

FEATURES

The Kellogg Diversity & Inclusion Story

**Mentoring Makes
a Difference**

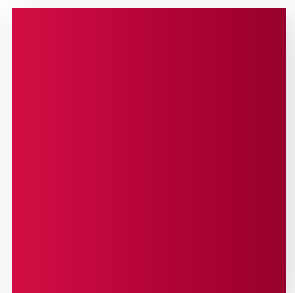
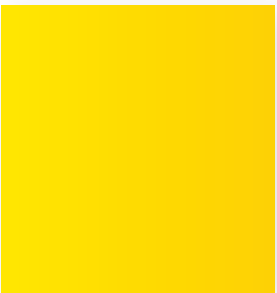
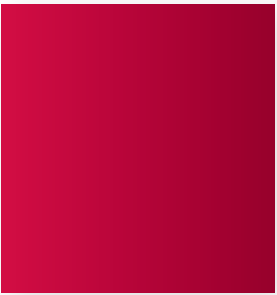
**D&I Around
the World**

**Championing Our
Diverse Suppliers**

**Our Employee
Resource Groups**

Encouraging, Inspiring, Empowering





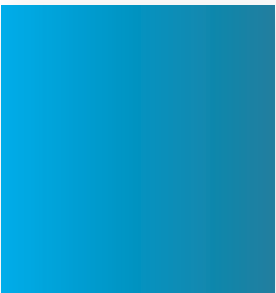
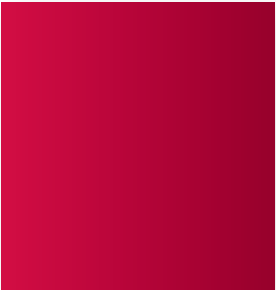


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Message from the President and CEO

In early 2012, Kellogg articulated a new vision for our company: To Enrich and Delight the World through Foods and Brands that Matter.

To enrich and delight *the world*. That's a bold statement. But as a global company marketing products in more than 180 countries, we mean it. And to realize that vision, we work hard to listen to and understand the opinions, expectations and needs of our diverse customers and consumers and to respond with brands and products they trust and love.

That's one reason why diversity is so important to me, and to the people of Kellogg Company. With a diverse workforce and a diverse supplier base, we can stay better aligned with what our consumers around the world want, need and expect. So fostering diversity within our workforce and our supplier base is not just the right thing to do; it's critical for helping us achieve our vision.

Promoting inclusion is essential to our business as well. An actively inclusive, welcoming and respectful work environment promotes employee engagement, drives innovation, improves retention and boosts productivity – all of which contribute directly to our bottom line.

We want Kellogg to have a workforce that reflects the diversity of the consumers and communities we serve. We aren't there yet, but we're working toward it and have some good recent accomplishments to share.

In August 2011, for example, I had the pleasure of accepting an important award on behalf of Kellogg Company: The CEO Leadership Circle of Excellence Award from the Minority Business Development Agency (a branch of the U.S. Department of Commerce). Kellogg was granted this recognition based on our accomplishments in supplier diversity. I was honored and humbled to accept the award on behalf of all Kellogg employees who work to drive diversity among our supplier base and in our communities.

“Fostering diversity within our workforce and our supplier base is not just the right thing to do; it's critical for helping us achieve our vision.”

In January 2012, I was appointed to the Board of Directors of Catalyst, Inc., a nonprofit group dedicated to expanding opportunities for women in business. I'm committed to helping Kellogg remain a top place for women to work, which is why I'm thrilled to be more engaged with Catalyst.

One final note: Even as we drive greater diversity within our global workforce, we know we have to work together as one company, and one team, to achieve our goals. We must embrace diversity even as we align all employees toward the achievement of our common vision, while also adhering to our shared corporate K Values™. That, we believe, is the recipe for success.

John Bryant
President and Chief Executive Officer
Kellogg Company
August 2012



From the Editor

Welcome to Kellogg Company's third diversity and inclusion (D&I) report. We're pleased to share with you how we're integrating D&I across our company and among our supplier base, as well as how we are better reaching our increasingly diverse consumers and the communities where we live, work, play and serve.

This year we've modified the focus and style of this report. Rather than a detailed accounting of our programs and initiatives – many of which are already described in Kellogg Company's 2011 *Corporate Responsibility Report* – we're offering stories about what we're doing and how we're making progress. Studies repeatedly show that our attitudes, fears, hopes and values are influenced by the sharing of individual experiences. And, we have learned that storytelling – the sharing of specific, true-to-life anecdotes – can help to communicate important ideas.

To capture this new focus and style, we've given the publication a new name: **Features**. This name reflects that we're "featuring" a variety of real people and real stories; it also alludes to the wide diversity of "features" (or characteristics) that make up the Kellogg team.

We hope you enjoy reading about the stories of diversity and inclusion we are featuring. A special thank you to the D&I team, as this publication is a reflection of the work we do together. Also, I share the achievement of this publication with Sarah B.,¹ who served as my invaluable assistant throughout the process. The report could not be accomplished without her partnership.

Trina L.

Sr. Diversity & Inclusion Business Partner



Sarah B. and Trina L.

¹ To protect the privacy of our non-executive employees, our reports use first names and last initials only.



