

2010 PROGRESS REPORT ON

**DIVERSITY**

AND

**INCLUSION**

Our diversity strengthens us. Our inclusion advances us.™



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# WELCOME

Welcome to Kellogg Company's second-annual Progress Report on Diversity and Inclusion. In this report, you'll read about the importance of diversity and inclusion to our business success, our diversity and inclusion strategy and its implementation, our diversity-related training, the activities of our six Employee Resource Groups and our efforts to support diverse suppliers, among many other topics.

Diversity for Kellogg is a journey—a journey we've been on for a long time, and on which we continue to make progress. We hope you enjoy reading about our efforts thus far.





## EXECUTIVE MESSAGE

Diversity and inclusion have long been important to me. I have the privilege of serving as chair of Kellogg Company's Executive Diversity and Inclusion Council and as executive sponsor of the Kellogg Multi-national Employee Resource Group—roles I've held since 2010 and 2006, respectively.

At Kellogg, we know that our customers and consumers expect us to embrace diversity and inclusion. Even more important, we expect it of ourselves. Embedded into our *K Values*™—the values that guide our work at Kellogg every day—is respect for a diversity of backgrounds, experiences, approaches and ideas.

We also know that diversity and inclusion aren't just abstract, "feel-good" concepts; they are a business imperative. Diversity is key to succeeding in an increasingly competitive global marketplace. A diverse workforce is more adaptable to change, more innovative and more open to new ideas. It's also aligned with what our increasingly diverse consumers want and need. At the same time, an actively inclusive and respectful work environment, where each employee feels like a valued part of the team, promotes employee engagement, retention and productivity—all of which ultimately contribute to the bottom line.

Our goal is to have a workforce that reflects the diversity of our consumer base. We know we aren't there yet. We have made good headway in recent years, and our efforts have been publicly recognized by a number of organizations.

In 2010, for example, we were named one of the 25 noteworthy companies for diversity by *DiversityInc*, and one of the 100 best companies for working moms by *Working Mother* magazine. In 2011, we were

recognized for the first time in the Human Rights Campaign's "Best Places to Work for LGBT Equality," due to a perfect rating of 100 in their Corporate Equality Index. (The Human Rights Campaign (HRC) is the leading lesbian, gay, bisexual and transgender (LGBT) civil rights organization in the United States.) This recognition also gave us positive positioning in the HRC's "Buying for Equality" shopping guide, which is downloaded by nearly a million consumers annually.

Increasingly, we are involving our six employee affinity groups—called Employee Resource Groups, or ERGs—in business-focused activities. For example, our African-American and Hispanic ERGs assisted with market research in 2010 to help us better understand how to engage with and promote our products to these consumer segments.

We're also proud to be supporting diversity outside of our own walls, through our supplier diversity efforts and our support of scholarships for women and people of color. In 2010 we spent \$425 million on goods and services from minority- and women-owned businesses and contributed nearly \$350,000 to diversity-related organizations, primarily to fund scholarship programs that include diversity as a criterion.

We're pleased with our diversity and inclusion efforts thus far, and we're steadfastly focused on making continued headway.

### **John Bryant**

*President and Chief Executive Officer, Kellogg Company  
June 2011*



## MESSAGE FROM THE OFFICE OF DIVERSITY AND INCLUSION

Workforce diversity—for Kellogg and for most long-established, U.S.-based companies—has been a journey of continuous change. Throughout our 100+ year history, we have made significant strides toward the more equitable inclusion of women, people of color, LGBT individuals and the disabled in our workforce. Our goal is to mirror the diversity of our consumers, and we are making progress.

About 10 years ago, in an effort to accelerate our efforts, Kellogg made diversity and inclusion a key corporate initiative. And in 2005, Kellogg established an Office of Diversity and Inclusion. Since that time, our office has been singularly focused on recruiting and retaining diverse employees, creating awareness of diversity issues, fostering a supportive, positive environment where inclusive behaviors are the norm, and embedding accountability for diversity throughout the organization.

We're proud of the efforts we've made, and in mid 2010 we shared those efforts in our first annual report on diversity and inclusion. In this second report, we update you on our work over the past year.

In the report, you'll read about the importance of diversity and inclusion (D&I) and about our D&I strategy. Much of the report is organized around the four "building blocks" of our strategy and details our activities and progress in each area. We also discuss what we are doing to promote diversity and inclusion in the broader community.

As reflected in this report, most of our D&I work focuses on our approximately 17,000 employees in our U.S. workforce. At the same time, we are exploring what diversity means in the 17 other countries where our products are manufactured and are taking steps to promote diversity and inclusion in those locations as well.

For the coming year, our office's D&I priorities include increasing our focus on recruiting and retention, helping Kellogg "people managers" to better ensure diversity and inclusion in their teams, and continuing to leverage our ERGs in support of key business goals. We are also revising the building blocks of our D&I strategy, to align them even more closely with Kellogg Company's overall business strategy and business drivers. In addition, we are implementing new technology to better track employee demographics in our North American and Latin American operations. Using the data gleaned, we hope to have more robust diversity metrics to share in the future.

We welcome your feedback on this report. To provide comments, please email [diversity.inclusion@kellogg.com](mailto:diversity.inclusion@kellogg.com) or write to us at One Kellogg Square, Battle Creek, Michigan, 49016.

We appreciate your taking this diversity journey with us, and we hope you enjoy reading about our efforts.

**Mark King**  
*Senior Director  
Diversity & Inclusion*

The D&I Team, from L to R:  
Noel H., Carol L., Sarah B., Mitra C., Trina L., Mark King, and Ginger K.<sup>1</sup>



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

## THE ADVANTAGES OF DIVERSITY AND INCLUSION

At Kellogg, we want our workforce to mirror the diversity of the consumers who buy our products. So, who are our consumers?

