manufacturing plant has reduced energy use per pound of product by 25 percent since 2006, through improved combustion efficiency in the plant's steam generation system and redesign of the wastewater treatment aeration system.

In October 2007, Kellogg's Manchester and Wrexham facilities in the U.K. began taking part in the EU's Emissions Trading Scheme (ETS). These facilities have met all ETS targets to date. In 2008, Wrexham may exceed its ETS target, but any increase will be offset by savings at the Manchester plant.

On the transportation side, our Global Logistics team has been aggressively working to deliver more products to market with fewer vehicles and less energy. For example:

- ▶ In England, Kellogg teamed up with the global health and hygiene company Kimberly-Clark and the supply-chain management company TDG in 2006 to consolidate shipments to retailers. The partnership is now saving the companies 270,000 miles and 30,000 gallons of diesel fuel and reducing their CO₂ emissions by 380 metric tonnes of food per year.
- ▶ In 2007, we decreased the amount of air space in cases of ready-to-eat cereal and increased the amount of product on each truck, thus reducing the number of vehicle miles required for distribution. This project saved approximately 74,000 gallons of fuel with the same unit volume of product.

Water Use

Sustainable water use is an issue of increasing global importance, and one we take very seriously. In our manufacturing facilities, we use water primarily for cleaning, but also to feed boilers, in cooling machinery and wet filtration systems and as a raw ingredient in our products. We are working hard to minimize our overall water use and our impacts on local water supplies in the communities in which we operate.

The figure above shows our performance since 2005. Our overall water use has risen in the past few years as we have increased production, but water use per metric tonne of food produced has continued to decrease.

The following are examples of specific efforts to curb water use:

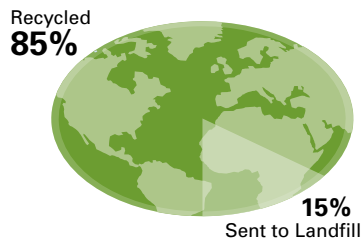
- ▶ Our plant in Querétaro, Mexico, saves more than 57 million gallons of water annually by reusing it for irrigation. In 2007, new, high-efficiency washing equipment was installed, which will save an additional seven million gallons annually.
- ▶ Our plant in Botany, Australia, has reduced its water use by 40 percent over the past five years by introducing high-efficiency spray equipment and capturing wastewater for reuse in non-product-contact areas, such as air exhaust filtration systems.

Waste

We define waste as materials leaving our facilities that are not part of a package of finished food. This includes materials designated for recycling, food waste that can be converted into animal feed and materials destined

Kellogg Global Recycling Rate, Manufacturing Facilities

for landfills and incinerators. As seen in the figure on page 19, we have succeeded in reducing both overall nonfood waste and nonfood waste per metric tonne of food produced in 2007, after experiencing an increase in both these measures in 2006.



Many of our waste-related initiatives have focused on increasing the recycling of waste products, which has a positive environmental effect but does not contribute toward our waste-reduction goal. For example, at our Bremen, Germany plant, 100 percent of food and nonfood waste is recovered for reuse or recycling or incinerated for energy generation (and only about one percent is incinerated for energy). The recycling infrastructure in Germany, driven by government regulation, enabled us to achieve this performance. Also, more than 95 percent of food and nonfood waste from our London, Canada plant is recycled.

In addition:

- ▶ From 2004 to 2006 we eliminated 25 million pounds of paper packaging through a project with our supply chain to reduce waste associated with bulk material shipping.
- ▶ In the U.K., at Kellogg's Talbot Road headquarters, the amount of waste sent to landfills decreased by 15 percent in 2007 through a variety of recycling and reduction initiatives.

Packaging

Kellogg's packaging protects our products, maintains freshness during transportation and in our customers' homes, and provides a means to communicate to consumers. Sturdy, good-quality packaging can actually help to prevent the waste of stale or damaged food. For all its benefits, however, packaging requires energy and natural resources to produce, and it can become a waste product if not recycled after the contents are consumed. While not included in our waste metrics, our packaging does represent a waste issue for society.

In 1906, the first box of *Kellogg's® Corn Flakes®* came off the assembly line packaged in 100 percent recycled paperboard, and Kellogg has used recycled board for most

of our products since that time. We are one of the largest users of recycled paperboard in the U.S. Today, almost all of Kellogg's cereal cartons are made of 100 percent recycled fiber, with at least 35 percent coming from consumer-recycled material.