From the **D&I Office**

The D&I Office is responsible for creating and implementing our corporate D&I strategy, which is designed to advance, integrate and align D&I across Kellogg Company. By implementing this strategy, we aim to increase and leverage the diversity of our Kellogg team around the globe and create an inclusive corporate culture in which all employees can participate and succeed.

So how are we doing? We're proudly making progress. And, others are taking notice. Most notably, in March 2012 *DiversityInc* – a leading organization for diversity and inclusion – recognized Kellogg for the first time as one of their Top 50 Companies for Diversity. This is a huge milestone for Kellogg in our D&I journey, and one worth celebrating. Many people on the Kellogg team, past and present, had a hand in our making it to this point, and we are honored to have received the recognition.

But we're not in it for the awards. D&I is a business strategy and an imperative that is helping us collectively achieve the Kellogg vision. We simply use the external recognition to keep pushing us forward.

More personal examples of how we're making progress can be found throughout this publication. Reading and learning about real-life success stories from Kellogg teammates around the globe makes us incredibly proud of our company's ongoing commitment to D&I. We hope you share that same pride.

Mark King

Global Head of Diversity & Inclusion



The D&I Team

Accolades and Awards

Employee Recognitions

W.K. Kellogg Awards for Diversity and Inclusion

W.K. Kellogg Awards are given to individuals and teams within Kellogg who express the company's *K Values*™ while making significant contributions to our business results.

2011 Team D&I Award Winner: Canadian Diversity and Inclusion Council

The Canadian D&I Council was honored for raising awareness and sensitivity regarding diversity and for helping to create an inclusive work environment. In 2011, they created a D&I hub and calendar on the company's intranet site and educated employees about community events such as Pride Week, the Caribbean Carnival Festival, and Diwali, an important Hindu festival.

2011 Individual D&I Award Winner: Federico C., Senior Director, Application Solutions

Federico was recognized for his sustained commitment to the company's D&I efforts, including founding the Chicago branch of ¡HOLA! and regularly partnering with external organizations such as the Consortium of Latino Employee Organizations and the Hispanic Chamber of Commerce.



Federico C.



Kellogg Leader Honored

Margaret Bath, senior vice president of research, quality and technology at Kellogg, was honored by Adecco in their Business Women's Leadership Tribute publication for her career success and for serving as a role model for future female business leaders. Bath was in good company; other honorees included U.S. Secretary of State Hillary Rodham Clinton and Avon CEO Andrea Jung, among others.

In the Adecco publication, Margaret described her passion for helping others in the workplace. "Our legacy is defined by the people we help to achieve worthwhile and meaningful goals," she said. "Success is measured not in the size of our bank account, but in the lives and careers of people we touch who thrive and prosper."

Margaret Bath
SVP of Research, Quality and Technology



Company Recognitions

In early 2012, Kellogg was for the first time named to DiversityInc's list of the Top 50 Companies for Diversity. DiversityInc considers four core areas when selecting its Top 50 companies: the CEO's commitment to diversity and inclusion; human capital; corporate and organizational communication on diversity-related issues; and supplier diversity. "Kellogg has had a dramatic improvement this year, led by CEO and President John Bryant," said Luke Visconti, CEO of DiversityInc. "This includes direct executive accountability for diversity results and significant improvements in resource groups and supplier diversity." We believe that recognition on this prestigious list is an accomplishment worth celebrating!



For the second year in a row, Kellogg earned a perfect score from the Human Rights Campaign (HRC) in its 2012 Corporate Equality Index Survey, which rates organizations on their work environments for lesbian, gay, bisexual and transgender (LGBT) employees. This is notable because, in 2011, the HRC enacted new, stricter criteria for achieving a perfect score.

Other Key Awards

CEO Leadership Circle of Excellence Award – U.S. Department of Commerce's Minority Business Development Agency

Corporate ONE Award – Michigan Minority Supplier Development Council

Top 60 Companies for Hispanics – Hispanic Business

50 Best Companies for Latinas – LATINA Style

40 Best Companies for Diversity – Black Enterprise

2011 Zenith Corporate Social Responsibility Award for "Diversity Action by Lawyers – Group," awarded to Legal Leaders for Diversity, of which Kellogg Canada is a founding member



WORKPLACE

Fostering
Diversity and
Inclusion
at Kellogg





Diversity and inclusion are two different but equally important concepts. And at Kellogg Company, we work hard to promote both of them in our workforce.

“Diversity is about the facts, and inclusion is about the culture,” explained Angel Rodriguez, vice president of human resources, international and global functions. “The facts are, we all have differences, and those differences should be equitably reflected in the workplace. Inclusion, by contrast, is about company culture, esprit de corps and acceptance. And inclusion is what leads to innovation – because when people feel valued in the workplace, they will share their good ideas.”

According to Jim Holton, vice president of sales, the company is making good progress driving D&I. “We’re starting to better reflect our consumers,” he said. “And that is going to give us a competitive advantage going forward. The more diversity in our business, the more likely we are to succeed in understanding and meeting the needs of consumers.”



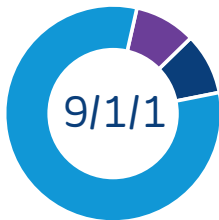
“Diversity is about the facts, and inclusion is about the culture.”