In the United States, our biggest and most diverse market, population demographics are changing rapidly. According to the U.S. Census Bureau, people of color, which currently make up about one-third of the U.S. population, will become a majority by 2042. The U.S. Hispanic population is expected to nearly triple by 2050, while the African-American and Asian populations are each expected to grow about 60 percent. By contrast, the non-Hispanic, single-race White population is likely to increase less than 2 percent.

Another key trend is the rise of the Millennial Generation—those born between 1982 and 2000. Millennials are the largest American generation ever (bigger than the Baby Boomers) and the most racially and ethnically diverse. Members of this generation take gender and racial equality as givens. They expect a diverse workforce and are attracted to companies that support diversity and inclusion.

By maintaining a diverse workforce, we can better understand what our increasingly diverse consumers expect from our company and are interested in purchasing. We can keep pace with the expectations and needs of a multigenerational workforce and consumer base. And we can draw from the broadest possible range of job candidates to create a workforce that is innovative, creative and adaptable to change.

Just focusing on diversity is not enough, though—inclusion is equally important. A respectful work environment means all employees feel welcomed and included in the Kellogg Company culture. In addition, inclusion fosters employee retention and engagement, promotes productivity and limits turnover.

Kellogg Company was founded more than 100 years ago, and we plan to continue serving our consumers for generations to come. To do so, we must keep pace with societal change. We are determined to keep diversity and inclusion a priority and to make continued progress toward our diversity goal.

## 2010 RECOGNITIONS

- HUMAN RIGHTS CAMPAIGN – “2011 BEST PLACES TO WORK FOR LGBT EQUALITY” DUE TO A PERFECT RATING OF 100 IN THE HRC’S CORPORATE EQUALITY INDEX
- NATIONAL ASSOCIATION FOR FEMALE EXECUTIVES – TOP 50 COMPANIES FOR EXECUTIVE WOMEN
- WORKING MOTHER – 100 BEST COMPANIES FOR WORKING MOMS
- DIVERSITYINC – 25 NOTEWORTHY COMPANIES FOR DIVERSITY
- HISPANIC BUSINESS – DIVERSITY ELITE 60
- LATINA STYLE – 50 BEST COMPANIES FOR DIVERSITY



## 2010 DIVERSITY AT KELLOGG

- TWO MEMBERS OF OUR BOARD OF DIRECTORS ARE WOMEN, ONE MEMBER IS AFRICAN-AMERICAN AND ONE IS HISPANIC.
- OUR 13-MEMBER EXECUTIVE LEADERSHIP TEAM (ELT) INCLUDES THREE WOMEN, ONE OF WHOM IS AFRICAN-AMERICAN. IN ADDITION, THE ELT IS MULTICULTURAL, WITH TWO EUROPEANS, ONE AUSTRALIAN, AND ONE CANADIAN.
- KELLOGG COMPANY’S U.S. WORKFORCE IS 36 PERCENT FEMALE AND 30 PERCENT PEOPLE OF COLOR.

“ To win in today’s multicultural marketplace, and to connect with the consumers we serve, we know we need a diverse and inclusive culture. At Kellogg, our people are our greatest asset, and they hold the key to understanding and delighting our consumers.

As an organization, we have embraced diversity and inclusion as a journey, and we recognize that our work in this area will never be complete. As U.S. demographics shift and globalization brings the world closer together, we as a company also need to change. We continuously look to our diverse and talented employees for insights into how to strengthen our business.

We have made progress in the area of D&I. But we also humbly acknowledge that we have more work to do. As we forge ahead, we remain committed to D&I and are excited about the future. ”

– Sammie Long, Vice President, Human Resources, Kellogg North America



## OUR DIVERSITY AND INCLUSION STRATEGY

Kellogg Company’s diversity and inclusion strategy is designed to create and sustain a diverse and inclusive work environment. The strategy includes four “building blocks” (shown below), which outline objectives for action.

This strategy stems directly from Kellogg Company’s vision and mission. The company’s vision is “to be the food company of choice.” Our diversity and inclusion strategy is designed to position Kellogg as the *employer* of choice by creating an inclusive atmosphere in which

all employees can succeed, no matter their gender, gender identity or expression, cultural or ethnic group, age, disability, veteran status, sexual orientation or other demographic difference.

The company’s mission is “to drive sustainable growth through the power of our people and brands by better serving the needs of our customers, consumers and communities.” Our diversity and inclusion strategy seeks to leverage the power and talent of *all* of our people. And it aims to recruit, retain, develop and support a workforce that

mirrors the diversity of our consumers, so that we can better understand and serve those who purchase our products.

The following pages describe what Kellogg is doing to achieve the objectives outlined in each of our four strategy building blocks.

### OUR DIVERSITY AND INCLUSION STRATEGY BUILDING BLOCKS





## RECRUITING RETAINING AND DEVELOPING TALENTED PEOPLE



The first building block of our strategy involves working to create and maintain a workforce that mirrors our customer base in terms of ethnicity, culture, gender, sexual orientation, age, disability, geography, experience, skills and work styles. To create this kind of workforce, we must identify and hire qualified, diverse job candidates, retain new and long-time diverse employees, and ensure that all employees have access to professional development opportunities.

Recruiting is a central component of this building block, and in 2010 we worked with Kellogg Global Staffing to establish an integrated recruiting strategy and ensure that diversity and inclusion are considered throughout it. The strategy includes, for example, plans to better define our employer brand, use social media and track progress. Also in 2010 we held a “talent summit” among multiple Kellogg divisions involved in recruiting to ensure that we are working together effectively and not duplicating tasks in our separate “silos.”

