

OVERVIEW

WELCOME

Welcome to Kellogg Company's 2011 Corporate Responsibility Report.

This report, which covers calendar year 2011, is intended to provide information useful to our stakeholders, including our consumers, employees, customers, investors, business partners, community members, and governmental and nongovernmental organizations. We use our report to inform stakeholders about our performance – both where it is strong and where opportunities exist for continued progress.

This report discusses Kellogg Company's wholly and majority-owned operations and complements other information about Kellogg available on our company website (www.kelloggcompany.com) and our various regional websites around the world. The report received extensive internal review by subject matter experts and our Executive Leadership Team, which is composed of our top executives. A brief executive summary is available for download at www.kelloggcorporateresponsibility.com/executivesummary.

For this report, we used the Global Reporting Initiative (GRI) G3 Guidelines for the food sector, which provide a recommended framework and indicators for reporting. We are reporting at a GRI-checked application level of "B." More information on the G3 Guidelines and application levels is available at www.globalreporting.org.

We welcome feedback at corporateresponsibility@kellogg.com. For every person who submits feedback in 2012, Kellogg Company will make a one-time donation of \$5 to the Global FoodBanking Network – up to \$10,000. We made a similar donation in 2011, thanks to the feedback of readers of our 2010 report.

EXECUTIVE MESSAGE FROM JOHN BRYANT



At Kellogg, we're committed to building a strong company and well-loved brands, while doing what's right for our environment and for society. Corporate Responsibility (CR) is part of our essence, instilled more than a century ago by our company's founder. W.K. Kellogg was a man who aspired to improve physical and emotional well-being with the foods he made and through his philanthropic generosity.

We're continuing W.K. Kellogg's journey and building upon his commitments. Today's consumers are increasingly aligning their personal values with the brands they buy and the companies they support. Health and well-being are taking on new urgency as the rates of obesity and diabetes rise, and there's a growing interest in a return to simple foods. At the same time, a burgeoning world population is pushing us all to think more creatively about how to feed the planet of our future. Around the globe, concerns about efficient uses of environmental resources, including fossil fuels and water, are escalating; the cost and availability of these resources, meanwhile, pose risks for an agricultural-based company like ours.

We're addressing these and other challenges through a broad suite of CR programs and initiatives that are described throughout this report. We're also working to more clearly articulate our CR strategies and provide greater transparency – and more valuable information – through our reporting and through social media and other communications vehicles. Such openness is important for companies in the food industry, since consumers are more interested than ever in where their food comes from and how it was produced.

In early 2012, we articulated a new company vision: to enrich and delight the world through foods and brands that matter. We also crafted a statement of purpose: nourishing families so they can flourish and thrive. The goals embedded in these statements have always been at the heart of our company, but the refreshed language is helping us to clarify our aspirations and illuminate the role we can play in support of our consumers, customers and communities. Our CR strategy fits nicely with our vision and purpose. We're pushing boundaries to develop products in a more sustainable way – a way that delivers shared results for our consumers, for our employees, for our planet and for our broader communities, as well as for our investors.

At Kellogg, we see our company as more than just food and products. We believe we have a broader mandate. Our vision – which was inspired by our founder – speaks to our relationship with consumers.

We play an important role in improving consumer health by innovating new products and enhancing the nutrition credentials of beloved favorites. Around the world, we have been steadily and consistently reducing the sugar, sodium and fats in our foods, while increasing fiber, whole grains and nutrients to respond to consumers' nutrient needs.

Consumers are seeking out products with fewer ingredients and are asking for ingredient statements that are easier to understand. And we're delivering; many of our cereals, for example, have five or fewer ingredients (not including added vitamins and minerals). We also have been working to make our packaging labels more visible and better understood.

Our customers – grocery stores, retail chains and foodservice suppliers – are looking to companies like ours to help them advance their own sustainability commitments, programs and strategies. In particular, they are focused on social issues (such as consumer health and wellness and hunger relief) and environmental improvements (in particular waste reductions, packaging improvements, energy efficiency and sustainable agriculture). This represents an important opportunity for our company. After all, sustainability isn't just about what our one company can do; it's about the aggregated improvements that occur when companies work together to drive change.

For the most part, external rankings firms and the media have a positive view of our company. We don't take these ratings lightly, and we certainly don't take them for granted. We know that some of the key issues for our industry – from our role in supporting changes in consumer health to how we market our products to children – are also reputation drivers for our company, if we continue to manage these decisions responsibly.

That's just one of the many reasons why we have been investing in and integrating CR into our overall corporate strategies to deliver stronger business value for our shareholders, our communities, our employees and other stakeholders. Doing so will make our business operations more sustainable for the future.

This past year, we increased our investments in our manufacturing plants. We expanded our training and development programs, and significantly enhanced our internal quality and food safety auditing programs.

EXECUTIVE MESSAGE FROM JOHN BRYANT, *CONT.*

We also have redoubled our people safety efforts in our North American region, and these efforts are already showing results. Our people safety performance has improved significantly as we pursue our ultimate target of zero injuries and illnesses. Companywide, our Total Recordable Incident rate decreased 23 percent in 2011, and our Lost Time Incident rate decreased 11 percent. In 2011, we made the decision to directly tie people safety performance to compensation for a broad range of employees, beginning in 2012. (As part of this change, we're also specifically tying diversity and inclusion performance and food safety performance to compensation for our senior leaders.) Also, we recently launched new wellness programs in three of our U.S. plants and organized our first-ever National Kellogg Wellness Day in the U.S. in November.

In the environmental arena, we continued to work toward our 2015 performance goals for energy use, greenhouse gas (GHG) emissions and water use, and seven of our plants have achieved zero waste to landfill. We remain on track to meet our GHG and water goals, but we are lagging slightly behind on our energy use and waste goals. Water, of course, is pivotal for the crops that eventually go into our products. This past year, we assessed our water-related risks and opportunities to help us better understand issues relating to water availability and quality in our areas of operation.

We are responding to consumers who are increasingly interested in the origins of their food and how food is grown. We are reaching back into our supply chain and working with growers more closely than ever before to engage with them on issues related to agricultural sustainability.

In our fourth key CR area of supporting our communities, we continued our work this past year with programs that provide food for those in need – especially children. Our donations of products and cash are helping to fill large gaps for people struggling in a difficult global economy.

This year's report also includes discussions of two "cross-pillar" topics – sustainable agriculture and the benefits of breakfast. These two topics span several of our core pillars of marketplace, workplace, environment and community.

We are pleased to report on our corporate responsibility efforts over 2011. And we welcome your thoughts on how we might do even better. In fact, for every person who submits feedback on this report, we'll donate \$5 to the Global FoodBanking Network, up to \$10,000. That means readers of this report can join with us toward fulfilling our purpose: nourishing families so they can flourish and thrive.

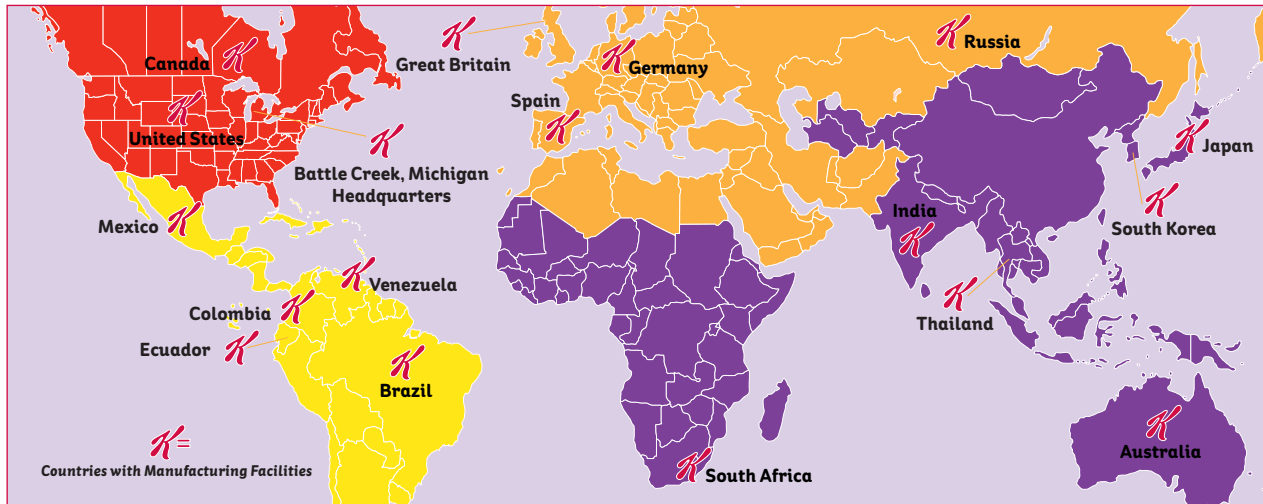
John Bryant

President and Chief Executive Officer
April 2012

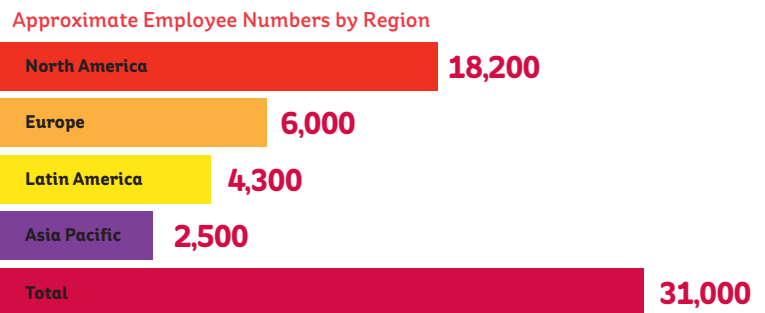
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COMPANY PROFILE

With 2011 sales of more than \$13 billion,¹ Kellogg Company is the world's leading producer of cereal and a leading producer of snacks and frozen foods. In early 2012, Kellogg entered into an agreement to acquire Procter & Gamble's Pringles® business. Pringles® is an excellent strategic fit for Kellogg as it significantly advances the company's goal of building a global snacks business on par with our global cereal business. The companies expect to complete the transaction in the summer of 2012, pending necessary regulatory approvals, so Pringles® is not addressed in this report.



Kellogg Company Operations ²	
approximately 31,000	Employees Worldwide
180+	Countries Where Our Products Are Marketed
17	Countries Where Our Products Are Manufactured
59	Manufacturing Facilities
\$13.2 billion	2011 Net Sales
\$1.2 billion	2011 Net Income Attributable to Kellogg Company
2.2%	2011 Shareholder Return
\$3.38	2011 Diluted Earnings Per Share
\$1.0 billion	2011 Cash Flow ³
\$11.2 billion	2011 Operating Costs
\$594 million	2011 Capital Expenditures
\$503 million	2011 Income Taxes
\$38.3 million	2011 Community Investments



We are a publicly traded company headquartered in the U.S. in Battle Creek, Michigan. We operate through four business units: Kellogg North America, Europe, Latin America and Asia Pacific. To learn more about our company, visit www.kelloggcompany.com.

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

2. There were no significant changes to our operations during 2011. However, in late 2011, we entered into an agreement to sell our China operations, Zhenghang, to Munchy Food Industries. Because the sale did not take place until 2012, we do not cover it in this report.

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

VISION AND PURPOSE

In 2011, we updated our company's vision (i.e., what we aspire to) and our purpose (i.e., the role we play in society) to better reflect our aspirations and define our company's position within the global marketplace. We created the new vision and purpose to make sure that our organization is moving together toward a clear destination. At the same time, we also created a new Employer Brand to express what it means to work at Kellogg and show prospective talent what our company is all about.