Kellogg world headquarters in Battle Creek, Michigan, U.S.

Kellogg Company Snapshot

Board of Directors



9 Caucasian
1 African-American
1 Hispanic



Executive Leadership Team



10 MEN
3 WOMEN

9 Americans, 2 Europeans,
1 Australian, 1 Canadian



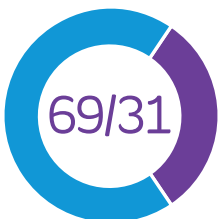
U.S. Workforce



64%
MALE



35%
FEMALE



69% Caucasian
31% People of Color



Employees who are members of Employee Resource Groups

Diversity-Related Philanthropy

\$250 THOUSAND

spent in 2011 by Kellogg's Corporate Citizenship Fund for diversity-related causes

Supporting Diverse Suppliers

\$353 MILLION

spent in 2011 to purchase from more than 200 first-tier diverse supplier companies



Growing with Us

Malcolm S. first connected with Kellogg at a career fair in 2005. The fair, sponsored by the Consortium for Graduate Study in Management (see sidebar), took place just before Malcolm started his MBA program at Washington University in St. Louis.

“The Consortium puts on an orientation event for their new fellowship students,” Malcolm explained. “You learn about career management and career development, work on your ‘two-minute pitch’ to prospective employers, and even meet company representatives – all before starting graduate school. It’s part of how the Consortium really invests in its students and sets them up for success.”

Upon completing his MBA, Malcolm took a job with another Consortium-sponsoring company. But after three years with that firm he felt it was time for a move, and he remembered meeting the Kellogg representative through the Consortium.

“It was important to me, knowing that Kellogg was a sponsor and supporter of the Consortium,” Malcolm said. “And I had already made some connections with the company through that original career fair.” Malcolm joined Kellogg in November 2011 as brand manager for Keebler® cookie innovation.

Now he hopes to recruit more diverse candidates to Kellogg through his Consortium connection. “I’ve been talking with Kellogg about having me attend the Consortium career fair to represent Kellogg and talk to prospective future employees,” he explained. “To me, that would be the ultimate ‘give-back’ – to help somebody else get to where they want to go, as others helped me.”

Kellogg is part of several other “recruiting alliances” in addition to the Consortium. These organizations promote the success of women, people of color, LGBT individuals and veterans. In 2011, for instance, we participated in conferences of the National Black MBA Association, the National Society of Hispanic MBAs, Reaching Out MBA and the Society of Women Engineers, among others.



Malcolm S.

Spotlight: The Consortium for Graduate Study in Management

The Consortium – one of Kellogg Company’s recruiting alliances – provides merit-based, full-tuition fellowships to graduate students to attend select universities, and then connects those students with sponsoring companies. See www.cgsm.org.

Training Raises Awareness

Imagine walking into a room of work colleagues where a friendly conversation is taking place around a table. You sit down in an available seat, intending to join the discussion, but the others seem not to see you. In fact, when you try to pipe in with a comment or idea, they quickly shut you down, dismissing your comment and ignoring your attempts at further explanation. The conversation moves on without you.

How does this make you feel? Foolish? Angry? Insecure? Probably all of the above. Mostly, it makes you feel like an outsider – like you don't belong.

Our new diversity and inclusion training course, called Inclusive Leadership, puts people in this exact scenario, with the goal of getting them to understand how disempowering it can feel to be treated like an outsider.

“That ‘insider/outsider’ exercise made a definite impression on me,” said Brian B., senior director of indirect procurement, who recently took the course. “The awareness of it really stuck with me, and it was not long before I saw it in action in real life – in a case where I was the outsider. It was an eye-opener.”

Inclusive Leadership is one of five types of in-person diversity courses offered at Kellogg in the U.S. We also offer a web-based diversity course. All of these training programs foster awareness of diversity-related issues and coach employees on how to put inclusion into practice.

“The more we can learn how to understand the differences we each possess,” said Brian, “the more effective we can be as one Kellogg team.”

Mentoring Makes a Difference

No one achieves success entirely on their own. Anyone who makes it to the top has had a lot of help along the way – help from people who provide advice, guidance, support, networking contacts and lessons learned from their own mistakes. In a word, *mentors*.

Carol C. – operations manager in one of our Snacks plants – is currently a “mentee” in the Snacks division’s mentoring program. The program matched her up with Gerry M., a former plant manager at Kellogg who is now a senior director in both our Morning Foods and Snacks businesses.

“Through this mentoring relationship I have had open access to an unbiased advisor who is helping me to grow as a manufacturing leader,” said Carol. “I’ve received solid feedback regarding areas on which I can focus to continue to improve. I feel I have a champion other than my direct manager who can advocate for me when needed. And, I have gained insight into what it takes to be successful at Kellogg. Overall, I have become more confident in my abilities and how they align with the needs of the business.” Carol is also passing along what she’s learning to her own mentee in the program.