We are committed to optimizing our processes and designs to reduce overall packaging and maximize the use of recycled content and recyclable materials. In 1994, we began source-reduction initiatives in all packaging categories. Since then, new goals for source reduction have been identified and achieved every year. We also aim to identify ways to increase the recycling of packaging material at the consumer level.

The following is one example of a recent packaging-reduction effort:

- ▶ In the U.S. in 2006, we eliminated more than 3,200 metric tonnes of packaging material (annual use) through multiple initiatives, one of which involved a reduction in the thickness of flexible packaging films in the cereal category. We reduced an additional 1,500 metric tonnes in 2007 by converting select corrugate cases to trays, reducing the size of certain cartons to improve the product-to-package ratio and optimizing film thickness in additional product categories.

Sustainable Agriculture

We remain in the early stages of understanding sustainable agriculture and how we can help promote its use. To learn more, we are actively participating in five sustainable agriculture-related, multi-stakeholder efforts (as noted in our full report). Through these and other activities, we aim to contribute to the development of industry expectations for sustainable agriculture and incorporate sustainable agriculture into our responsible sourcing standards. We are also seeking to contribute to the development of programs that ensure the sustainability of our food ingredient supplies; enable traceability for our primary ingredients from field to production; and identify links between agriculture and the nutritional content of crops. Our ultimate aspiration is to drive the intersection of sustainable agriculture with ingredient traceability and improved nutritional content for our primary food ingredients.



In Querétaro, Mexico, our employees undertook a complex project to restore a native plant species in protected areas around Peña de Bernal, the world's second-largest rock monolith."



Employee-Driven Environmental Initiatives

At Kellogg locations throughout the world, our employees are launching and taking part in initiatives that help us (and them) positively impact the environment.

In Querétaro, Mexico, for example, our employees undertook a complex project to restore a native plant species – the Desert Spoon, or *sotol* in Spanish – in protected areas around Peña de Bernal, the world's second-largest rock monolith. The project was coordinated by a Corporate Social Responsibility Committee in our Mexican business.

"An active social club at our Querétaro plant wanted to do an environmental project to give back to the community," explained Lulu I., coordinator of the Committee's environmental activities. "At the same time, we learned that Kellogg's Merchandising group wanted to undertake a project with Wal-Mart to raise money for a good cause, and the government wanted to replant *sotols* in this area to restore the native ecosystem."

In November 2007, Kellogg launched a Peña de Bernal promotion in Wal-Mart stores. For every two boxes of Kellogg snack bars sold, Kellogg donated funds for the restoration project. In this way, approximately \$200,000 pesos (\$20,000 USD) was raised and donated to the state government's Sustainable Development Office to purchase 15,000 *sotols* and train local citizens in their planting and care.

Then in June 2008, 150 Kellogg volunteers worked with community members to plant an amazing 5,000 *sotols* in one day. The day of planting ended with a meal of traditional Mexican dishes presented by the community to the volunteers. Lulu said the project was a very positive experience that they hope to repeat. "We are all starting to be more environmentally conscious and we want to do the right thing," she said.





Community

Our founder, W.K. Kellogg, was as passionate about his community as he was about his company, and his vision of a socially responsible business was well ahead of his time. His strong legacy of giving continues at our company today. We care about our communities and believe we have a responsibility to invest in them – whether we are donating products to the hungry, educating young people about proper nutrition or working to reduce global malnutrition.

Our charitable contributions and programs come from two primary sources: Kellogg Company and Kellogg's Corporate Citizenship Fund, a charitable corporate foundation. (The W.K. Kellogg Foundation, a separate and distinct entity, makes its own investments and is governed by its own independent Board of Trustees.)

Charitable Contributions

Funding to community improvement initiatives through **Kellogg's Corporate Citizenship Fund:**

Cash contributions

2005	\$7,700,000
2006	\$7,900,000
2007	\$7,800,000

In-kind contributions*

2005	\$23,000,000
2006	\$27,100,000
2007	\$25,000,000

Brand philanthropy**

2006	\$3,900,000
2007	\$4,000,000

**In-kind contributions are typically products that are too close to sell-by dates to be marketable, but are still high quality and nutritious. Annual product donation totals fluctuate yet, are consistently in the range of \$20 million to \$30 million. These products are valued at cost of goods sold.
**Data not available for 2005.*

Strategic Corporate Philanthropy

We partner with a variety of service and nonprofit organizations to provide financial support, food and other resources to improve the communities where we operate – and beyond. In the last five years, Kellogg's Corporate Citizenship Fund has contributed more than \$40 million in cash and \$120 million in products to nonprofits and charitable organizations around the world.