At Kellogg, we believe that every day comes with new possibilities. It's a belief that has guided us from our start, rooted in our founder's dedication to people and their well-being. That dedication continues to inspire us as a company, propelling us forward as we strive to create foods and brands that matter.

Our vision to "enrich" isn't just about nutrition. It's about how we can deliver products from a more environmentally friendly standpoint. It's about how we can improve consumers' experience through our packaging – through simpler graphics and easy-to-understand labels. And it's also about how we can contribute to our communities.

Our purpose reflects our aim to do more than just nourish people. We want to help our consumers flourish and thrive. We keep pace with our customers' and consumers' wants and needs so we can deliver more than what's expected. Our purpose defines why we exist as a company, the role we play in the world and how we deliver on our vision. That vision – to enrich and delight the world through foods and brands that matter – reflects the values upon which we were founded, but finds fresh meaning as our business evolves.

Our corporate responsibility strategy is integrally connected to our vision and purpose. As a global company, we strive to provide the best foods, while enhancing and supporting the communities in which we work and the planet on which we all live. We want to fuel better days and better lives for all of our customers and consumers.

Our Vision

To enrich and delight the world through foods and brands that matter

Our Purpose

Nourishing families so they can flourish and thrive

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CORPORATE RESPONSIBILITY STRATEGY

Our company's global Corporate Responsibility (CR) strategy helps guide our decisions across the four "pillars" that we have identified as most pivotal to our business. We have articulated our ambition (see graphic below) for each pillar – Marketplace, Workplace, Environment and Community – and are striving to further integrate CR concepts and actions into our business value. We believe that increased transparency will lead to increased trust – and improved reputation among all of our important stakeholders.

Indeed, we recognize that companies with strong environmental, social and governance systems and practices financially outperform their peers. We also are keenly aware that retailers are driving sustainability through their supply chains, expecting food company suppliers to meet environmental and social goals. Our consumers' values have been changing, too, over time, and we're working to communicate that our company's CR values are in alignment.

Our CR strategy was clearly outlined in 2008 when we employed a comprehensive materiality analysis¹ to define the most important areas for both our company and our stakeholders and help us group them into categories. These pillars (Marketplace, Workplace, Environment and Community) continue to shape our work, and form the structure of this report.

As our CR strategies have become more operationalized, we have also been focused on driving change and leveraging our strengths in critical subjects that span several of our pillars. For this report, for example, we focus in particular on our work tied to the Benefits of Breakfast and Sustainable Agriculture, each of which crosses the Marketplace, Environment and Community pillars.

MARKETPLACE AMBITION

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

ENVIRONMENT AMBITION

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



COMMUNITY AMBITION

Contributing to the communities in which we operate will remain an important element of our corporate responsibility strategy. We will seek to concentrate on nutrition (including malnutrition) and physical fitness through product donations for the hungry, as well as programs that educate children and parents about good nutrition and help families stay active.

WORKPLACE AMBITION

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

1. Materiality is a familiar concept in financial accounting that has recently been applied to corporate responsibility as a way to focus a company's efforts on those issues that pose the most significant risks and opportunities. The materiality analysis ranked corporate responsibility issues qualitatively along three parameters: level of societal interest and concern, impact on Kellogg (based on financial and reputational impact) and level of control. The issues deemed most material are those that are of high societal concern and impact on Kellogg, and over which the company has some degree of control. For these issues, we seek to understand the risks and opportunities they pose for our company, our role in addressing them, and stakeholders' expectations for our actions.

CR GOVERNANCE AND MANAGEMENT

We have a corporate responsibility (CR) governance structure that outlines accountability for driving progress toward our CR strategy. This structure weaves the management of our material issues into our mainstream business processes.

Our Board of Directors has a Social Responsibility and Public Policy Committee composed of five independent director members. The committee, which has been in existence since 1979, met twice in 2011 and oversees all aspects of our CR approach. Other committees of the Board address CR issues as well. For example, the Audit Committee reviews environmental performance and the Manufacturing Committee reviews health and safety performance. The Board as a whole addresses many of the key issues discussed in this report, including those related to health and nutrition.

In 2011, we appointed a new chief sustainability officer. She reports to our senior vice president of Supply Chain, who in turn reports to President and CEO John Bryant. (At Kellogg, the term “Supply Chain” refers to our manufacturing operations.) Our corporate responsibility strategy has been fully integrated into our business, with subject-matter experts for each material area who report on progress to the heads of their business units.

Kellogg Company’s cross-functional Emerging Issues Team helps keep our Executive Leadership Team abreast of emerging health, nutrition and food safety issues that have the potential to adversely impact our consumers or our business. In addition, each Kellogg Company region has a cross-functional Crisis Incident Management Team that assesses and manages incidents with a potential for high impact on our business, such as natural disasters, business interruptions, product recalls and health pandemics.

AWARDS AND RECOGNITIONS

In addition to the awards Kellogg has received in specific pillar areas – which are discussed elsewhere in this report – we are pleased to have been recognized by a number of leading organizations and publications for our overall corporate responsibility efforts, as well as for the strength of our company and our brands. Recent recognitions include the following:

Roberts Environmental Center (REC) Pacific Sustainability Index: Our Corporate Responsibility Report received an “A” rating for 2011 from the REC, an environmental research institute at Claremont McKenna College that has been analyzing corporate sustainability reporting for more than a decade. Corporate responsibility reports from a variety of industries are awarded a letter grade each year in the REC’s annual index that examines companies on their intent, reporting and performance in two categories: social and environmental initiatives. Along with an “A” rating, Kellogg ranked third in the Food, Food Production and Beverages sector.

Reputation Institute: Kellogg ranked 20th on a list of 100 of the World’s Most Reputable Companies. Reputation Institute’s 2011 study provides an assessment of the global reputations of the companies that are most liked, trusted and respected by more than 48,000 consumers in 15 countries.

Boston College Center for Corporate Citizenship 2011 CSR Top 50 Index: Kellogg ranked 4th on the 2011 CSR Top 50 Index. The Index ranks companies using three dimensions of data from Reputation Institute’s 2011 Global Pulse Study of how consumers view companies. These include citizenship, governance and workplace. Reputation Institute previously ranked Kellogg the 20th most reputable company in the world (see ranking above).

Fortune Magazine: Kellogg ranked 5th among global consumer food products companies on the publication’s 2011 list of “World’s Most Admired Companies.”

Maclean’s (Canada): Kellogg was included on the magazine’s list of the top 50 socially responsible corporations in Canada. In particular, Maclean’s took note of our “Share Your Breakfast” program, an initiative aimed at helping to provide 1 million breakfasts in schools in the 2011-2012 school year, in addition to our company’s industry-leading policy to cover 100 percent of our current palm oil use through the purchase of “GreenPalm” certificates.

Reader’s Digest (Canada): For the second year in a row, in 2011 Kellogg’s was voted Canada’s “Most Trusted Brand of Breakfast Cereal” in a survey conducted on behalf of Reader’s Digest Canada.

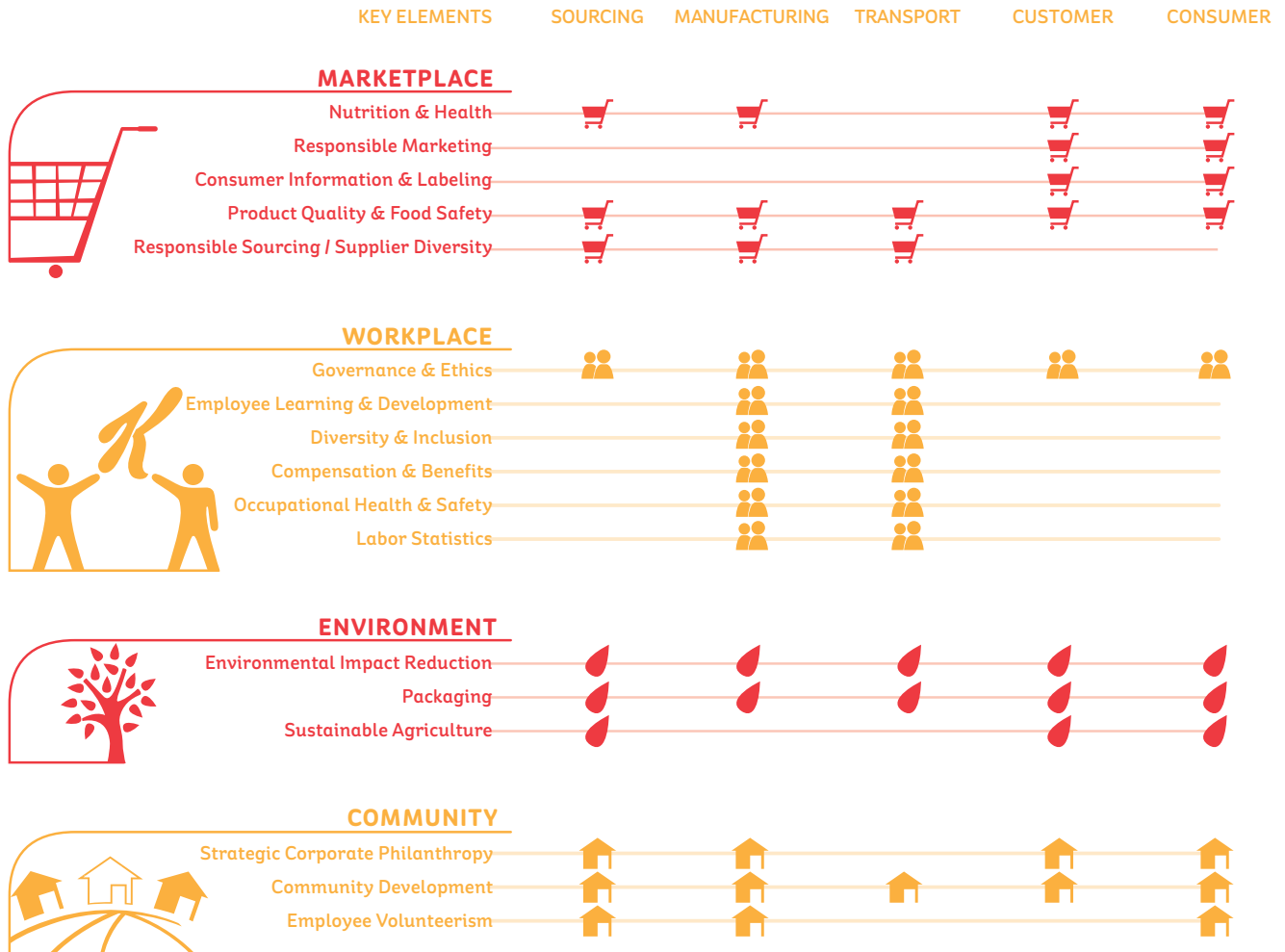
Merit Award for Social Responsibility 2011: Kellogg Latin America Headquarters in Querétaro, Mexico, received this prestigious award from the Querétaro State Sustainable Development Secretariat. The award, which recognizes economic, social and environmental excellence, is granted to one company annually.



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CORPORATE RESPONSIBILITY ACROSS THE VALUE CHAIN

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



COMMITMENT TO INTEGRITY

Kellogg is committed to maintaining an ethical performance culture. Our company's *K Values*[™] and Global Code of Ethics direct our daily operations. The *K Values* guide our approach to business and our various stakeholders, while the Code of Ethics guides the business practices of all employees worldwide. Together, they provide clear, practical guidance as to what is permissible and what is prohibited while aiming to help all Kellogg employees act with integrity, accountability, passion, humility and respect.