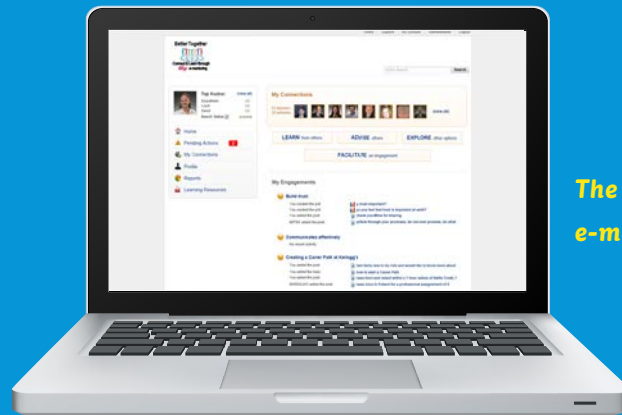
For his part, Gerry M. said he finds mentoring very rewarding. “My goal in participating was to begin to give back to others what has been given to me through mentoring relationships I’ve had over the years,” he said. “Being a part of someone else’s personal development and watching them flourish and thrive is the most rewarding thing a manager does.”

Many experts say mentoring can be particularly beneficial for encouraging the retention and promotion of diverse employees. According to *DiversityInc*, for example, a number of studies have found that formal mentoring programs are one of the most important ways of retaining women, African-Americans and Latinos and helping them develop as leaders.²

² See <http://diversityinc.com/topic/mentoring/>.



In late 2011, our Office of Diversity and Inclusion launched a new e-mentoring program called “Better Together.” This new online tool helps employees at all stages of their careers connect with and learn from either more-experienced employees or their peers. This new approach to mentoring matches mentors (or Advisors) with mentees (or Learners) according to a variety of factors, such as competencies, experience and job level, among others. For the pilot phase of this new program, participation was made available to 500 members of our Employee Resource Groups (ERGs) and included participation across the U.S., Canada and Latin America.



The “Better Together” e-mentoring web portal

“Better Together is encouraging our ERG members to interact with and learn from colleagues they may not have met in the course of their normal business day,” said Mark King, global head of diversity and inclusion.

Carol agrees that all of these types of mentoring programs can have benefits not only for the individuals involved, but for the business. “There are a great deal of unknowns as people transition to higher positions in an organization,” she explained, “and mentoring is a way to allow people access to someone who can help guide, steer and support from a safe position. I think it’s incredibly important in that it can make the difference between retaining and losing a resource. Also, the act of assigning a mentor communicates to the employee that they are valued and are worth investment. Mentoring relationships at their best are two-way and multi-beneficial for both parties. Learning takes place on both sides, and the company becomes stronger overall.”

Our Employee Resource Groups

Helping to recruit candidates at job fairs. Providing feedback to our business unit leadership teams on their efforts to reach particular demographics. Hosting networking events for members. Volunteering in the community.

These are among the wide range of activities sponsored by our Employee Resource Groups, or ERGs. We now have seven ERGs, all of which increasingly provide direct business value to the company, in addition to offering their members opportunities for networking and learning. Membership in the ERGs is voluntary and open to *all* employees, regardless of whether they reflect the particular demographic niche of the group. Our group for military veterans and supporters is new as of early 2012.

“Our ERGs are absolutely central to our diversity and inclusion efforts at Kellogg,” said Mark King, global head of D&I. “The work they do benefits ERG members themselves, but also the company as a whole and even the communities in which we live and work.”



“The diversity of our workforce is a driving force behind strategically reaching our Latino consumers better and also behind making products that better appeal to the Latino consumer. The same is true for the other demographics.”
– Krisana G., iHOLA! Co-Chair

“To me, ERG affiliation represents the important intersection between volunteerism and leadership. As members of KAARG, we actively seek ways to improve ourselves while influencing others.” – Brian D., KAARG Co-Chair



“K-MERG helps Kellogg to create an accepting, welcoming environment for employees (and their families) who come to work for the company from around the world. We help them to connect with other employees and the local community, which enables a smoother transition and assists with retention.” Alison S., K-MERG Co-Chair

“Last year, K-Pride & Allies worked with Kellogg Company’s Benefits group to ensure we had the right language in place to maintain our Human Rights Campaign Corporate Equality Index score of 100. This means we continue to be listed as a top-tier company within the HRC Workplace Equality buyer’s guide – a standing that may give us a competitive advantage in the marketplace.” – Kimberly H., K-Pride & Allies Co-Chair





“Through KVets & Supporters, we celebrate military service and recognize the benefits that can be brought to Kellogg by employees who have served in the armed forces. It is absolutely imperative that we never forget the sacrifices these men and women have made to preserve our way of life.” – Jason S., KVets & Supporters Co-Chair

“WOK is proactively working to make Kellogg a destination organization for women and to help attract, develop and retain more women. This in turn will help drive results, as it’s been proven that companies with women in senior leadership roles attain superior financial results.” – Joanne C., WOK Co-Chair



“The YP group provides targeted career development programs to young professionals at Kellogg, including opportunities for skill building and networking. With a mission to attract, retain and engage fresh talent, we work to help make Kellogg Company the attractive choice for future leaders.” – Heather W., Young Professionals Co-Chair

Encouraging, Inspiring, Empowering

Both WOK and KAARG organized and sponsored “empowerment forums” in 2011, aimed at providing inspiration and practical career advice for members of these ERGs.