In addition, we could not recruit effectively without what we call “talent acquisition alliances.” Through these alliances, we partner with organizations that focus on promoting the development of women and people of color. We recruit and interview job candidates at these organizations’ conferences and advertise in their publications, thereby gaining access to high-quality diverse talent. The box to the right lists the organizations with which we currently partner.

We also often rely on our existing employees to help with recruitment at their alma maters and/or through organizations to which they belong.

## OUR TALENT ACQUISITION ALLIANCES

- Catalyst
- Consortium for Graduate Study in Management
- National Business and Disability Council
- National Black MBA Association
- National Society of Black Engineers
- National Society of Hispanic MBAs
- Network of Executive Women
- Society of Hispanic Professional Engineers
- Wounded Warrior Project





Retention and professional development, the other key elements of this building block, are an important focus for us. It's not enough to simply hire diverse candidates; we have to ensure that they stay with the company and have opportunities to grow.

Our Office of Diversity and Inclusion continues to analyze retention patterns and interview individuals who choose to leave the company, to better understand their decisions. The learnings from this work will drive future activities aimed at improving our retention of diverse employees.

To promote professional development and growth, our Global Learning and Development team offers a full array of development programs and training sessions open to all employees. Our Employee Resource Groups (discussed beginning on p.11) often organize and offer development opportunities specific to a particular demographic group. Also, a Kellogg group for women working in our manufacturing operations and related functions offers skill-building and other development-related opportunities for women. (For more on this program, see our 2010 Corporate Responsibility Report.)



## The Importance of Company Culture and Finding the Right Fit

“ I first came to Kellogg in 1989 as a brand manager for *Eggo*® and *Pop-Tarts*®, after being recruited from another consumer products company. I was excited about working at Kellogg from the start because I loved the company's brands.

After 11 terrific years with Kellogg, I felt like I needed a new challenge and wanted to see what else was out there. I ended up leaving Kellogg to take a job at a large computer company. It was an eye-opener, because the company culture was so different.

At Kellogg, the corporate culture is all about the people—we are very people-driven and relationship-oriented. Kellogg employees are team-focused, loyal, dedicated and, above all, passionate about what they do. This other firm was entirely finance-driven; it was all about the bottom line, period. I was thrilled when, after 18 months at the computer company, a colleague from Kellogg called and invited me to come back.

What I learned from that experience was that not all cultures align with my personal values. And that employee retention, in general, has a lot to do with finding and hiring employees whose values and passions match those of the company.

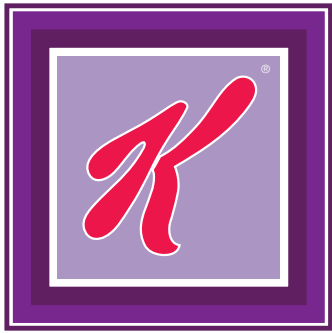
I've been with Kellogg ever since then, except for two years when I took time off to be a full-time mom.

I'm often asked if I've faced barriers in my career because I'm a woman and a mother. I don't think I have. I have, however, learned many lessons along the way, including things like pushing yourself to pursue opportunities outside your comfort zone.

Another lesson I try to share with young employees—women and men alike—is that you absolutely have to believe in yourself. You have to believe you can make a difference, and if you have an opinion, you have to learn to express it with confidence. That's essential to succeed in any endeavor. ”

Carol Stewart  
President and CEO, Kellogg Canada





## DRIVING UNDERSTANDING AND AWARENESS

At Kellogg, our diversity training courses foster awareness of diversity-related issues and coach employees on how to put inclusion into practice. In the United States, we offer one web-based diversity course and four types of in-person diversity courses, as described at right. More than 600 employees completed at least one of these courses in 2010.

Kellogg also offers other, shorter D&I activities for work teams. For instance, our Diversity Xpress program is composed of short, diversity-related meeting activities designed to engage employees in quick, impactful, thought-provoking activities.

Historically, our diversity and inclusion training programs have been U.S.-focused. But definitions and perceptions of diversity are as varied as our many locations around the world, and we are now working to promote diversity and inclusion at several of our non-U.S. sites as well.



## KELLOGG 2010 DIVERSITY COURSES

- Kellogg Company's hour-long, web-based diversity course focuses on how Kellogg defines diversity and inclusion; how to identify biases, stereotypes and judgments; and how D&I helps to achieve business results, among other topics.
- Our Knowledge Map course is a four-hour, in-person training facilitated by a certified Kellogg coach. Knowledge Map promotes an understanding of why and how inclusive behaviors are crucial to the company's success.
- In our Cultural Dexterity course, participants spend a day exploring their own cultural preferences, those of others and how to address gaps; learning how to bridge cultural differences; and discussing how to apply their new knowledge and skills in their jobs.
- Our Intercultural Development Inventory Assessment, designed for teams, is an assessment tool and four-hour workshop that builds awareness about the team's (and one's own) "cultural competency," or ability to work effectively in an intercultural environment.
- The White Men and Allies Learning Lab is a four-day, off-site training facilitated by outside experts. The program enables white men, women and people of color to discuss and learn how to better engage white men in workplace diversity efforts. Approximately 400 Kellogg employees have completed this course to date.

In 2010, for example, Kellogg Latin America conducted a 3½-day training program for our Latin American Leadership Team that focused on the full acceptance and inclusion of workers from all economic backgrounds. Also, in 2009 our Knowledge Map course was updated to include examples from around the globe, and beginning in 2010 it was offered to our non-U.S. employees for the first time. In Australia and New Zealand in 2010, we sponsored a series of “lunch and learn” seminars to provide women an opportunity to network and learn strategies to help them better manage their work, communicate effectively and advance their careers at Kellogg.