Created more than a decade ago, the *K Values* are more than just a plaque on the wall or words on a website. They are part of the daily vernacular at Kellogg. Kellogg employees at every level of the organization take the *K Values* seriously, and we refer to them regularly in our work. Our *K Values* are fundamentally linked with our organizational culture.

Kellogg is committed to an ethical and transparent supply chain that utilizes responsible sourcing. Our global Supplier Code of Conduct requires our suppliers to promote sound business practices within their business operations and expressly prohibits corrupt business practices. One aspect of our responsible sourcing commitment is a zero-tolerance position against forced labor, including slavery and human trafficking. In addition to incorporating our global Supplier Code of Conduct into our contracts, we incorporate responsible sourcing training opportunities within our supplier events.

At Kellogg, we strive for continuous improvement and look for meaningful and impactful ways to communicate the importance of ethics and compliance. The *K Values* have been incorporated into our employee performance reviews. All employees with access to company computers are required to complete an online training course that takes them step-by-step through our Global Code of Ethics. We proactively provide targeted training on topics ranging from the Foreign Corrupt Practices Act and the U.K. Bribery Act to eliminating forced labor in the supply chain. In the U.S., for example, we use electronic billboards and ethics posters in our manufacturing facilities to reinforce compliance issues for those working within our plants.

We maintain both a hotline, called the Ethics Alert Line, and a web-based reporting tool for our employees, so they can raise ethics questions and concerns confidentially and anonymously. Senior management provides significant oversight into our ethics and compliance program, and a cross-functional team of senior leaders oversees investigations and has input into certain discipline decisions to help ensure consistency. Our Corporate Governance Guidelines, Global Code of Ethics and additional information about our governance systems are available at www.kelloggcompany.com. For information on our Global Supplier Code of Conduct, see the Marketplace section of this report.



***K Values*[™]:** At Kellogg Company, we act with integrity and show respect. We are all accountable. We are passionate about our business, our brands and our food. We have the humility and hunger to learn. We strive for simplicity. We love success.

STAKEHOLDER ENGAGEMENT

We regularly engage with a variety of stakeholders on issues ranging from nutrition and labeling to climate change and sustainable agriculture. We focus in particular on engaging with stakeholders around areas tied to our most material issues, such as health and nutrition, product marketing, workplace culture, sustainable agriculture and community development.

For example, we're involved in an industrywide initiative that seeks to drive systematic change in the palm oil industry. Although we are a minor user of palm oil, we are deeply concerned about the detrimental environmental impacts of palm oil production. For more information on our work in this area, see the Sustainable Agriculture section of this report. We're also working with growers of the key ingredients in our foods to help improve the sustainability of our products.

We also engage with our workforce through periodic surveys to help us understand our employees' perspectives on a range of topics. See the Workplace section for more details on our Global Opinion Survey, conducted in the spring of 2011. Additional examples appear within the pillar sections of this report.



External Perspectives: Marketplace Perspective

DAYLE HAYES, M.S., R.D.

REGISTERED DIETITIAN AND MEMBER OF THE KELLOGG BREAKFAST COUNCIL

"I'm very excited to be part of the Kellogg Breakfast Council, which is made up of a diverse group of participants outside Kellogg – including a pediatrician, an academic, nutritionists and researchers – all of whom are focused on the intersection of breakfast, nutrition and health. I've participated in advisory councils for other groups, but this one has been the most impressive to date. That's largely because Kellogg seems truly interested in hearing what each council member has to say. Kellogg executives don't want cheerleading. They've been encouraging us to challenge them and to help the company understand the role it can play in improving consumer health.

The U.S. breakfast survey that Kellogg Company conducted in 2011 showed that only a third of Americans eat breakfast in the mornings. We've got some significant health issues in our country, and I'm not naïve enough to think that breakfast is the solution to all of them. But it's certainly a great start on a number of fronts.

Breakfast is a missing meal for most Americans,¹ and a missed opportunity. The 2010 Dietary Guidelines for Americans identified four nutrients of concern that consumers – both adults and children – don't get enough of: calcium, vitamin D, potassium and dietary fiber. A healthy breakfast can go a long way toward filling those gaps.

In the current nutrition environment, global food manufacturers face plenty of challenges, particularly around issues tied to weight management and health. On the one hand, malnutrition and food security issues – even starvation – are truly critical in some parts of the world. On the other hand, we have growing global health problems, such as diabetes, heart disease and cancer, that are linked to nutrition. Chronic diseases are by no means the sole responsibility of food manufacturers, but food companies are going to have to join the conversation and think about how they can contribute to solutions. For example, should food companies work to reduce the amount of added sugar in their products? Yes. But the more we learn about diabetes, the more we recognize that it's not just about sugar consumption. Both diabetes prevention and treatment involve energy balance. In many cases, the problem comes down to too much food consumed and not enough activity to burn the calories.

Food manufacturers like Kellogg need to continue to find tasty ways to increase fiber while moderating sodium and sugar. I say "tasty" for a very important reason. People eat because of taste. When it comes to food choices, taste overrides nutrition, taste overrides economics, and taste certainly overrides health. It's a real balancing act to create products that have the taste and the texture that consumers want – while keeping their health top of mind.

With its tremendous capacity for innovation and renovation, Kellogg can do wonderful things with products that bring balance to consumers' diets. But that alone won't solve one of the biggest problems we have in America. The fact is that people simply eat too much food – all day long. As a sponsor of the 2012 Olympics, Kellogg can help to spread the message about the importance of energy balance. We can't all eat like Olympic athletes, of course, but Kellogg can help to connect the messages of activity and nutrition for a global audience."

1. Kellogg's 2011 "Breakfast in America" survey of 14,000 Americans



External Perspectives: Workplace Perspective

ERIC DOBYNE

**CHICAGO REGIONAL DIRECTOR,
U.S. DEPARTMENT OF COMMERCE
MINORITY BUSINESS DEVELOPMENT AGENCY (MBDA)**

"The MBDA is the only U.S. federal agency created specifically to foster the growth and global competitiveness of minority-owned businesses in America. We perform our mission by funding a nationwide network of more than 40 business development centers and by actively coordinating with and leveraging resources from the public and private sectors. The ultimate goal: helping minority business owners create jobs, impact local economies and compete successfully in domestic and global marketplaces.

In 2008, we introduced the prestigious CEO Leadership Circle of Excellence Award to formally acknowledge those corporations that set the tone for world-class accomplishments in corporate diversity and minority business development. At the MBDA, we believe the single biggest factor in a successful corporate diversity strategy is a chief executive's commitment. Award-winning companies are chosen based on their leadership and their organization's outstanding accomplishments in fostering a diverse management team, creating diverse vendor relationships and contributing to overall community relations efforts. The financial performance of the company is another key factor taken into consideration.

We selected Kellogg as one of our 2011 winners, because 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. Through their hard work and dedication, Kellogg employees have created a powerhouse program that exemplifies CEO John Bryant's commitment to diversity and inclusion. Our organization has witnessed first-hand Kellogg Company's active pursuit of collaboration and strategic partnerships with the minority business community. It's abundantly clear that Kellogg goes above and beyond the status quo to fully incorporate innovation and diversity into its global supply chain.

John Bryant's leadership and his committed team have already accomplished a tremendous amount in the promotion of diversity and inclusion, both within and outside the company. To take it to even greater levels, Kellogg should continue to collaborate with a broad spectrum of diverse suppliers, especially as the company further expands into emerging world markets."



External Perspectives: Environment Perspective

PETER-ERIK YWEMA

GENERAL MANAGER

SUSTAINABLE AGRICULTURE INITIATIVE PLATFORM

"Sustainable agriculture is not just a corporate responsibility issue; it's a sourcing issue. That is, food companies depend on safe and reliable supplies of agricultural raw materials in order to make their products. Water shortages, climate change and labor issues are just some of the concerns that have the potential to affect supplies of raw materials. So, companies need to work with the farmers who grow their food ingredients, to help address the potential risks.

A decade ago, concerns about sourcing brought together several large, global food companies to create the Sustainable Agriculture Initiative (SAI) Platform. The idea was to develop a pre-competitive network of individuals from the food industry to talk about how to make high-quality agricultural supplies more sustainable over the long term.

Many of the world's biggest food companies are now members. Kellogg, which joined in 2009, has been very committed to learning from the initiative and to applying those learnings back at the company.

At SAI, we don't do public relations or advocacy work. Nor do we tell our member companies what to do. Instead, we serve as a center of expertise, providing information and tools so companies can make informed decisions for themselves. We have six working groups – on arable crops/vegetables, beef, coffee, dairy, and fruit, and then one cross-cutting group that focuses on agricultural water use.

One of our primary accomplishments thus far has been to develop and publish sustainable agriculture principles and practices for those key crops. It took a lot of talking to get all of our members to agree on each set of principles and practices, which take into account environmental, economic and social concerns. Having agreed-upon standards for how to grow each crop sustainably is essential, because it allows companies to communicate an aligned set of expectations to their suppliers. It's not helpful to anyone if each of our member companies goes to their suppliers with an entirely different set of demands.

It's my personal view that companies that put sustainable agriculture and sustainable sourcing high on their agenda – and have a bold strategy for carrying that agenda out – can help to drive good decision-making and even innovation in their value chains."



External Perspectives: Community Perspective

GAIL MCGOVERN

PRESIDENT AND CEO AMERICAN RED CROSS

"Kellogg's commitment to the mission of the American Red Cross is truly outstanding, and I can't thank the corporation and its employees enough for the incredible ways they are helping people in need all around the world. Kellogg has been a longstanding partner, supporting our organization through corporate gifts, employee funds, blood drives and product donations.

In 2011 alone, Kellogg gave more than \$500,000 to the American Red Cross in response to both the earthquake in Japan and the storms that struck the southern portion of the United States. This support was in addition to the Keebler® "Be A Good Cookie" partnership, in which Kellogg is donating more than 12 million cookies over two years to support our Blood Services operations. The generous donation means Keebler® is now the official cookie served at every Red Cross blood collection operation in the United States, and we couldn't be more proud.

In short, blood collection is about saving lives. Every two seconds, someone in the United States needs a blood transfusion, whether it's for a car accident victim, premature baby or a cancer patient. The Red Cross provides about 40 percent of the U.S. blood supply, and about 80 percent of that supply comes from blood drives held at local business and organizations, including Kellogg.