“The WOK Empower Yourself Conference was a great opportunity for both women and men at Kellogg to collectively discuss and share ideas about how we can best grow and thrive at Kellogg,” said Sammie Long, vice president of human resources for Kellogg North America.

The WOK conference involved two days of activities in Chicago in October 2011, with 300 employees in attendance. The event was packed with workshops, presentations and networking opportunities. Highlights included a panel discussion with Kellogg senior executives and a workshop on “Building Your Personal Leadership Brand,” among many other activities.

In August 2011, KAARG sponsored an empowerment forum titled “Unlocking Your Greatest Potential.” This afternoon event featured a keynote address on the power of networking by Trudy Bourgeois, president of The Center for Workforce Excellence and a leading expert on transformational leadership.

“Empowerment forums such as these help Kellogg continue to build a workplace in which every employee can contribute to their highest potential,” said Trina L., senior diversity and inclusion business partner.

Our Diversity and Inclusion Councils

Quilting is a centuries-old art form that has often been used to share stories between generations and cultures. During the 19th century, for example, slaves used quilting as a means to communicate with each other about how to escape slavery through the Underground Railroad.

Even in today's modern, high-tech world, quilting can be used to bring people together and to share stories and ideas. At Kellogg, the Diversity and Inclusion Council in our Customer Logistics Services (CLS) business unit used quilting to tell a diversity story.

"Each department within CLS was asked to complete at least one square of the quilt," explained Carol L., senior diversity and inclusion business partner. "It was a way for each department to depict what diversity means to them." The finished quilt was unveiled in June, accompanied by a photobook that described each square of the quilt and the meaning behind it.

The quilting project is just one of the activities undertaken by Kellogg Company's 13 Diversity and Inclusion Councils. Each of these Councils has its own mission statement, but their overall purpose is to attract, develop and retain diverse employees and to ensure an inclusive environment within the company. While our ERGs are organized around specific demographic groups and are active throughout our U.S. operations, Diversity and Inclusion Councils focus on a wide range of D&I issues within a specific geographic location or business unit.



We also have an Executive Diversity and Inclusion Council (EDIC) – a cross-functional group of senior leaders that champions diversity at the company and oversees the implementation of our D&I strategy. For example, it was EDIC that, in 2011, endorsed and supported the inclusion of D&I as a performance measure in our annual bonus plan for senior leaders.

Another recent initiative – implemented by the Diversity and Inclusion Council in our Procurement function – aimed to help all Procurement employees learn more about the various aspects of the work conducted by that function. Each employee was given a "passport" – a small booklet with their photo, name, Kellogg start date, and so forth. The Council then sponsored lunch-and-learns and other activities at which participants could have their passport stamped. "The passports helped to guide employees in their 'journey' through Procurement," explained Carol. "It was a way for participants to learn about the business unit and, in particular, possible future career paths."

“ I co-lead the D&I Council in our Research, Quality and Technology (RQT) function. This opportunity has enabled me to continue my journey toward further understanding and appreciating the differences of others, and has made my personal and professional relationships richer. The diversity of our people and thought processes at Kellogg will continue to be a key enabler in meeting our business objectives.**”**

-Jim M., Director

Snacks Packaging Innovation and Technology

D&I Around the World

Over the past few years, most of our D&I efforts have focused in the United States and Canada. Today our work – like our company – is increasingly global in nature. To meet global needs, we are building D&I “cultural competence” – helping our company to more effectively understand local cultural complexities and the impact they have on our business. Also, the hiring, retention and inclusion of women is a key focus for Kellogg around the globe.



Kellogg Latin America: A Family-Friendly Workplace

Samantha V. has been working for Kellogg in our Latin America region for 15 years. As a mom, she appreciates the company’s family-friendly benefits.

“With the flexible work arrangements Kellogg offers,” Samantha said, “I can leave the office earlier to take care of my little girl. I therefore have a better work-life balance, since I can combine my work responsibilities with my family’s needs.” Samantha is now expecting a new baby, and said she particularly appreciates the maternity leave policy recently established by Kellogg Mexico.

Kellogg Latin America has been putting more focus on D&I since 2010. These efforts include ensuring that the region has family-friendly and flexible workplace policies that make the company an attractive choice for working moms.

And these kinds of policies don’t benefit just women. Omar B., who works in logistics in the region, has used flextime and work-from-home arrangements to help take care of his special-needs child.



Omar B.

“Last year, my son was diagnosed with autism,” he explained, “and the company offered me flextime options to take care of this personal situation. It was a relief since we didn’t know how much time was needed for the different appointments or therapies, and of course, I didn’t want to put all the responsibility on my wife.”

Omar said his son’s condition has since improved. And, he adds: “I’m very proud to work for a company that actually commits to their employees’ success and well-being.”

Kellogg Australia/New Zealand: Supporting Women at Work

In our Australia and New Zealand markets, we’ve put a special effort on promoting and supporting women in the workforce. We offer workshops aimed at helping women to further their careers at Kellogg and gain leadership positions, and we are enabling more job sharing for working mothers.



Leading the Way in India

“I came to Kellogg about 18 months ago, after a 22-year career in marketing and management at other global companies. When I began my career, being the only woman in the room took some getting used to. Today, India has changed, and businesses have changed. It’s been a huge transformation, with women making big strides.