In addition to our formal diversity training courses, our Employee Resource Groups sponsor a number of learning activities throughout the year that help to drive understanding and awareness of diversity-related issues. These activities are discussed in the next section.

“ What you discover [in the White Men and Allies Learning Lab] is that many individuals don’t realize they are part of an affinity group. Everyone has perspectives and biases, but they see those perspectives and biases as ‘the norm.’ It was helpful for all participants to gain an awareness of this. ”

– Kellogg employee who participated in the four-day training





# CREATING AN ENVIRONMENT FOR INCLUSION TO FLOURISH



At Kellogg, it's up to all employees to help create and maintain a work environment in which inclusion can flourish. Our company culture is guided by our *K Values*<sup>™</sup>, which express our commitment to respect and value employees of all backgrounds. Our executives and managers, including our CEO, seek to model inclusive behaviors and create opportunities for all employees to succeed.

Recently, we've raised the visibility of diversity issues by establishing a W.K. Kellogg Award for diversity and inclusion. W.K. Kellogg Awards are given to individuals and teams who express the com-

pany's *K Values*<sup>™</sup> while making significant contributions to our business results. In 2011, the East Region Category Management Team was singled out for its diversity and inclusion achievements. The team participated in a wide range of charitable efforts in greater Philadelphia during 2010, including causes that involved people of various ethnicities, backgrounds and experiences. In addition, by regularly partnering with teams from other areas of the business, they served as a catalyst for the growth of our diversity and inclusion activities across North America. (See photo, next page.)

Our primary mechanism for fostering an inclusive environment among our U.S. workforce is our six Employee Resource Groups—one each for our African-American, Latino, LGBT, multinational, female and young professional employees and their allies and supporters. Participation in the ERGs is voluntary and open to all employees. More than 2,600 employees are members.

At present, the Women of Kellogg group is active throughout Kellogg's U.S. operations; the African-American, Latino, young professionals and LGBT and allies groups are based at our Battle Creek, Michigan, headquarters but have a strong presence in a number of additional Kellogg locations in the U.S.; and the multinational group is active in Battle Creek.

Our ERGs offer support, networking and development opportunities. They also assist with recruitment, orientation of new hires, employee retention and community outreach. The ERGs foster increased engagement of our diverse employees, raise awareness of key issues and advocate within the company for changes they believe will be beneficial.

Periodically, we send ERG representatives to national conferences, as a way for them to learn best practices in corporate diversity and inclusion and bring those learnings back to Kellogg. In 2010, for example, we sent representatives to the Executive Leadership Council's national conference, the Network & Affinity Leadership Congress's annual meeting and a Work/Life Summit sponsored by *Working Mother* magazine.

Increasingly, our ERGs are also contributing directly to business results. For example, our Latino and African-American ERGs recently assisted with market research by providing feedback on television advertising geared toward consumers from these ethnic groups. Some of the advertisements were for Kellogg products, but most were consumer products made by other companies. Nearly 150 ERG members took part in this research. Members reviewed each ad and were asked multiple questions about their impressions. The effort helped Kellogg gain a richer understanding of these consumer segments and how we can most effectively communicate with them. After the research was completed, Kellogg rolled out new TV spots developed specifically with ERG members' feedback in mind.

In addition to the ERGs, Kellogg maintains 10 Diversity Councils. We have one each in our Global Engineering; Procurement; Human Resources; IT; Customer Logistics Services; and Research, Quality and Supply Chain functions. We also have a Diversity Council for all of our Canadian operations; location-specific Councils in Zanesville (Ohio) and Wyoming (Michigan); and a special Women in Supply Chain group. The Diversity Councils in each function are self-created and led by the functional leaders. All of them meet periodically to address how diversity and inclusion can be advanced in their areas.

The remainder of this section describes the mission and activities of each of our ERGs.

## Kellogg Company's East Region Category Management Team, recipient of the North American Diversity and Inclusion Award. Team members, shown in the photo below, include (from L. to R.):

*Not photographed: Jocelyn D. and Greg J.*

**Gavin M.**  
*Pre-Professional Intern*

**Tarrah W.**  
*Associate Manager,  
Category Management*

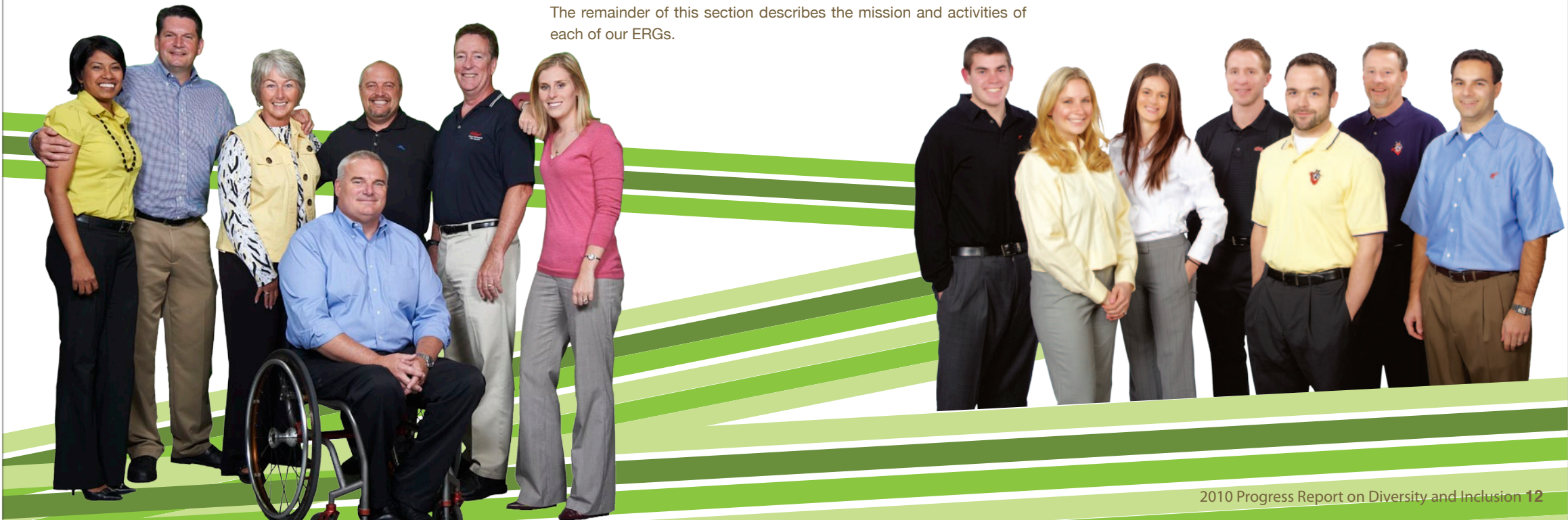
**Laurissa C.**  
*Manager, Category Management*