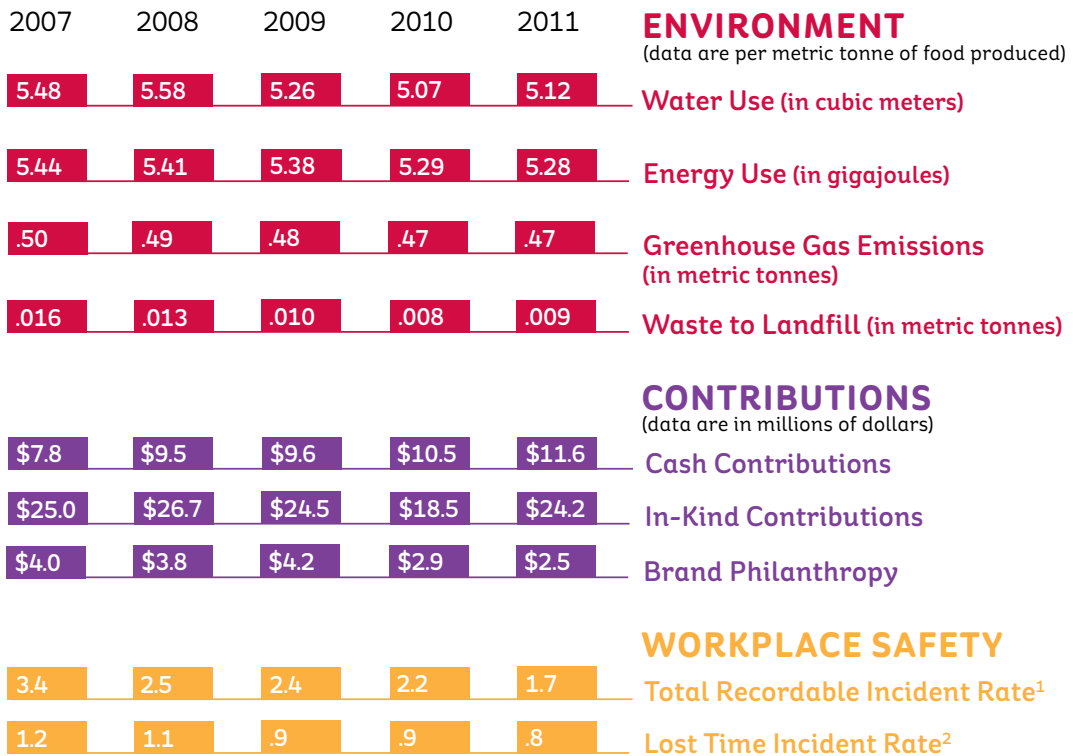
It's vitally important to help ensure that blood donors have positive experiences while giving blood so they will return often and keep on donating. We have received wonderful feedback from our donors about the Keebler® cookies. What's more, these cookie donations will save the Red Cross nearly \$2 million annually, allowing us to put more resources into other areas of our mission.

Besides blood collection, we typically respond to about 70,000 disasters globally each year. We teach more than 9 million people life-saving skills a year as well as support programs for our military and veterans and their families.

In these tough economic times when we're facing a stagnant economy, rising costs and "donor fatigue," we depend on corporate support from Kellogg and others to help us comfort those in need when disaster strikes. Thanks to Kellogg Company's generous donations and strategic partnership, we are well-positioned to continue to fulfill our humanitarian mission with speed and excellence."

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SUMMARY OF KEY DATA



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

2. Lost Time Incident Rate = (the total number of incidents that resulted in days away from work x 200,000 hours)/total labor hours worked. Also, note that our previous report mistakenly listed the data for 2009 as .96; it was in fact .92, which rounds down to .9.

MARKETPLACE

Wholesome. Nutritious. Great tasting. Top quality. These are just some of the hallmarks of the products we're proud to make for consumers in 180 countries around the world.

As a food industry leader in a global marketplace, we're always looking for new ways to satisfy a broad diversity of tastes across a broad suite of products that range from high-fiber cereals to more indulgent cookies and snacks. We continuously strive to improve the nutritional value of our products. Whether we are reducing ingredients that consumers want less of (such as sodium and sugars) or increasing nutrients that they want more of (such as fiber and whole grains), we stay true to our primary objective: producing great-tasting foods that people love, while manufacturing, marketing and selling them safely and responsibly.



MARKETPLACE PROGRESS

Since our previous Corporate Responsibility Report was issued in April 2011, we have continued to push forward in areas related to nutrition, responsible marketing and labeling, food safety and responsible sourcing, all of which are discussed in greater detail in this Marketplace section. For example, we:

Informed U.S. consumers of an online interactive program, called Together Counts, developed by the Healthy Weight Commitment Foundation (a coalition of food companies and other stakeholders) to inspire active and healthy living.

Launched more than 30 reformulated or new products for use in school meals in the U.S. to meet new U.S. Department of Agriculture guidelines for childhood nutrition.

Began supplementing cereals in the majority of our European markets with vitamin D to address a critical consumer health need.

Introduced our first gluten-free cereal – Rice Krispies® Gluten Free – in response to an increasing number of requests from consumers with celiac disease and gluten sensitivity.

In France, committed to improve the nutritional profiles of 20 of our products sold in that country by 2014, as part of a government pledge program.

Began to transition our products to the new industry standard front-of-pack labeling system known as "Facts Up Front" in the U.S.

Hosted a number of nutrition-related seminars for dietitians, nutritionists and other health professionals in Canada.

Signed a U.K. government-sponsored pledge to continue the reduction of sodium levels in our foods by the end of 2012.

In Australia, committed to a 15 percent sodium reduction by 2013 in our cereals that exceed 400 mg of sodium per 100 grams.

Completed implementation of our global Supplier Code of Conduct with our direct suppliers and further embedded it into our relationships with our indirect suppliers.

MARKETPLACE RECOGNITIONS

Interbrand Annual Top 100 Global Brands: Kellogg's ranked #34 in Interbrand's respected annual ranking of the Top 100 Global Brands for 2011. The report is based on Interbrand's proprietary methodology that analyzes three aspects of brand value including the financial performance of the branded products or services; the role of the brand in the purchase decision process; and the strength of the brand to continue to secure earnings for a company. Kellogg's also ranked #36 on Interbrand's list of Best Global Green Brands for 2011.

Forbes' Top Brands: Kellogg's was rated the #7 top brand in an online survey of 2,500 U.S. adults conducted by Forbes magazine in 2011. The survey asked consumers to rank 100 brands identified by the publication based on financial metrics such as revenue, earnings growth, advertising spend and shareowner return. Consumers were then asked to rate these 100 brands against 12 attributes including transparent communications, honesty, ethical behavior, high standards and innovation.

Corporate ONE Award, given by the Michigan Minority Supplier Development Council in recognition of companies with strong supplier diversity programs.

Most Trusted Brand Award, named by Reader's Digest readers in Canada, Germany, Finland, Austria, Sweden, Switzerland, The Netherlands, Belgium and France.

"Fruit and Veggies Role Model" by the U.S. Produce for Better Health Foundation, given to organizations whose efforts to increase fruit and vegetable consumption provide a significant step toward improving the health of Americans.



NUTRITION AND HEALTH

Good nutrition and simple grains lie at the heart of our company, our products and our heritage. We were founded by a visionary, W.K. Kellogg, who aspired to make “quality products for a healthier world.” More than a century later, our commitment to his legacy lives on. At the same time, we’re responding to consumer preferences and improved scientific understanding by continuing on our long-term journey to enhance the nutrition delivered through our foods.

Here at Kellogg, we have an opportunity to respond to growing consumer interest in well-being, simplicity and authenticity. Many of our foods are minimally processed, rich in nutrients and simple to produce – including cereals, such as *Mini-Wheats*®, *Mini Max Original*®, *Rice Krispies*® and *Corn Flakes*®, that have five or fewer ingredients (not including vitamins and minerals).

We are delivering on our commitments to consumers by improving existing products and developing new ones that can contribute to a healthy diet and lifestyle. We seek to help individuals and families fit all foods responsibly into their diets.

Responsibly reducing sodium, sugars and fats, in response to consumer concerns, continues to be a primary focus area for us. Since 2007, for example, we have reduced the average amount of sodium per serving in our ready-to-eat cereals in our core markets¹ by 16 percent.

Reducing sodium is a particularly complex process because salt plays many important roles in food. Beyond contributing to taste, it can also impact product texture. We have been successful over the long term in reducing sodium and will continue to pursue further reductions that maintain the best balance of great taste and nutrition, which our consumers expect.

Each Kellogg product is tailored to the specific markets in which we do business. Since each of our core markets is different, there is no one-size-fits-all template for reformulating a product across all global regions. Reformulating a product requires a delicate balance to maintain the same great flavors (and textures) that consumers know and love, without compromising on quality. Indeed, this is one of the biggest challenges for a company like ours: A product with all of the right nutrients won't do any good if people won't eat it.

As we look for innovative ways to continually enhance the nutritional profiles of our foods, we're constantly exploring emerging technologies that can enable us to reduce sodium and sugar to even lower levels in the future. Our work in the nutrition and health arena is consumer-focused and science-supported. We closely monitor the latest science and actively support new research to understand how our company can positively contribute to consumer health and wellness. When we reformulate an existing product, we use science as our guide.

In addition to carefully monitoring science and public health trends, we also listen closely to our consumers. One notable effort was our work to remove high-fructose corn syrup (HFCS) from all of our cereals sold in the U.S. by the end of 2011. We also removed HFCS from *Rice Krispies Treats*® in 2011, and *Nutri-Grain Bars*® will be reformulated to remove HFCS in 2012. Although the science supports no difference between the way the body absorbs HFCS and other sugars, our consumers asked us to remove HFCS – and we listened. We removed HFCS from Kellogg's cereals to address consumer perceptions, rather than a scientifically based recommendation. HFCS is not used in other markets globally.

We have made substantial strides over the last few years in responsibly reducing the sugar, sodium and fats in our products. But equally important are our efforts to increase nutrients that are important for good health, such as fiber, vitamin D, calcium and iron.

1. Our core markets are the U.S., Canada, Mexico, the U.K., France and Australia.

WALMART HEALTHIER FOOD INITIATIVE

Walmart, the largest grocer in the U.S., announced a new initiative in 2011 to provide its customers with healthier and more affordable food choices. One key element of the company's commitment was a pledge to reformulate thousands of packaged food items sold in Walmart stores by 2015. This promise includes reducing sodium by 25 percent, reducing added sugars by 10 percent and removing all remaining industrially produced trans fats.

Kellogg shares Walmart's commitment to health and nutrition, and we're doing our part to help Walmart achieve its goals. In recent years we have improved hundreds of Kellogg products globally by reducing sugar and sodium and removing trans fats. Specifically in the U.S., we've reduced sugar in our top-selling kids' cereals by approximately 20 percent, or 2 to 3 grams per serving.

In addition, more than 97 percent of our products now have zero grams of trans fats per serving. About 90 percent of our cereals, and 80 percent of our products overall, have no partially hydrogenated vegetable oil. We continue to seek ways to further reduce partially hydrogenated oils in the remaining 5 percent of our products.

GLUTEN-FREE

In 2011, we launched our first gluten-free cereal in the U.S. – Rice Krispies® Gluten Free – in response to an increasing number of requests from consumers with celiac disease and gluten sensitivity. The new recipe eliminates barley malt – the source of gluten in the original formula – and is made with whole-grain brown rice. A gluten-free version launched in Canada in early 2012.



FIBER AND WHOLE GRAINS

At Kellogg, we have long understood the important role fiber plays in overall health and wellness, and we are committed to helping consumers increase the fiber in their diets through foods they already eat and enjoy.¹ We produce more ready-to-eat cereals (such as Raisin Bran®, Mini-Wheats®, and Froot Loops®) that provide a good source of fiber² (3 grams) and one-half serving of whole grains (8 grams) than any other food company in the U.S.³ In fact, in 2010 alone Kellogg's cereals provided more than 12 billion good servings of fiber and more than 8 billion servings of whole grains.

We are continuing to boost the fiber content in many of our products. For example, in 2011 we introduced Eggo FiberPlus™ waffles, which provide 35 percent of the recommended daily value of fiber per serving. We also are focused on increasing the fiber content in many of our snack foods, to help consumers increase their fiber intake beyond just breakfast foods. Recent efforts include All-Bran® cereal bars sold in Canada (providing 16 percent of recommended fiber intake per bar) and FiberPlus® cereal bars sold in the U.S (providing 35 percent of recommended fiber intake per serving). We have also reformulated our Special K® Protein Meal and Nutri-Grain® bars to provide our consumers with a good source of fiber.