At Kellogg Company, we still don’t have as many women in our India workforce as we would like. That’s partly because our largest functions in India are manufacturing and sales, which are traditionally male dominated due to the nature of the jobs and not being preferred as career options by women. Women are more often found in HR, marketing and finance, and in our India business those functions are relatively small. Nonetheless, we are making progress. We’ve put a number of policies in place to help encourage the recruitment and retention of women, such as flexible hours and work-from-home arrangements.

For a long time in India, ‘diversity’ meant issues of gender only. Now, organizations are beginning to take into account cultural and social diversity as well. That’s no small task, given that people in our country differ greatly in their language, dress and customs from state to state and region to region.

It’s very important that we have the right ethnic representation in each of our four locations in India. Language is one of our challenges; before we can hire or relocate a person, we have to be sure they can communicate in the local language, especially in customer-facing functions.

Overall, better diversity drives better solutions within the company, better productivity and better results. Diversity brings new ways of thinking, which enriches the organization.”

Sangeeta Pendurkar
Managing Director
Kellogg India

Sangeeta was recently named one of the “Most Powerful Women in Business” by Fortune India.



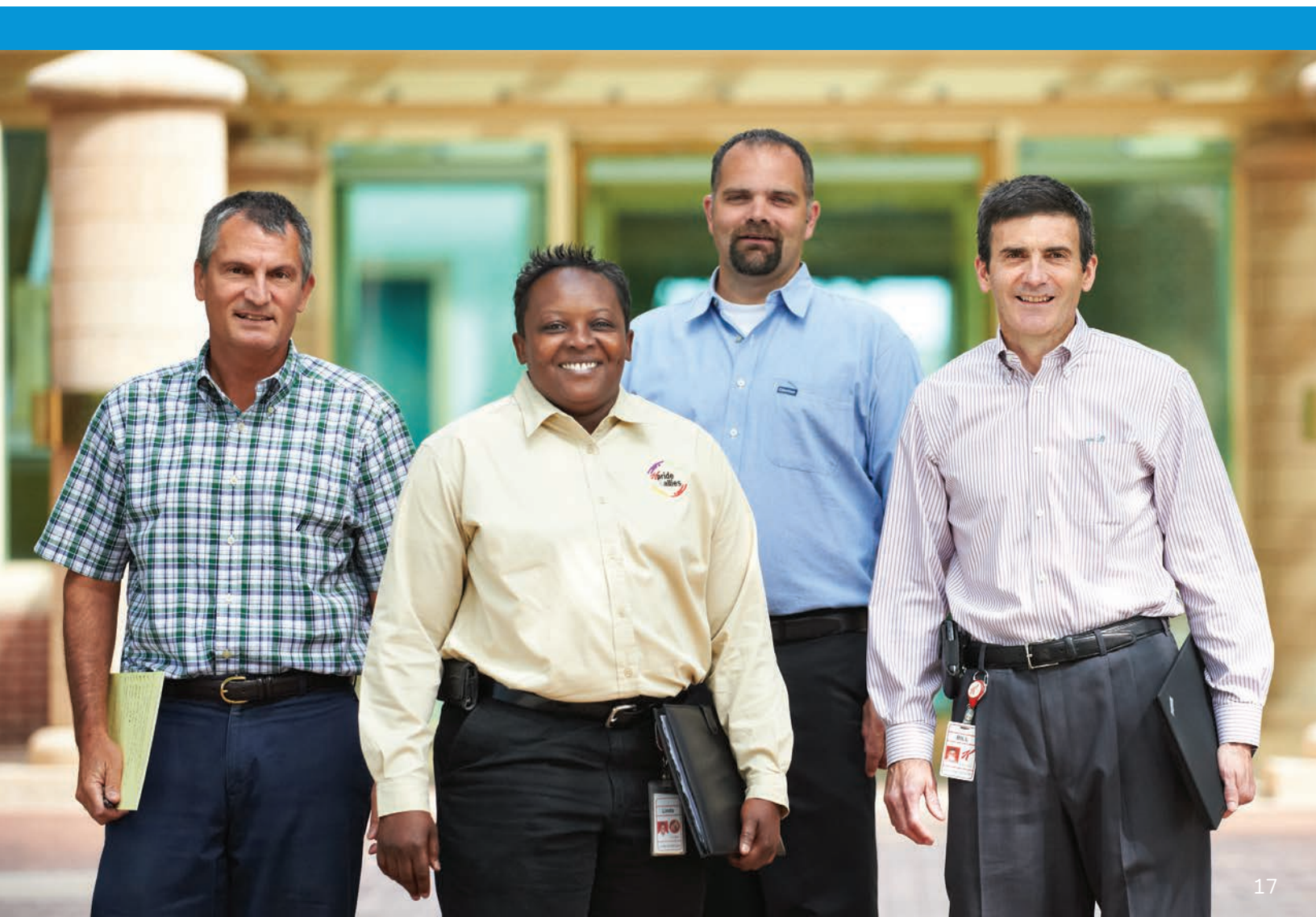
Taking Accountability

At Kellogg, we know it's not enough to talk about the benefits of diversity and inclusion. We all have to take accountability for making sure we create and maintain a diverse workforce and an inclusive work environment.