**Al M.**  
*Associate Manager,  
Category Management*

**Matt K.**  
*Manager, Category Management*

**Mark S.**  
*Senior Manager,  
Category Management*

**Mike M.**  
*Associate Manager,  
Category Management*



## ¡HOLA! – KELLOGG LATINO EMPLOYEE RESOURCE GROUP

*MISSION: Create a positive environment that fosters the development of Latinos and drives understanding and awareness of Hispanic culture while contributing to our company's success and its diversity and inclusion goals.*

### Sample 2010 Accomplishments:

- Hosted Hispanic Heritage Week, with a variety of events honoring Hispanic culture.
- Successfully advocated for putting contact information in Spanish on Kellogg product packaging.
- Hosted a “Hispanic Ideation Event,” at which ¡HOLA! members brainstormed ideas (from advertising and promotion to new products) for reaching Hispanic consumers. The ideas were passed along to the Marketing department, where they are being evaluated and considered for future implementation.
- Sponsored a breakfast event at which participants learned about Kellogg Company's plans to engage Hispanic consumers.
- Worked with Global Staffing and other departments to create a plan to improve the recruiting and retention of Hispanic employees.
- Created a community service committee, which in turn worked with a local shelter for victims of domestic violence on a range of activities.



### Jaymi G., Associate Director of Logistics Innovation and ¡HOLA! Co-Chair

“ ¡HOLA! is the affinity group for Kellogg Company's Latino employees. Like all ERGs, it's open to everyone, and in fact probably half our membership is non-Latino.

One of ¡HOLA!'s aims is to create a broader awareness within the company of Hispanic culture. So during Hispanic Heritage Week, for example, we hosted a ‘lunch and learn’ about Spain and showcased the cereals and other products that Kellogg makes in Latin America, among other activities.

We also recognize that our insights can help Kellogg better communicate with Hispanic consumers. Most of us are not marketing experts, of course, but we can provide valuable feedback to the Kellogg marketing team as to what resonates with people in our community. Last year, for example, we provided feedback on advertisements geared toward Latinos.

We are also seeking to help the company more with recruitment, retention and mentoring. Last July we brought in Dr. Robert Rodriguez, an expert on recruiting Latino talent, to meet with us and with Kellogg executives. He helped us identify ways we can better reach potential Latino employees, such as through the Hispanic MBA conferences. ¡HOLA! has been given the green light to do more work in this area, which we're really thrilled about. ”



**Rufus S., Process Change Lead and KAARG Co-Chair**

“ Although KAARG is Kellogg’s affinity group for African-American employees, anyone is welcome to join. KAARG is all about being inclusive and providing good networking and career development experiences. One of our main goals is to improve retention rates for employees of color.

We hold numerous events and programs each year. One highlight is our Empowerment Forum, a two-day networking and professional development event that last year drew 200 participants. Also in 2010, in a separate event, we brought in three local African-American physicians to speak to members about health and fitness issues specific to our community. We’re also looking at a number of ways we can become more integrated into Kellogg business functions.

I have been with Kellogg for 11 years, and it’s been interesting to watch the evolution of diversity and inclusion at the company. I think it’s very much on the right track. And I’m particularly pleased to see how much support there is from leadership for the ERGs. ”



**KELLOGG AFRICAN-AMERICAN RESOURCE GROUP (KAARG)**

*MISSION: To act as a resource to the company in achieving its diversity and inclusion business goals by:*

- Bringing increased awareness to real and perceived barriers affecting African-American employees of the Kellogg Company and striving to bring about change.
- Empowering African-Americans to develop and grow through a forum of networking, mentoring, career development, information sharing and community involvement.
- Creating awareness of the need for increased representation of African-Americans at every level of the organization.
- Assisting the company in identifying opportunities that better serve African-American consumers.

*Sample 2010 Accomplishments:*

- Sponsored a Black History Month speaker series that featured retired pro football player Jerry Rice, a panel of local African-American doctors and more.
- Sent representatives to the Network & Affinity Leadership Congress, a national conference focused on training leaders of corporate affinity groups.
- Sponsored a learning and development training on building strong relationships with business colleagues.
- Held multiple networking and social events.
- Sponsored a Field Sales Career Development Forum for our field sales force.



## KELLOGG MULTINATIONAL EMPLOYEE RESOURCE GROUP (K-MERG)

*MISSION: To value and leverage the diversity of all Kellogg employees for the benefit of the company and the employees.*

### Sample 2010 Accomplishments:

- Made a presentation at the Snacks business unit's national sales meeting about what K-MERG is and how it supports Kellogg Company's business objectives.
- Sponsored three professional development courses—one each on effective presentation skills, gender-balanced communications and analyzing your audience.
- Sponsored two “lunch and learns”—one on the cultures of Australia and New Zealand and one on Kellogg Company's international business strategy.
- Sponsored nine networking lunches.
- Held a “Family Summer Fun” event involving more than 150 employees and their family members.