Recent research found that a majority of prospective studies comparing the effects of bran, fiber and whole grains on the risk of heart disease showed that bran and fiber intake were more protective against heart disease than whole grain intake.⁴ This systematic literature review, which was supported by a Kellogg grant, examined the main components of whole grains to better understand their impacts on heart health, type 2 diabetes and body weight. Released in spring 2011, the study added to the growing body of science that supports the benefits of bran. The bran component is the outer layer of the grain that contains fiber, antioxidants, B vitamins, phytochemicals, and minerals such as iron, copper, zinc and magnesium.

Our company has been helping to educate consumers about the difference between whole grains and fibers for some time. Our key message: Just because a food is made from whole grains doesn't mean it's a good source of fiber. The terms "fiber" and "whole grain" are often used interchangeably; but whole grain is an ingredient, whereas fiber is a nutrient of which nine out of 10 people in the U.S., Canada and elsewhere don't get enough in their diets.⁵

We encourage consumers to check the fiber content of their whole-grain food choices to ensure they are getting at least 3 grams of fiber per serving, a recommendation that is supported in the U.S. by the federal government's 2010 Dietary Guidelines for Americans.

Our grain-based products are not only good for consumers; they also have a low environmental impact compared to many other foods. Grains are extremely efficient in terms of land, water and labor. When it comes to feeding a world population of 7 billion (and growing), they offer a great source of nutrition in return for a relatively low expenditure of natural resources.

The terms "fiber" and "whole grain" are often used interchangeably; but whole grain is an ingredient, whereas fiber is a nutrient of which nine out of 10 people in the U.S, Canada and elsewhere don't get enough in their diets.⁵

1. Source: News release: April 19 2011, New Research Suggests Fiber-Rich Bran May Be Key Contributor to the Health Benefits of Whole Grains.

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

3. Based on a Kellogg audit of national breakfast cereals in June 2011. The data was drawn from label, website and a syndicated database and includes nationally distributed ready-to-eat cereals from Kellogg's, General Mills, Post, Quaker and Malt-O-Meal.

4. Lu Qi, Susan Cho, George Fahey, In Kim, and David Klurfeld. 2011. A comparison of the literature on the association between intakes of bran, cereal fiber, and whole grains and risk and biomarkers of heart disease FASEB J 25:971.4.

5. Moshfegh, A. et al. 2005. What We Eat in America, NHANES 2001-2002: Usual Nutrient Intake from Food Compared to Dietary Reference Intakes. U.S. Department of Agriculture, Agricultural Research Service.

A LONGSTANDING COMMITMENT TO FIBER

Our company's commitment to fiber dates back nearly a century with the introduction of *Bran Flakes*® in 1915, followed by *All-Bran*® one year later. *All-Bran*® contains wheat bran, which, according to the Institute of Medicine, is considered the best fiber to promote regularity.

The wheat bran fiber contained in our *All-Bran*® products can play an important part in digestive and heart health. For a healthy diet, adults should get 25 to 38 grams of fiber a day (depending on gender and age). In many markets around the world, one serving of *All-Bran*® cereal a day can provide up to half the daily recommended value of fiber.

BETTER-FOR-YOU KIDS' CEREAL: MINI MAX

In 2011, we introduced our first new children's cereal brand in the U.K. market in more than 20 years, as part of our ongoing effort to produce better-for-you cereals that appeal to consumer tastes.

Mini Max, similar to *Mini-Wheats* sold in the U.S. and Canada, is a lightly frosted shredded wheat cereal that is high in fiber, low in salt, low in saturated fats, and a source of iron and vitamins B and D. The balance of nutrients means the cereal passes the U.K.'s strict regulations for what can be legally advertised to children. Available in original and chocolate flavors, *Mini Max* is made primarily from grain grown on farms in East Anglia and Northamptonshire, England, demonstrating our commitment to using local ingredients whenever possible. (For more on our grain-related work, see the Sustainable Agriculture section of this report.)



ADDING FIBER

We're building on our company's legacy by increasing fiber, whole grains, vitamins and minerals in products served to millions of children in school meals in the U.S. In 2011, we launched more than 30 reformulated or new Kellogg products – including versions of *Frosted Flakes*®, *Elf Grahams*®, *Scooby-Doo Graham Cracker Sticks*® and *Rice Krispies*® – so that they now meet new U.S. Department of Agriculture guidelines for childhood nutrition.



VITAMIN D

In the United Kingdom, pediatricians are seeing a growing number of cases of rickets, a softening of the bones associated with vitamin D deficiency. New research¹ we conducted in 2011 showed that 82 percent of 120 pediatric dietitians surveyed had seen an increase in cases of rickets in the last five years, and 46 percent had seen cases in the last year. Unlike in the U.S., milk in the U.K. is not fortified with vitamin D.

High rates of rickets in children were common in the U.K. before the 1930s, but food fortification, sun exposure and supplementation policies led to a dramatic decline. Currently, there isn't a recommended daily nutritional intake of the vitamin for children over age 5 in the U.K. because it is assumed they will get enough from sunlight. However, children are spending less time outside due to a combination of more sedentary lifestyles and parental concerns over sun exposure.

To help counter the problem, we are now fortifying our kid-focused cereal brands in the U.K. with the recommended daily requirements of vitamin D. Our children's cereals can be found in 82 percent of households in the U.K. So by adding vitamin D to these cereals, we will be able to make a sizeable impact in elevating levels of this important nutrient. We are supplementing the cereals on a rolling basis and expect to complete our entire kids' cereal portfolio for the U.K. market by the end of 2012. We are rolling out the vitamin D fortification program to most of our other European markets, too.



1. Survey of 120 pediatric dietitians (members of the British Dietetic Association)

VEGETARIAN OPTIONS

Our company may be best known among many consumers for our top-selling cereals and snacks. But in the U.S., vegetarians and those looking for meatless alternatives also know us well for our meatless meals. For decades, our *Morningstar Farms*®, *Gardenburger*® and *Worthington*® brands have been offering creative meatless solutions that inspire people to eat well. Many of our soy- and veggie-based burgers, for example, contain anywhere from 50 to 70 percent less fat than the equivalent serving of regular ground beef.

Worthington® brands dates back to 1939. Over the decades, it led the way to new vegetarian products, including the world's first vegetarian hot dog. In the 1960s, it was the first company to bring frozen vegetarian food into supermarkets. Kellogg acquired *Worthington Foods* in 1999 and is proud to carry on the tradition of healthy meatless meals.

In January 2012, *MorningStar Farms*® kicked off a new initiative to support the global Meatless Monday campaign, which encourages people to reduce meat consumption by 15 percent to improve their personal health and the health of the planet. Going meatless once a week can help individuals achieve their nutrition goals, such as lowering saturated fat and cholesterol intakes, and reduce the risk of many chronic preventable diseases. It can also help reduce one's carbon footprint and save precious resources, such as fresh water and fossil fuel.

Many consumers who eat meat want to eat less of it. Kellogg is committed to providing options through our vegetarian product lines.



“ The food we eat – growing, producing and importing it – has a massive impact on the planet, from the Cerrado savannah in Brazil to the forests of Borneo.... But you can help the environment by eating more fruit, vegetables and cereals – and less meat and processed food. And, of course, that’s better for you too. ”

World Wildlife Fund’s 2011 “Livewell” Report

NUTRITION EDUCATION

We believe in the importance of consumer nutrition literacy, so we are pleased to provide education materials to help consumers make informed food choices for themselves and their families. We do this through on-pack **labeling initiatives** as well as through our websites and by engaging with consumer groups and health care professionals. In Australia, we have undertaken several initiatives (together with a nongovernmental organization called The Gut Foundation) to communicate the importance of dietary fiber in promoting regularity, especially among children.

In Canada, Kellogg supports the Nutrition Facts Education Campaign, a collaboration between Health Canada and Food and Consumer Products of Canada, an industry trade group. The goal is to help Canadians better understand and use nutrition labels and make informed purchasing choices. We also host many scientific programs and seminars throughout the year geared toward dietitians, nutritionists and other health professionals, particularly around the importance of breakfast and the benefits of fiber.

We have an ongoing commitment to working with health care professionals, too, and over the years we have developed scores of communications materials and education programs for dietitians, nutritionists and others who can impart the importance of good nutrition habits, such as eating a healthy breakfast.

In the U.S., we're partners with the nonprofit School Nutrition Foundation for its "Webinar Wednesdays" series, which offers continuing education to some 55,000 school nutritionists. We also coordinate and sponsor activities at the School Nutrition Association's annual Child Nutrition Industry Conference and participate in state meetings, presenting on topics such as vegetarian nutrition and the benefits of breakfast. A program in Canada called "Mission Nutrition" encourages parents and teachers to promote active and healthy lifestyles through a series of curriculum-based resources for students in kindergarten through eighth grade.

In the Netherlands, we hosted an event in September 2011 called "Going for the Grain" that gathered health and nutrition professionals, policymakers and scientists to discuss the latest research on grain and fiber in relation to cereals. In Australia, we joined forces with the Dietitians Association of Australia on an education campaign that tied cereal fiber intake to a reduced risk of developing type 2 diabetes.

In Mexico, Kellogg Company's nutrition team developed "Nutriéndote +" ("Nurturing You More"), a digital program that seeks to educate employees – and especially our sales force – around issues of food and nutrition. The program includes a special module to help salespeople better understand the nutrition credentials of the products we sell across Latin America.

Also in Mexico, the Kellogg's® Nutrition & Health Institute (Instituto de Nutrición y Salud) celebrated its 5th anniversary. The Institute provides scholarships, offers symposiums and awards grants for nutrition research.

SUPPORTING THE WIC PROGRAM

In the U.S., the Special Supplemental Program for Women and Children (known as WIC) is a federally funded and state-administered program that aims to improve the health of low-income pregnant women, infants and young children through health referrals, education and nutritious foods. Participants receive a monthly voucher that they use to purchase approved foods, including cereals, which can contribute to improved diet and health.

Kellogg is proud to offer 14 cereals that meet WIC nutrition criteria. As part of our continued commitment to WIC consumers, we are continually looking for opportunities to reformulate our existing products to meet the nutrition standards and introduce new products into the marketplace. In 2011, for example, we launched two new WIC-approved cereals; an additional WIC-approved cereal is expected to come out in 2012. We also focused on developing nutrition tools, recipes and materials, in English and Spanish, to help low-income families in the U.S. adopt healthy nutrition habits and encourage greater consumption of affordable fruits and vegetables. These resources have been distributed to more than 1 million families through WIC clinics, pediatricians' offices and retailers.



OBESITY

At Kellogg, we're very concerned about the growing global problem of obesity, and we're working on a variety of fronts to be a part of the solution – from portion-control packages to consumer education to participation in industry groups. Obesity is a complex problem that is focused around balancing “calories in” with “calories out.” We remain committed to helping consumers balance the calorie equation by educating them about dietary choices. In addition, we also offer 100-calorie packs of many of our most popular snacks (such as *Cheez-It*® crackers and *Chips Deluxe*® Chocolate Chip cookies), as well as wholesome snack bars and frozen entrees in portion-controlled sizes.

In the U.S., we're a proud member of the Healthy Weight Commitment Foundation (HWCF), a coalition of 160-plus retailers, food and beverage manufacturers and nongovernmental organizations working to reduce rates of obesity (and childhood obesity in particular). Together, HWCF member companies have pledged to remove 1.5 trillion calories from coalition members' U.S. products by the end of 2015 (using 2008 products as a baseline).