We recently strengthened the incentives for driving D&I in our workforce. Beginning January 1, 2012, diversity and inclusion were specifically included as a performance measure in the Annual Incentive Plan (i.e., bonus plan) for our senior leaders. This focus gives senior executives a more tangible way to benchmark their progress.

In addition, all people managers have individual performance objectives relating to diversity and inclusion. That is, their annual reviews include an assessment of how well they have supported diversity and/or demonstrated inclusive behaviors.

And of course, we have two major companywide policies relating to diversity and inclusion – an equal employment opportunity policy and an anti-harassment policy. While most companies have such policies, we take their implementation very seriously. These policies, along with our *K Values*TM, set an expectation of behaviors for all employees.





MARKETPLACE

Serving a
**Changing
Consumer**
Base





To succeed in the marketplace, Kellogg has to stay keenly attuned to who our consumers are and what foods they enjoy. And, we need to effectively connect with them through advertising and marketing.

So, who are our consumers? In the United States, our biggest and most diverse market, population demographics are changing quickly. The U.S. Census Bureau recently reported that, for the first time in U.S. history, “minority” births are now the majority. And while people of color currently make up about one-third of the total U.S. population, they are expected to become a majority by 2042.

In short, the country is rapidly becoming more culturally and ethnically diverse. It’s essential that we keep pace with what this increasingly diverse consumer base is interested in purchasing, and that we reach them through our advertising. To help us do this, we have established a Multicultural Strategy Center of Excellence that serves all business units within the company.

“The purpose of the Center of Excellence is to help Kellogg leverage cultural insights, brand equities and partnerships,” said Daniel R., director of Hispanic marketing. “In short, to create a culturally advanced organization. By doing that, we can improve our marketing initiatives and ultimately create competitive advantage.”

Experts from the Multicultural Strategy function consult with our brand teams to help them innovate products for, and market to, specific demographics. They also work across brands to help keep Kellogg Company “top of mind” among the full diversity of potential consumers in the United States. For example, Kellogg provides a website geared specifically toward Latinos – <http://www2.kelloggs.com/espanol>.



www2.kelloggs.com/espanol





twitter



Connecting with Moms through Social Media

Women have long been Kellogg Company's primary target consumers. Though men are doing more grocery shopping than ever, women still make about two-thirds of all trips to the supermarket.³ Some of our products have been specifically developed with women in mind. For example, our line of *Special K*[®] brand foods has been developed for all women, while others, like our kids' cereals, are marketed primarily to moms with young children.

We make special efforts to reach women of all races and ethnic groups with our marketing. And increasingly, we're using social media channels to do so. In one recent initiative, we joined forces with several influential mom bloggers to launch the Kellogg's Champions of Great Starts ambassador panel. This panel of seven bloggers provides an avenue for the company to connect online with parents to discuss issues surrounding good nutrition. And the panel is diverse, with African-American, Asian-American, Latina and Caucasian members.

³ See blog.nielsen.com/nielsenwire/consumer/in-u-s-men-are-shopping-more-than-ever-while-women-are-watching-more-tv/.



Making a Difference Outside Our Walls

At Kellogg, our commitment to diversity extends beyond our own organization to our suppliers and the community more broadly. We have a strong supplier diversity program, and our philanthropic giving includes donations to organizations that support diversity and inclusion.



Kellogg Office of Diversity & Inclusion presents a check to the Wounded Warrior Project.



Kim Harrington and Denise Jones

Championing Our Diverse Suppliers

Our supplier diversity program in the U.S. provides business opportunities for companies owned by members of minority groups, women and veterans with disabilities. The program has been in place for more than two decades, and through it we now purchase from more than 200 diverse supplier companies and spend more than \$350 million a year with our diverse suppliers.⁴

Just recently, the program expanded to include LGBT-owned businesses, which is opening up new opportunities for some of our supplier companies. Denise Jones' experience provides a case in point.

Denise is president and co-owner of Graphix 2 Go, Inc., a Battle Creek-based company that has been providing Kellogg with branded promotional products – such as T-shirts, hats and mugs bearing the Kellogg's® logo – for the past eight years.

“We’ve been a certified woman-owned business from the beginning of our relationship with Kellogg,” Denise explained. “But this year in the certification paperwork, I noticed there was a new box that could be checked: LGBT-owned. My partner Kim and I own the business together, but I had never mentioned to anyone at Kellogg that I am lesbian.”

And, Denise admits, she was a bit nervous to do so. “This is a small town,” she said, “and I didn’t want to do anything that would jeopardize our business or the livelihoods of our eight employees. But, I decided to talk to our contact at Kellogg and see if she thought it would be worth certifying as both LGBT-owned and woman-owned.”

Through that conversation, Denise became convinced that certifying as LGBT-owned would indeed be a positive step. “She said it would open up avenues for new business,” Denise said, “because Kellogg and other companies with government contracts now report on how much they spend with LGBT-owned suppliers. So, they want to find and do business with LGBT-owned companies.”

“The best thing, though,” Denise continued, “was that I was really assured that Kellogg would stand beside us and support us. And they have. It feels like having a big brother watching out for us.”

Denise said that she would soon attend a conference of the National Gay and Lesbian Chamber of Commerce, and Kellogg would have a booth right next to hers. Through this conference, Denise will have the opportunity to meet other large companies with which she could do business, and Kellogg will seek out new LGBT-owned suppliers from which to source ingredients, products and services.