### Tammy S., Launch Program Manager and K-MERG Member and former Co-Chair

“ K-MERG is our Employee Resource Group for multinational, multicultural employees from all over the Kellogg global community, including non-U.S. citizens working for Kellogg in the United States. We bring some of the best talent from all over the world to our Battle Creek headquarters, and we value the fact that family is the major support for the employee. If the family doesn't feel accepted and engaged in their new community, neither will the employee. We try to help them feel at home.

K-MERG sponsors some great programs and events. For example, we provide English as a Second Language classes, individual language coaching and translation assistance. We also do community outreach projects. In 2010, for example, we worked with Burmese refugees living in Battle Creek, to help connect them to needed services through the local United Way.

K-MERG is also a great way to learn about other countries, other cultures and other languages—to really leverage cultural differences to benefit the company. I'm Canadian, but I live in the United States, I speak Spanish and my work is focused on Kellogg Company's Latin American market. My interactions with other K-MERG members have helped me be successful in working with my Latin American co-workers. ”





## K-PRIDE AND ALLIES

*MISSION: K-Pride and Allies promotes a safe and open working environment for all employees consistent with the K Values™, regardless of sexual orientation, gender identity or gender expression, ensuring that all employees can be authentic and fully engaged in Kellogg's success.*

### Sample 2010 Accomplishments:

- Grew to more than 200 members.
- Worked with the company to make updates to the equal opportunity and discrimination policies, which in turn helped Kellogg score a perfect 100 (up from 65 the previous year) on the Human Rights Campaign's Corporate Equality Index.
- Sponsored the Straight for Equality™ Awards Gala given by the nonprofit group Parents, Families and Friends of Lesbians and Gays (PFLAG).
- Sponsored and participated in the Kalamazoo (Michigan) Pride Festival near our company headquarters in Battle Creek.
- Participated in and made recommendations to Kellogg leaders regarding Reaching Out, an MBA recruiting conference for potential LGBT employees.
- Held an event at which employees and friends shared their "coming out" stories.



**Kimberly H., Director of Global Packaging Quality & Sustainability and K-Pride and Allies Co-Chair**

“ K-Pride and Allies is Kellogg's newest ERG. It was formed in 2009 to help foster a supportive atmosphere for LGBT employees at the company. From the outset, there's been a strong focus on 'allies;' the group is for any employee, gay or straight, who supports equality and nondiscrimination.

It's been quite a success so far. We quickly grew to more than 200 members. And we've hosted some terrific events, including a Straight for Equality™ training given by PFLAG that focused on how straight employees can best support their gay co-workers. Also last year we were involved in the Kalamazoo Pride Festival—we provided some financial support and also hosted a booth.

K-Pride and Allies is a great group to be a part of, because I feel like we've built some really positive momentum, and we have a number of exciting events planned for this year. ”



## WOMEN OF KELLOGG (WOK)

*VISION: To have Kellogg be a destination organization for women.*

*MISSION: WOK empowers and encourages members to develop and use their unique abilities and talents to play a critical role in the success of the Kellogg Company. It achieves this through creating a learning environment and advocating on behalf of women at Kellogg.*

### *Sample 2010 Accomplishments:*

- Partnered with Kellogg Company's Feeling Gr-r-reat™ team to sponsor women's health initiatives.
- Successfully completed and launched phase one of the new "One WOK" national structure, with collaborative programming across all existing WOK expansion groups.
- Provided four networking and professional development programs for WOK members.
- Provided three national programming events for WOK members.
- Hosted a "lunch and learn" on internet safety and security at which representatives from the Federal Bureau of Investigation and Kellogg Company's IT department gave participants ideas on how to keep their families safe while using the internet.



### **Cheri O., Market Sales Director and WOK Co-Chair**

“ Women of Kellogg is the company's oldest ERG—we were established in 2001. We're focused on leveraging female employees' abilities and ensuring the organization is making full use of them. This past year, we reorganized the WOK structure—we now are one nationally based ERG, rather than having separate regional groups. This new structure will better connect women around the company who may otherwise not have the opportunity to collaborate.

WOK has historically been known for throwing fantastic networking events. We continue to do that, but we're also focusing more and more on personal and professional development for our members. We sponsor career development webinars throughout the year, and this year for the first time we'll also have an in-person conference at the end of the year. Kellogg business units cover travel expenses for our members to come to that conference, and the Office of Diversity and Inclusion provides us with a budget to host it, which is great.

Increasingly, WOK also advocates on behalf of women at Kellogg internally and externally. For example, we are exploring what other companies are doing to recruit and retain women and are working closely with our Human Resources department to better understand how Kellogg can become a destination organization for women. ”



## YOUNG PROFESSIONALS (YP)

*MISSION: Young Professionals make Kellogg Company an attractive choice for future leaders. Our purpose is to ensure the organization:*

- Understands the value and importance of generational gaps,
- Fosters a positive work environment and
- Effectively onboards and engages young professionals.

- Sponsored a seminar by leadership expert Paul Booden on skills needed to succeed in the workplace.
- Hosted a dinner at which members were coached on social etiquette by a professional image consultant.
- Held numerous networking events.
- Sponsored several charitable events, including a career clothing drive for Poised for Success, a local nonprofit.

### Sample 2010 Accomplishments:

- Provided numerous opportunities for our members to interact with senior executives, including a “speed networking” session, “job shadowing” days, “lunch and learns” with leaders from several business functions and special breakfast events with executives.