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

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

In France, Kellogg is continuing its support of a public-private partnership designed to prevent childhood obesity. Kellogg provides funding to the group, which was recently renamed “Vivons en Forme” (or, “Live in Form”) and is helping to promote the initiative across the country through advertising and education campaigns.

In Asia, we're working with Food Industry Asia (a trade association group) to sponsor a systematic literature review to understand the drivers of obesity in Thailand. We hope to repeat that review in other Asian countries and use the learnings when looking toward future product innovations and reformulations in that region.



RESPONSIBLE PRODUCT MARKETING

Kellogg is committed to the responsible marketing and communication of our products to help buyers make informed choices about the foods they enjoy. Our Worldwide Marketing and Communication Guidelines (WWMCG) provide a consistent global framework for responsible marketing practices, including our advertising and marketing approach for digital and traditional media, in-school activities, licensed property use, contests and promotions. They also include rules related to privacy protection, e-commerce and other media. We frequently reevaluate the rules to make sure they are relevant and appropriate.

Since Jan. 1, 2009, we have not advertised to children under age 12 those products that do not meet our Kellogg Global Nutrient Criteria (KGNC). We developed these internal standards based on scientific literature, setting upper per-serving thresholds for calories, fats, sodium and sugar. Kellogg does not market any products to children under 6 years old.

When we couldn't modify food to meet the KGNC and consumers' taste expectations, we modified how we market those products. For example, we have reduced advertising to children ages 6-11 in the U.S. by 51 percent since 2006, to where it now represents less than 10 percent of our company's total U.S. media spend.

Soon in the U.S. we will be updating our nutrition criteria for advertising to children to align with updated guidelines from the Better Business Bureau's Children's Food and Beverage Advertising Initiative (CFBAI). In 2011, the CFBAI agreed upon new Uniform Nutrition Criteria that will take our industry to the next level. Designed by the CFBAI and top industry scientists and nutritionists, the updated standards are more transparent and consistent across companies and advertising categories and will further strengthen voluntary corporate efforts on child-directed food advertising.

We're in the process of evaluating our portfolio against the new CFBAI criteria, which will take effect Dec. 31, 2013, and, in the U.S., we will adopt the criteria when they exceed our own KGNC standards. Where KGNC guidelines are more stringent, we'll continue to follow them. Kellogg will use the CFBAI's criteria beginning in 2014 to determine which of our products in the U.S. can be marketed to children ages 6-11.

In the European Union, Kellogg and other major food brands recently committed to changing how we communicate to children under age 12 on company websites. Members of the EU pledge group committed in 2007 to only advertise "better-for-you" products or to move out of children's airtime altogether on TV, print and third-party internet advertising. The latest effort extends that commitment to brand websites, as of January 2012.



MARKETING MINI-WHEATS®

We recently kicked off a campaign to advertise our *Frosted Mini-Wheats®* cereal to remind kids and their parents to start the day off right with a nutritious breakfast that includes fiber and whole grains.

We're airing ads in the U.S. on the Disney channel during hit programs aimed at children ages 6-11. The main message of the campaign is that a breakfast with fiber, whole grains, protein and fruit can give kids the energy they need each day.



INDUSTRY PLEDGES

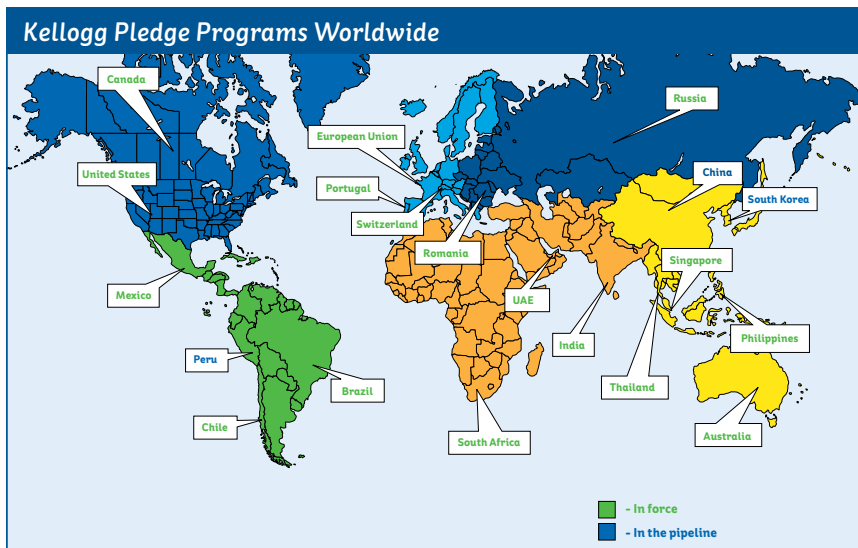
In some countries where we operate, governments have established voluntary pledges tied to the nutrition composition of packaged food products. In France, for example, Kellogg signed on in late 2010 to the Programme National Nutrition Santé (French National Nutrition and Health Program). The French government implemented the program with a goal of improving public health and reducing risk factors for chronic diseases, such as obesity and diabetes. As part of that program, Kellogg Company has committed to improve 20 of our products sold in France by 2014. We also committed to reducing sugar content by 9 percent and increasing fiber by nearly 26 percent in Miel Pops® and Coco Pops®, on average.

In the U.K., we have signed on to the government's Public Health Responsibility Deal, which aims to improve public health through collaboration with the food industry. Kellogg signed this pledge in March 2011, along with a number of our peer food manufacturers, with a goal of reducing sodium levels to 450 mg per 100 grams of food or below by the end of 2012. These targets will provide a total salt reduction of nearly 1 gram per person per day, compared to the levels in foods in 2007.

The Public Health Responsibility Deal resulted from many months of work on the part of food manufacturers, retailers, catering outlets, campaign groups and the government. These varied organizations have worked together to find ways to help people make healthier choices more easily.

In Australia, we're committed to the ongoing Food and Health Dialogue, a government, industry and public health initiative aimed at addressing poor dietary habits and making healthier food choices easier and more accessible for all Australians. We're reducing sodium in our cereals that exceed 400 mgs of sodium per 100 grams. We have committed to a 15 percent sodium reduction on these products by the end of 2013. Between 2010 and 2011, for example, we reduced the sodium in Coco Pops® by 10 percent, Rice Bubbles® by 11.6 percent and Special K® by 8.6 percent.

Kellogg has adopted self-regulatory pledges around nutrition standards in more than 30 countries.



EUROPEAN NUTRITIONAL CRITERIA

In Europe, we have developed a strict set of internal nutrition standards called the European Nutrition Criteria (ENC), which are helping us design our product portfolio for the future. The ENC include long-term goals for the reduction of sodium and sugar and addition of fiber and whole grains across our cereal portfolio. Our sodium reduction program – ongoing for more than 12 years – has resulted in a 55 percent decrease across our product portfolio on a sales weighted average basis. While nutrition standards vary for our company by region, based on consumer needs, all of our products advertised to children meet or exceed the maximum preserving thresholds for calories, fats, sodium and sugar set in the Kellogg Global Nutrient Criteria.

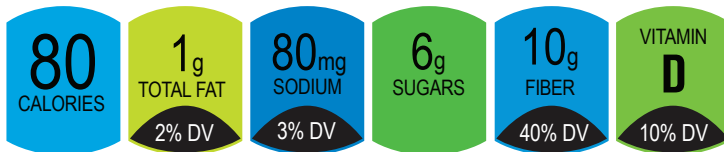
CONSUMER INFORMATION AND LABELING

Our packaging serves many important purposes. In addition to protecting our foods, the labeling on our packages informs consumers about the product's nutritional composition and ingredients. Kellogg was among the first companies to include nutrition labeling and product information on boxes as early as the 1930s. We pioneered front-of-pack Guideline Daily Amounts (GDAs) to give consumers information on calories, fiber, fats, sugars and other nutrients in our foods, and we have been finding new ways to provide consumers with information that is as intuitive as it is informative.

In the U.S., food and beverage companies recently mobilized to implement a new front-of-pack nutrition labeling system that will help consumers make informed food choices – and that will ultimately replace GDAs. The voluntary “Facts Up Front” labels will provide clear information about calories, saturated fats, sodium and total sugar content, and, optionally, nutrients such as fiber, potassium, vitamin D and calcium. These simple, easy-to-understand facts about the product are meant as a companion to the more-detailed nutrition panel located on the side or back of each product package. Rollout began in the first quarter of 2012 with several of our wholesome snack products, including Nutri-Grain® and some Special K® bars. We are fully committed to the success of this initiative and are joining our peer companies in supporting a consumer education campaign to launch the labeling system.

In early 2012, we added a “Heart Healthy Selection” logo to nine varieties of our cereal that are heart-healthy options. The new logo was added onto the front panels of Kellogg's Raisin Bran®, All Bran®, Smart Start® and Kellogg's FiberPlus®.

We make nutrition information available on more than our product boxes; our U.S. website also offers educational information to consumers about our products and how to read the labels.



ECO-LABELING

We have developed guidelines for environmental claims to help ensure that our product communications are not misleading to the public. For example, Kellogg only allows packaging reduction claims by weight, which is tangible and measurable. When making these claims, we do not make comparisons to the number of trees or gallons of fuel saved. See the Environment section for more information on our packaging reductions and industry commitments.



PRODUCT SAFETY AND QUALITY

There is no greater priority than the safety and quality of our foods, which include some 1,500 products in 180 countries. Our comprehensive quality systems and processes are designed to ensure that foods meet our own strict quality and safety standards and comply with government regulations.

As a company, we pride ourselves on having a proactive approach and a forward-looking culture, particularly when it comes to food safety. Our commitment to food safety starts at the very top of our organization.

In 2011, we increased our investments in our manufacturing plants. We expanded our training and development programs, and significantly enhanced our internal quality and food safety auditing programs.

Also in 2011, we initiated a new program to help safeguard against potential contaminants from the packaging that surrounds our food. We conduct audits of our packaging suppliers globally to ensure that they are using appropriate food safety and quality systems. In the U.S., we're also analyzing all packaging materials to understand their chemical composition, and we are rolling out a program to odor-test packaging materials in 2012. These efforts began following our June 2010 voluntary recall in the U.S. of about 19 million packages of cereal, due to a substance in the package liners that produced a waxy-like off-taste and smell.

We are committed to making the right investments for the future. We expect a stronger and reliable manufacturing system, which protects the safety of our people and the safety of our foods and delivers greater productivity. Beginning in 2012, we will be tying food safety to the compensation of our senior leaders.



GFSI STANDARDS

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

FOOD SAFETY SUMMIT

Our Research, Quality and Technology team hosted representatives from our co-manufacturers (i.e., our third-party contract manufacturers) and ingredient suppliers for the 2011 Partners in Food Safety Summit. The purpose of this second-annual event was to share our company's best practices – as well as those from across the industry – and to promote continuous improvement on food safety and quality across our supply base. More than 165 participants attended the two-day summit, which focused primarily on the 2010 FDA Food Safety Modernization Act. This new legislation, which Kellogg supports, set into motion sweeping improvements to the security and safety of the food supply in the U.S.

SENSITIVE INGREDIENTS

Our food safety systems include internal teams that audit our suppliers of microbiologically sensitive, high-risk ingredients, such as nuts and seeds, dried fruits and vegetables, and dairy products. These auditors visit each sensitive-ingredient supplier globally to ensure they are maintaining our high standards.

Recently, we have been expanding these internal audit teams with a goal of evaluating all ingredient suppliers. More than 900 ingredient supplier locations (representing more than 50 percent of total supplier locations) around the world were audited in 2011.