For Denise, the recent expansion in our supplier diversity program has ultimately been beneficial, despite her early qualms. She summed it up this way: “You know, I’m 50 years old, and this process has felt like coming out of the closet all over again. But it’s been amazing, and it means so much to us. We feel very blessed.”

⁴ The dollar figure is for our “first-tier” diverse suppliers alone – i.e., those that we buy from directly.



Supplier Diversity Recognitions

In 2011, Kellogg was honored with the CEO Leadership Circle of Excellence Award from the Minority Business Development Agency (MBDA) for our supplier diversity program.

“The company’s supplier diversity program is unequivocally best in class, and it’s evident that diversity initiatives across the company are supported from the top down,” said Eric Dobyne, Chicago regional director of the MBDA. “Kellogg goes above and beyond the status quo to fully incorporate innovation and diversity into its global supply chain.”

We were also named a 2011 Corporation of the Year finalist by the Michigan Minority Supplier Development Council, and MBNUSA included Kellogg in its Corporate 101 list of top companies for supplier diversity.



Kellogg's

2011 Corporation of the Year Finalist
Michigan Minority Supplier Development Council

Broadening Our Reach through Philanthropy

The final key element of Kellogg Company's diversity efforts involves supporting diversity and inclusion in the community through philanthropic donations to (and partnerships with) non-profit organizations.

Typically the funding for these donations comes from Kellogg's Corporate Citizenship Fund, the charitable arm of Kellogg, and goes toward programs that expand opportunities for persons of diverse backgrounds. In 2011, the Fund contributed more than \$250,000 to diversity-related causes in the United States, primarily for scholarship programs that include diversity as a criterion.

For example, the Fund supports the Wounded Warrior Project, which is highlighted on the next page. And, the Fund's donation to the National Association for the Advancement of Colored People (NAACP) funds Kellogg's NAACP Law Fellows Program, a prestigious internship program dedicated to developing the next generation of civil rights attorneys.

Also, over the past few years our Kellogg Specialty Channels team has donated well over \$100,000 to the Marriott Foundation's "Building Bridges ... From School to Work" program, which helps young people with disabilities to prepare for and find jobs after high school. The Bridges program has facilitated the placement of more than 12,000 youth with disabilities in competitive roles with more than 3,500 employers.

"Our corporate partners, including Kellogg Company, help Bridges support youth who are eager to be in the workforce - if someone will just give them a chance to shine," said Ted Asbury, vice president and executive director of the Marriott Foundation.

We're also very proud that we hired our first employee from the Bridges program this year, to work part-time as a merchandiser. "This [hire] is good for Kellogg because it's consistent with our K Value™ of acting with integrity and respect for everyone," said Laura R., manager of national accounts at Kellogg. "And from a business perspective, it offers another avenue we can tap into for our merchandising labor pool, which can assist us in our mission of providing consistent, reliable service every single day."



\$250,000

to diverse-related causes in the United States, primarily for scholarship programs that include **diversity** as a criterion



Supporting Veterans

In 2007, on a mission in Iraq, Scott Adams' Humvee was hit by two anti-tank mines. Engulfed in flames, Adams suffered multiple injuries, including third-degree burns over nearly half his body. He spent two years in recovery and earned two Bronze Stars, the Purple Heart and the National Defense Service Medal, among many other awards. Adams – who had a 22-year career in the Army – now works for the Wounded Warrior Project, which provides programs and services that assist wounded and disabled veterans as they transition back to civilian life. He shared his story with employees at Kellogg's Battle Creek headquarters in November 2011.

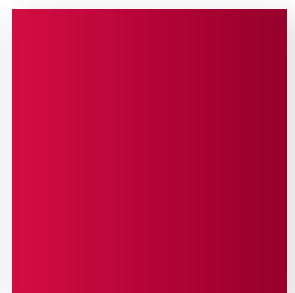
“All of the warriors I've met through the Wounded Warrior Project inspire me,” said Adams. “We're not only improving ourselves, but we're also making the world a better place by showing others that limitations are only what you allow them to be.”

For the second year in a row, Kellogg's Corporate Citizenship Fund provided a grant of \$25,000 to this organization. The grant will help to provide educational assistance to wounded and disabled veterans preparing to return to the private workforce. Separately, Kellogg also brought many of our most popular products to a Wounded Warrior cookout at Ford Benning, Georgia, that drew more than 10,000 service members and their families.

“The Wounded Warrior Project is doing great work supporting our brave veterans,” said Mark King, global head of D&I. “We are honored to be involved.”



Kellogg Company was honored this year with a Patriot Award from Employer Support of the Guard and Reserve (ESGR), an agency within the U.S. Department of Defense. The ESGR gives the award to companies that provide outstanding support – such as health insurance coverage and pay differentials – to their employees who are active-duty members of the National Guard and Reserve. Kellogg was nominated for the award by employee Trevor H., a member of the U.S. Marine Corps Reserve who was deployed to Afghanistan in 2011 and 2012. The photos on this page were taken at the awards ceremony in August 2012.





Strengthened by Diversity. Advanced by Inclusion.

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