#### Mark G., Manager, Sales Planning and Young Professionals Co-Chair

“ Young Professionals started eight years ago as a grassroots effort among younger workers at headquarters hoping to become better socially networked. It was born out of the recognition that Battle Creek is a great place to raise a family, but a harder place to be young and single. That aspect has been great, but over time our focus has broadened as well. We are now a national group within Kellogg focused on recruitment and professional development for younger employees; we also take a keen interest in social responsibility.

One of our favorite events is ‘speed networking’ with senior executives. It’s very much like ‘speed dating,’ though in this case YP members take turns spending four minutes rotating among executives at the director level and above. It gives YP participants visibility to people we might not otherwise meet, and it helps the executives learn what’s on the minds of their ‘Millennial’ employees.

Personally, one unintended benefit of this group is that it has helped me develop my project management and people management skills. When I started I was truly entry level, but in this group I got the opportunity to lead a team and manage a budget. It’s been a really great learning experience. ”





## BUILDING ACCOUNTABILITY THROUGHOUT THE ORGANIZATION

At Kellogg, support for diversity and inclusion starts at the top and is embedded throughout the organization. Our Executive Diversity and Inclusion Council—a cross-functional group of senior leaders—champions diversity at Kellogg and oversees the implementation of our diversity and inclusion strategy. John Bryant, Kellogg Company's President and CEO, is chair of this Council.

Our executives regularly show their support for diversity and inclusion by, for example, participating in ERG events. In 2010, Kellogg senior leaders took part in a “multi-generation panel discussion” sponsored by the Young Professionals' group; the ¡HOLA! group's Hispanic Heritage Week; and various Women of Kellogg programs, among other activities.

In June 2010, Kellogg senior executives took part in an “Inspire” event sponsored by the Office of Diversity and Inclusion. About 200 employees participated in the event, which began with a networking breakfast and an ERG open house, at which each ERG hosted a booth and shared information on its activities and purpose. Participants then heard an inspiring talk from author and D&I expert Audra Bohannon. The event culminated in all participants signing a large “commitment board,” on which were listed statements of commitment relating to creating an inclusive and supportive work environment.



## KELLOGG POLICIES

Kellogg has two major policies in place relating to diversity and inclusion. The first promotes fairness of employment opportunity regardless of race, color, religion, national origin, sex, marital status, age or sexual orientation. The second commits the company to maintaining a work environment free of discrimination or harassment based on race, color, ethnicity, disability, religion, national origin, gender, gender identity, gender expression, marital status, sexual orientation, age or other protected class. The terms “gender, gender identity and gender expression” were added to this latter list in 2010.



Recently, the Kellogg North America (KNA) Leadership Team reached out to the ERGs and asked for recommendations on how to incorporate the ERGs into their 2011 business plans. After receiving numerous suggestions, the Leadership Team agreed to focus on three. They made a commitment to involve more ERG members in future product and marketing focus groups; to mentor diverse, high-potential employees; and to create job shadowing opportunities for ERG members to experience a “day in the life” of a KNA leader. These three activities will be consistently implemented across the six resource groups.

Our seven-person Office of Diversity and Inclusion also worked with senior Kellogg leadership to develop the diversity and inclusion strategy described in this report and now partners with managers throughout the company to implement it. Our managers are accountable for diversity and inclusion behaviors and results through our performance management process. For example, managers are assessed on how well they work to ensure diversity among job candidates.

While much of our D&I work is focused on the United States, we are also learning what diversity and inclusion means in the other countries in which we operate and how to promote it there. In Canada, for example, we launched a new Kellogg Canada Diversity and Inclusion Council. Led by Canadian employees, the Council’s mission is to support and promote a diverse and inclusive culture across our Canadian business.



## SUPPORTING DIVERSITY OUTSIDE OUR WALLS

At Kellogg, our commitment to diversity extends beyond our own organization to our suppliers and the community more broadly.

### Supplier Diversity

Through Kellogg Company's procurement function, we support more than 300 supplier companies owned by women, people of color and disabled veterans. These business relationships not only strengthen individual companies, but also the communities in which they are located. And of course these businesses provide us with essential ingredients, products and services that enable our success as a company.

Our supplier diversity work is an essential part of our overall corporate responsibility efforts. It is also important to many of our retail customers, who want to ensure that they are supporting diversity within their own supply chains.

Kellogg Company has specific internal goals for amount spent on diverse suppliers. These goals are incorporated into relevant managers' performance targets and annual evaluations. We met our goals in 2010 and are on track to meet our 2011 goals as well.

We've seen tremendous growth in our supplier diversity program in the last decade. In 2010 we spent \$425 million on goods and services from minority- and women-owned businesses, up from \$49 million in 1999.

Given this rapid growth, our Office of Supplier Diversity now focuses on ensuring that the gains are sustainable and on partnering with individual suppliers to help them grow and develop. By supporting these companies and helping them to expand their capabilities, we can purchase more products from them—thereby creating a “win-win” for us and them. (As an example, see the box on the next page.)

To further demonstrate our commitment to supplier diversity, Kellogg partners with and supports the following organizations:

- ASIAN AMERICAN PACIFIC CHAMBER OF COMMERCE
- CANADIAN ABORIGINAL & MINORITY SUPPLIER COUNCIL
- MICHIGAN HISPANIC CHAMBER OF COMMERCE (BOARD OF DIRECTORS)
- MICHIGAN MINORITY SUPPLIER DEVELOPMENT COUNCIL (BOARD OF DIRECTORS)
- NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL
- NATIVE AMERICAN BUSINESS ALLIANCE
- WEST MICHIGAN HISPANIC CHAMBER OF COMMERCE
- WOMEN'S BUSINESS ENTERPRISE COUNCIL GREAT LAKES (BOARD OF DIRECTORS)
- WOMEN'S BUSINESS ENTERPRISE NATIONAL COUNCIL

With these and other organizations, we sponsor, host and participate in conferences, trade shows and other events for diverse suppliers at the national, regional and local levels. As an example, we launched and host Project ONE in partnership with the Michigan Minority Supplier Development Council. Project ONE involves monthly meetings that bring together representatives of large corporations and smaller minority-owned product and service providers, in an effort to uncover new business opportunities for the latter.