FOOD SAFETY PROGRAMS

At Kellogg, our quality and food safety programs include:

- Food protection systems based on HACCP (Hazard Analysis and Critical Control Points), an internationally recognized food safety management system
- A focus on prevention, intervention and response
- Good manufacturing practices related to food safety assurance
- Employee training
- External supplier and internal manufacturing audit
- Global Food Safety Initiative certifications
- Systems for sourcing sensitive ingredients
- Co-manufacturing plant audits

GLOBAL REGULATORY SCIENCE

At Kellogg, we recognize that the science of food safety is rapidly evolving. To make sure we're staying on top of any developments, we created a new department in 2011 to track emerging food safety and regulatory issues and evaluate their potential significance to our company. The Global Regulatory Science Department, comprised of experts in toxicology, microbiology and food science, is housed in our W.K. Kellogg Institute of Research and Technology on our Battle Creek headquarters campus and serves as a bridge between our food science and food safety teams. The department's objective is identifying, understanding and influencing evolving food safety and regulatory issues to ensure that we are producing safe foods and protecting our brands.

So what does this group do exactly? Imagine that a researcher somewhere in the world discovers a new chemical in grain products that might impact the food industry. The job of our Regulatory Science team would be to assess whether this chemical has the potential to cause harm. They would evaluate the scientific evidence, communicate within our company how this chemical component might impact our products and then assess what we need to do about it to safeguard our consumers.

This team also explores emerging technical issues, such as nanotechnology, or the science of microscopic materials. Nanotechnology allows scientists to measure, control and modify matter at the nanoscale level and explore opportunities to improve food and packaging safety, food processing and shelf life. Although the field of nanotechnology and food is still in its infancy, many observers believe this enabling technology holds great promise for the food industry.

The U.S. Food and Drug Administration has not established a regulatory definition of nanotechnology but has issued guidance for the industry and is working closely with food companies on new applications for nanotechnology and packaged foods. The European Commission, meanwhile, recently defined "engineered nanomaterial" as an intentionally produced material where 50 percent or more of the particles range in size from 1 nm to 100 nm. Beginning in 2014, food products sold in the European Union containing an engineered nanoscale ingredient must list the ingredient followed by "nano."

Kellogg does not currently use engineered nanomaterials. Our Global Regulatory Science and the Emerging Technical Issues teams actively monitor scientific research and regulations to ensure we protect our consumers, our brands and our reputation.



INDUSTRY PARTICIPATION

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



- ALLERGEN BUREAU (AUSTRALIA)
- ASSOCIATION OF FOOD AND DRUG OFFICIALS
- BREAKFAST CEREALS CANADA
- CONSUMER GOODS COUNCIL OF SOUTH AFRICA
- FOOD ALLERGY AND ANAPHYLAXIS NETWORK
- FOOD ALLERGY RESEARCH AND RESOURCE PROGRAM
- FOOD AND CONSUMER PRODUCTS CANADA
- GROCERY MANUFACTURERS ASSOCIATION
- INSTITUTE OF FOOD TECHNOLOGY
- INTERNATIONAL ASSOCIATION FOR FOOD PROTECTION
- INTERNATIONAL LIFE SCIENCES INSTITUTE
- JOINT INSTITUTE FOR FOOD SAFETY AND APPLIED NUTRITION
- PROGRAM IN FOOD SAFETY, NUTRITION AND REGULATORY AFFAIRS
- UNIVERSITY OF GEORGIA INDUSTRY ADVISORY BOARD

RESPONSIBLE SOURCING

How we source our ingredients and materials is a key element of how we do business. Consumers are showing more interest in the origins of their food, and our customers should feel confident that we are procuring our ingredients in a responsible manner. As a responsible corporate citizen, Kellogg is committed to an ethical and transparent supply chain. One aspect of our responsible sourcing commitment is a zero-tolerance position against forced labor, including slavery and human trafficking.

A critical component of our Responsible Sourcing Framework is our global Supplier Code of Conduct (the "Supplier Code"), which requires supplier companies to comply with fair labor practices and ethical business standards, along with pertinent standards around environmental, health and safety issues. The Supplier Code, which demonstrates our commitment to acting ethically, states: "[W]e expect suppliers to treat their employees with fairness, respect and dignity and to promote a work environment that is free of harassment, forced labor, corporal punishment or other forms of physical coercion."

Our supply base is a dynamic group that continuously shifts. Virtually all of our direct suppliers¹ have signed our Supplier Code, which is embedded into the majority of new or revised contracts that we sign with each supplier. We reserve the right to terminate relationships with any supplier whose business conduct is inconsistent with our Supplier Code. To date, only one supplier refused to sign – and we ended our contract with them. In 2011, we further focused our efforts on embedding our Supplier Code into contracts with our key indirect suppliers. We have thousands of indirect suppliers, so we have focused on those that are most critical to our business.

Since 2010, Kellogg has used our various meetings with suppliers to educate them on our expectations regarding our Supplier Code. As part of these discussions, we have addressed the important issues of slavery and human trafficking. We ensure our suppliers know that this is a critical issue for Kellogg. More details on our commitments in this area can be found in our response to the California Transparency Supply Chain Act.

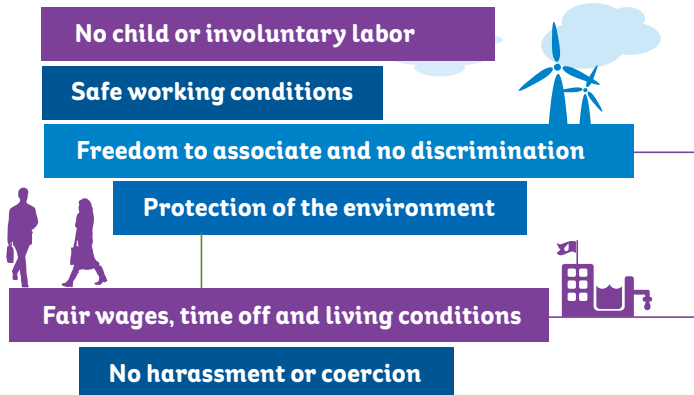
In 2012, we plan to conduct an internal supplier risk assessment focused on high-risk commodities and high-risk countries to identify potentially high-risk suppliers among our direct supplier groups and develop an appropriate ethical sourcing audit approach.

Kellogg already includes social accountability in its audits of suppliers who provide our premiums.

Within our industry, we are working together to ensure consistent assessments of shared social accountability audits among common suppliers. Kellogg is a member of AIM-PROGRESS, which is focused on addressing these issues globally.

SIX PILLARS OF SOCIAL ACCOUNTABILITY

Kellogg holds our ingredient suppliers to six minimum accountability standards:



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

SUPPLIER DIVERSITY

Our supplier diversity program in the U.S. works to strengthen our communities, providing business opportunities for companies owned by members of minority groups and women. Our consumers are very diverse. To understand their needs – and to succeed in the marketplace – it’s important that we reflect that diversity in our supplier base. When our suppliers succeed, we succeed.

Our supplier diversity program continues to progress after more than two decades. We now support more than 200 supplier companies owned by women, people of color and disabled veterans. Each year, we invite our diverse suppliers to our headquarters as part of an annual event that acknowledges their contributions to our company. In 2011, more than 150 individuals attended that event.

It’s very important to us that supplier diversity be reflected throughout our entire supply chain. In other words, not only do we want to have a diverse group of businesses that supply directly to our company (what we call our “first-tier” suppliers), but we also want our suppliers to use a diverse group of companies in their own supply chains (our “second-tier” suppliers).

So in 2011, we took a hard look at the companies within our database of minority- and women-owned suppliers. We wanted to make sure that they were properly certified as diverse companies, adding to the credibility of the supplier diversity process. And, we began to ask the first-tier suppliers to demonstrate to us that they, too, were using certified supplier companies owned by women and minorities when reporting their second-tier information. As a result, we now know that the data they have been submitting has included suppliers that were not certified.

For this reason, we are not including in this year’s report a total dollar amount for second-tier results. We also are no longer including second-tier suppliers among our “Million Dollar Club” (see chart below). We do know that, overall, our spending among first-tier suppliers increased in 2011 by about \$20 million.

In our next report, we expect to be able to give a more accurate portrayal of supplier diversity within our supply chain overall. And in the meantime, we will be working with our first-tier suppliers to understand the importance of using certified diverse businesses when reporting second-tier information to us. This rigorous process will help us evolve our supplier diversity program to the next level. We want to be sure that we’re reporting accurately.

We recently added gay, lesbian and bisexual business owners to our diverse supplier database, and we will be tracking spending with this group in the future. Looking ahead, we will also begin tracking our spending with companies owned by individuals with disabilities.

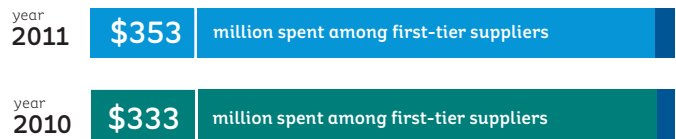
For more on Kellogg Company’s supplier diversity efforts, see the external perspective offered by Eric Dobyne of the U.S. Department of Commerce’s Minority Business Development Agency. For information about diversity in our own workforce, please see our Diversity and Inclusion section.

SUPPLIER DIVERSITY

To further demonstrate our commitment to supplier diversity, we partner with and support 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
- West Michigan Hispanic Chamber of Commerce
- Women’s Business Enterprise Council – Great Lakes (Board of Directors)
- Women’s Business Enterprise National Council

SUPPLIER DIVERSITY DATA



SOURCING “PREMIUMS” RESPONSIBLY

At Kellogg, we have three main categories of suppliers: direct, indirect and premium. Premium suppliers provide Kellogg with the small gifts and prizes – known in the industry as premiums – that we distribute through mail-in promotions and store giveaways. Think of a plush “Tony the Tiger™” or collectible figurines of the Rice Krispies® characters, Snap!™, Crackle!™ and Pop!™. The distribution of these items fits within our internal marketing guidelines.

An internal risk assessment conducted in 2005 determined that premium suppliers were our highest-risk supplier group – primarily because of the greater potential for human rights violations in the countries where many of these premiums are produced. In response to that determination, we have conducted ethical sourcing audits on premium suppliers since 2006. Our audit protocol for premium suppliers calls for third-party and company audits, both announced and unannounced.

Our Kellogg Premium Social Accountability (KPSA) program provides guidance and Code of Conduct expectations for all premium suppliers. These suppliers must comply with the expectations and standards of our code, and we require that their suppliers and subcontractors do the same. We are committed to using only those suppliers that continually strive to conduct business in a highly professional and ethical manner, in alignment with our own company values. The KPSA and Code of Conduct principles for premium suppliers go beyond our expectations for the rest of our supply base.

The KPSA principles require safe and fair treatment of all premium supplier employees and set expectations that suppliers will protect the environment while respecting cultural, ethnic and philosophical differences within the countries of operation. The principles also require legal compliance to local or country-specific regulations on social accountability, such as minimum wage and age requirements. All premium suppliers are expected to meet auditing and compliance standards and must not have any “critical” violations (such as a child labor abuse or human trafficking).

In addition to our own audits, we also use independent, third-party accredited auditors to perform social accountability audits of our active premium suppliers, within certain risk categories, every 12 months. We also verify that our premiums are produced in factories that subscribe to Good Manufacturing Practices and Hazard Analysis and Critical Control Points.

We communicate our expectations annually to each of our premium suppliers, and we recently distributed a CD containing all of our policies to each premium partner. We also host an annual premium suppliers meeting where we address our social accountability expectations, as well as our safety testing requirements.