We designed our philanthropic strategy to align with our business goals. As a food company – and one with a 100-year heritage of nutrition leadership – it makes good sense for us to focus on programs that target nutrition and physical fitness. A list of the programs we support is included in our full report. While we emphasize nutrition and physical fitness, we also support initiatives that improve community development and expand opportunities for people of diverse backgrounds.

Community Development

We strive to make a difference in the communities where we operate, and we assist organizations that address community economic and social development. One of our largest company-wide efforts focuses on United Way and is sponsored by our senior executives. We have supported United Way for years through corporate contributions and dollar-for-dollar matches of employee and retiree donations. In 2008, Kellogg pledged \$5.3 million to campaigns that will benefit 30 U.S. communities. We have increased our United Way contributions by more than \$2 million since 2003.

Each year, Kellogg also supports United Way Days of Caring by encouraging and arranging volunteer opportunities for our employees. In 2008, more than 1,800 Kellogg employees participated in service projects in their communities, building homes and playgrounds, distributing food to families and preparing meals at homeless shelters, among many other efforts.



In 2008, United Way honored Kellogg with the prestigious

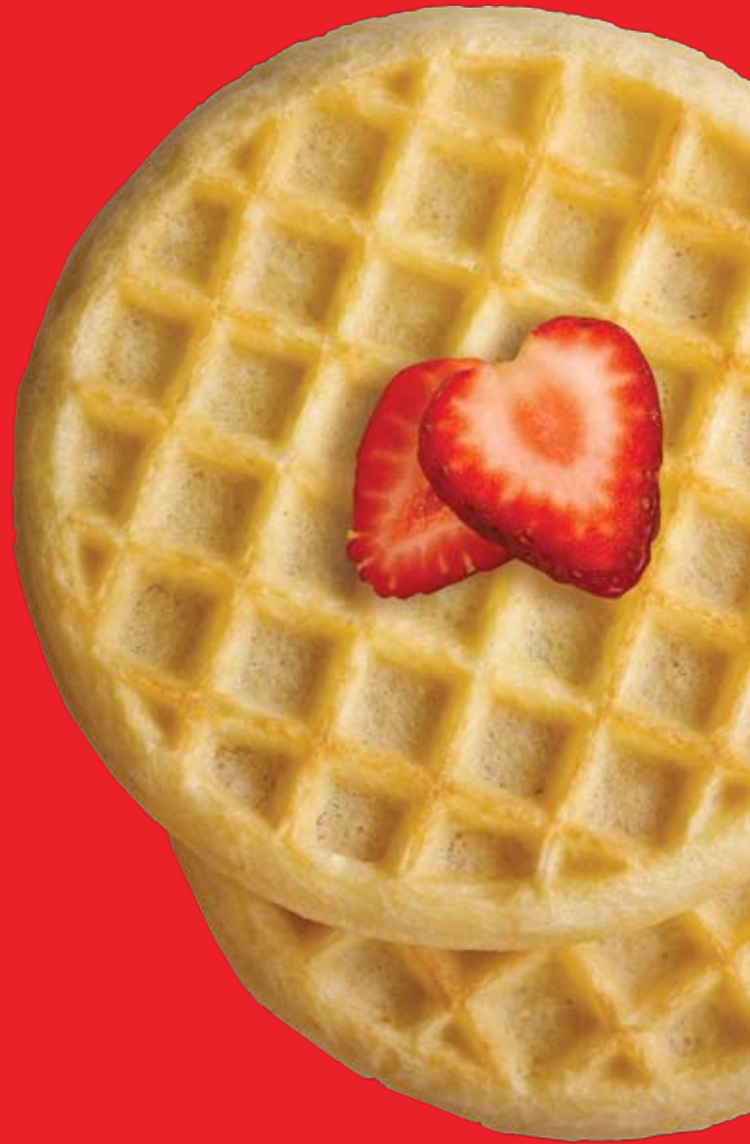
Spirit of America® Summit Award

for exemplary work in corporate philanthropy and for our support of the organization's fundraising and volunteer initiatives within local communities.

The previous year, Kellogg received United Way's

Employee Community Investment Summit Award.





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