## SUPPLIER DIVERSITY AWARDS

2010, finalist, Michigan Minority Supplier Development Council – Corporation of the Year

2010, listed, *MBNUSA* magazine – 101 Top Companies for Supplier Diversity

2010, nominated, National Minority Supplier Development Council – Corporation of the Year

## SUPPLIER DIVERSITY

<b>2010 Supplier Diversity</b>	\$425 million spent in the U.S. on goods and services from minority- and women-owned businesses
	\$333 million spent among 1st tier suppliers

Our Million Dollar Club, Platinum Club and Diamond Club recognize diverse suppliers with whom we spend more than \$1 million, \$10 million and \$25 million per year, respectively. In 2010 we had:

<b>Million Dollar Club, Platinum Club, and Diamond Club</b>	44 companies in our Million Dollar Club (41 1st tier, 3 2nd tier)
	7 companies in our Platinum Club (all 1st tier)
	3 companies in our Diamond Club (two 1st tier, one 2nd tier)





### Small Firm Thinks Big, and Helps Kellogg Reduce Costs

In 2008, in the midst of a slowing U.S. economy and shrinking commercial real estate industry, Phyllis Dixon saw opportunity. Armed with a strong background in commercial real estate and a healthy dose of business savvy, Dixon launched a new company at a time when others were closing up shop.

“I’m a big believer in creating my own opportunities,” said Dixon, President of WRG, Inc. “I saw that a company could succeed in this new market if they stayed small but partnered with other firms to share office space, equipment and staffing resources.” Dixon today has just eight full-time employees, but her company has a national reach. In fact her largest client is the U.S. government; WRG provides project and construction management services for myriad government agencies.

In early 2009, WRG was engaged by Kellogg to provide audit and site inspection services for the company’s warehouses in the U.S. and Mexico. The Kellogg real estate team then invited Dixon to participate in their strategic real estate planning meetings, and at one point she was asked to prepare a presentation identifying other possible ways WRG could assist Kellogg.

“I met with a supplier diversity officer and the real estate team,” Dixon said. “They had asked my opinion on opportunities where I could help them, so I came armed with data and ideas. I saw that they were spending more than they needed to on facilities management. I showed them how WRG could save them money *and* enable their facility managers to focus on more important issues, like inventory management.”

The presentation was well-received, and WRG was ultimately awarded the facility management assignment. This new work, Dixon explained, involves overseeing vendor services at 48 Kellogg distribution center warehouses in the U.S.—services such as landscaping, pest control and dock door maintenance, among others.

Dixon said she appreciates how her Kellogg contacts have sought to nurture her business, beyond the two contracts already secured. “The real estate group has been very supportive,” she said, “and has worked hard to identify other opportunities for us.” For example, Dixon took part in a meeting on business efficiencies, and is included in monthly video conference calls with the Kellogg real estate team.

Dixon who is African-American, said she also feels Kellogg’s supplier diversity efforts are genuine. “It has never felt like they were doing a ‘box-checking’ exercise by hiring my firm,” Dixon said. “They have really made me feel like I’m a part of their team—a part of their family, really. That’s the great part of being a service provider to Kellogg.”

– Phyllis Dixon, President of WRG, Inc.

### Diversity-Related Philanthropy

Kellogg’s Corporate Citizenship Fund, the charitable arm of Kellogg, provides financial support for programs that expand opportunities for persons of diverse backgrounds. In 2010, more than \$350,000 was contributed to the organizations listed below, much of it for scholarship programs that include diversity as a criterion. Our donation to the National Association for the Advancement of Colored People (NAACP) funds that organization’s Law Fellows Program, a prestigious internship program dedicated to developing the next generation of civil rights attorneys.

- 100 BLACK MEN OF AMERICA
- BATTLE CREEK PUBLIC SCHOOLS
- CENTRAL STATE UNIVERSITY
- CONSORTIUM FOR GRADUATE STUDY IN MANAGEMENT
- GRAMBLING STATE UNIVERSITY
- HISPANIC SCHOLARSHIP FUND
- HUMAN RIGHTS CAMPAIGN FOUNDATION
- KELLOGG COMMUNITY COLLEGE FOUNDATION
- NAACP
- NATIONAL BLACK MBA ASSOCIATION
- NATIONAL BUSINESS AND DISABILITY COUNCIL
- NATIONAL SOCIETY OF HISPANIC MBAs
- NORTH CAROLINA CENTRAL UNIVERSITY
- ORGANIZATION OF CHINESE AMERICANS
- SOUTHERN UNIVERSITY

### LOOKING AHEAD

We hope you’ve enjoyed reading about our diversity journey over the past year. We are working hard to make continued progress. Over the coming year, for example, we will be exploring new options for recruiting veterans and people with disabilities; looking at ways to reinvigorate our mentoring program; piloting a new diversity training course; and continuing to utilize ERG members in activities that contribute to our business success. We look forward to sharing these activities, and additional metrics, in our next report.

2010 PROGRESS REPORT ON

# DIVERSITY AND INCLUSION

Our diversity strengthens us. Our inclusion advances us.™

We welcome your feedback at:

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*Kellogg's*