KPSA MINIMUM COMPLIANCE STANDARD

At a minimum, Kellogg premium suppliers and vendors must meet the following compliance standards:

No child labor

No involuntary or prison labor

No coercion or harassment

No discrimination

No serious health and safety workplace conditions

No interference with freedom of association



OUTLOOK

As a responsible food manufacturer, we will continue to identify ways we can have an impact on consumer health. Looking ahead, we will be striving to further articulate our nutrition values and augment our nutrition policies so we can meet the needs of our consumers while addressing concerns of government, regulators and nongovernmental organizations. We also will push forward on our recent work to further improve our food safety systems and processes, and our work to drive initiatives through our supply chain, and report on our future progress.

Our goal will always be to develop innovative products that consumers enjoy. The challenge is discovering the best ways to do that while continuing to enhance nutrition credentials at the same time.



WORKPLACE

Kellogg Company's employees are the vital core of our business. Our workforce is diverse, engaged and united in support of the company's vision to enrich and delight the world through foods and brands that matter. We are grounded in a common set of *K Values*[™] that guide the way we work toward a common purpose – nourishing families so they can flourish and thrive. The dedication, hard work and commitment to excellence of Kellogg employees around the world form the foundation of our success and enable us to fulfill our vision and purpose and live our values.



A group of employees from our plant in Anseong, South Korea.

WORKPLACE PROGRESS

We have made good progress in the past year on key Workplace-related aspects of our corporate responsibility strategy. For example, in 2011 we:

Developed and implemented a new **Global Onboarding Program** for new hires, to ensure their careers at Kellogg get off to the best possible start.

Made the decision to tie **people safety performance and diversity and inclusion performance** to compensation, beginning in 2012 (the latter primarily for senior leaders).

Received several workplace-related honors.

Published our second-annual **Progress Report on Diversity and Inclusion**.

Redoubled our efforts to **promote people safety** in North America, and have seen good results already. Companywide, our Total Recordable Incident rate decreased 23 percent in 2011, and our Lost Time Incident rate decreased 11 percent.

Launched a number of new **training and development initiatives**, including the Global Learning & Insights Community, which is aimed at helping the top 150 Kellogg executives globally to be better "leaders of leaders."

Organized our first-ever **U.S. National Kellogg Wellness Day** in November, with a variety of employee engagement and awareness-raising activities.

WORKPLACE RECOGNITIONS

The Great Place to Work® Institute included Kellogg among its rankings for the best places to work in three European countries:

- In Ireland, Kellogg was named the #1 fast-moving consumer goods company among small to medium-sized enterprises.
- In Spain, Kellogg ranked 3rd among all companies with between 100 and 250 employees.
- In Italy, Kellogg ranked 32nd among all domestic and foreign companies operating in that country.

In addition, **Computerworld** ranked Kellogg 49th in its list of 100 Best Places to Work in IT.

See the Diversity and Inclusion section for additional workplace recognitions received in 2011.



EMPLOYEE ENGAGEMENT

At Kellogg, we are committed to creating a sense of community at work. We encourage employees to listen to and learn from each other, support each other and grow together. We want our workforce to feel engaged with and connected to the company's vision and purpose – as well as connected to each other – so together we can achieve more.

We foster this sense of community in a variety of ways – for example, through our company intranet, “town hall” meetings and Employee Resource Groups.

We also conduct periodic employee surveys, to better understand employees' perspectives on a wide range of topics and to ensure that our efforts to build a sense of community are effective. Our most recent Global Opinion Survey was conducted in the spring of 2011. In this survey, we heard from nearly 20,000 Kellogg employees worldwide. This 75 percent response rate was an increase from our previous survey efforts.

The survey results revealed several areas of strength for our company. In particular:

- Kellogg employees – regardless of location or position – report a high level of pride in the company. In fact, 84 percent of respondents said they were proud to work for Kellogg Company.
- Most employees feel that Kellogg is a great place to work and intend to stay with the company. Specifically, 74 percent of respondents said they would recommend Kellogg to others as a great place to work, and 78 percent said they intend to stay with the company for the foreseeable future.
- Employees have a strong sense of pride in the shared Kellogg heritage and our *K Values*[™], as well as generally high levels of satisfaction with the company. Seventy-five percent of respondents said they were, overall, extremely satisfied with Kellogg Company as a place to work.

According to Kenexa, the firm that administered the survey, Kellogg employees consistently reported more favorable responses on these topics than employees from other companies.

The employee survey also revealed some opportunities for improvement. Most notably, we learned that:

- Kellogg leaders can better connect the long-term vision of the company with the work employees do every day.
- The hourly workforce in our manufacturing plants reports a less positive experience with the company than our salaried workforce.
- Employees across all functions and areas would like to see more opportunities for improved work/life balance.

As a result of this input, Kellogg leaders have taken a number of actions. We have refreshed and further articulated the company's vision and purpose – as discussed in the Vision and Purpose section – and are working to communicate it to employees. Kellogg leaders are providing more regular updates to employees on company progress toward business goals, to better make the connection between that progress and employees' daily work. Kellogg leaders are also evaluating tools and policies to help employees balance work and life more effectively. And, we have strengthened employee development in our plants.

EMPLOYEE ENGAGEMENT, CONT.

OUR EMPLOYER BRAND

At Kellogg, we know we need to manage our “employer brand” in the same way we manage our consumer brands. Just as we have established and communicate a compelling promise to our consumers, we need to make a clear and compelling promise to our current and future employees.

That's why we recently developed and launched a new Global Employer Brand. We used qualitative and quantitative data to uncover unique insights regarding what is great about working at Kellogg and why people stay. The Global Employer Brand communicates the attributes and values of our company and our workforce.

In early 2012, we defined and began to share this new Global Employer Brand with our current employees. Soon we'll begin to incorporate our Employer Brand messaging into our recruitment activities. Having a clear Employer Brand will help to foster a company culture that will enable us to deliver on our vision and purpose.



LABOR STANDARDS

At Kellogg, one of our company *K Values*[™] calls for us “to act with integrity and show respect.” To align with this value, we maintain high labor standards at all our facilities around the world and uphold and protect the basic human rights of our workers. For example, we do not tolerate child labor or forced labor, and we respect the laws of the locations in which we operate. (In fact, sometimes our standards are higher than those in local law.) We have not identified any Kellogg-owned operations at which these rights are at risk.

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

We carry our commitment to high labor standards through to our suppliers through our Global Supplier Code of Conduct. This Code requires suppliers to treat their employees with fairness, respect and dignity and to promote a work environment that is free of harassment, forced labor, corporal punishment or other forms of physical coercion. It also requires that suppliers ensure that child labor is not used in any operation and that the workplace is free from discrimination. As of year-end 2011, close to 100 percent of our direct suppliers have signed contracts that oblige them to adhere to this Code. See the Responsible Sourcing page for more on this topic, including our compliance with the California Transparency in Supply Chains Act of 2010.

COLLECTIVE BARGAINING

About 30 percent of Kellogg Company’s workforce globally is represented by unions. During 2011, we negotiated 27 collective bargaining agreements covering more than 2,000 workers. Our corporate Labor Relations team supports all employee and union relations in North America. Outside North America, this team collaborates with international counterparts to share best practices.

TALENT MANAGEMENT

Consistent with Kellogg Company's purpose to nourish families so they can flourish and thrive, we believe every employee should have the opportunity to be their best. That's why we value learning and growth – on the job, in the classroom and one-on-one. Fostering a learning environment benefits our employees, helps to create a pipeline of emerging talent and ensures our company's continued success.

In 2011 we launched several new training and development initiatives. Among them was the Global Learning & Insights Community (GLIC), composed of the top 150 Kellogg executives around the world. The first GLIC session was held in November 2011; meetings will be held twice a year going forward. GLIC focuses on building better "leaders of leaders" and aligning the power of senior-level talent to further the company's success.

Also in 2011, we introduced a Supervisor Success program in our manufacturing plants. This effort was implemented in part in response to our Global Opinion Survey, which revealed opportunities to better engage our plant employees. About half of all U.S.-based Kellogg plant managers and supervisors completed the Supervisor Success program in 2011, with the balance due to participate in the first half of 2012. The program covers an array of management, leadership and employee development skills, tailored to the plant environment. Work is underway to expand Supervisor Success globally and to develop additional learning opportunities that will enable plant managers and supervisors to continue to broaden their skills and engage them more directly in the success of the company.

Our sales, marketing and finance departments have implemented "career development guides," which help to engage employees and managers in effective career planning discussions. Our marketing department also implemented a new "K-Way" program that provides brand and marketing training specific to Kellogg. And our sales function has expanded its e-learning capabilities to include a retail store simulator experience.

In 2012 we plan to pilot a new Global Leadership Essentials program. Targeted toward entry- and mid-level Kellogg "people managers" globally, this program will form a common foundation of sound management capabilities delivered through a blended learning approach, including web-based and classroom training, manager coaching and on-the-job experiential learning.

To ensure that new employees get off to a great start at Kellogg and are set up for future success, we have also developed a new Global Onboarding Program. Using a range of new tools and technology, this program will provide new hires (and their managers) with the information and resources needed to ensure a consistent, meaningful and quality experience as they start their career at Kellogg. The Global Onboarding Program, which started in March 2012, will be implemented in a phased rollout.

DIVERSITY AND INCLUSION

In the area of diversity and inclusion, our vision is to build a stronger Kellogg by fostering an inclusive culture that leverages diversity as a competitive advantage. This requires a strategic approach, led from the top, with engagement and accountability at all levels of the organization. Though we are not yet where we want to be, we have made good headway toward our vision in recent years, and our efforts are not going unnoticed. We are often recognized by third-party organizations as among the top U.S. companies for diversity (see the Diversity Recognitions page and the Workplace Perspective page).

At Kellogg, we make a point to emphasize inclusion along with diversity. Because it's not just about having the right demographic mix; it's about having an environment where all employees, of all backgrounds and perspectives, feel welcomed and valued at work.

In 2011, we published our second-annual *Progress Report on Diversity and Inclusion*. That report includes detail on our diversity and inclusion (D&I) strategy in the U.S. and its implementation – including information on our six Employee Resource Groups (one each for our African-American; Latino; lesbian, gay, bisexual and transgendered (LGBT); multinational; female; and young professional employees). The report also discusses our diversity training courses, supplier diversity efforts and more.

Support for diversity and inclusion starts at the most senior levels within Kellogg and is embedded throughout the organization. Our Executive Diversity and Inclusion Council – a cross-functional group of senior leaders – champions diversity at the company and oversees the implementation of our D&I strategy. John Bryant, Kellogg Company's President and CEO, is chair of this Council and leads the quarterly meetings. Our Office of Diversity and Inclusion helps our organization identify, manage and leverage diversity and inclusion issues and opportunities both internally and externally. Beginning in 2012, diversity and inclusion are being specifically included as a performance measure in the annual incentive plan for our senior leaders. Also, we have two major policies relating to diversity and inclusion – an equal employment opportunity policy and an anti-harassment policy.

In 2011, our Office of Diversity and Inclusion launched a pilot “e-mentoring” program called It's Better Together, through which young employees and new hires can connect with, and be mentored by, more experienced employees through regular email communication. For the pilot phase, participation for both mentors and “mentees” is limited to members of Employee Resource Groups. It's Better Together will encourage and enable the sharing of knowledge across functions and departments and help mentees to learn and grow in their jobs.

We also seek to support diversity efforts in our communities. The Kellogg's Corporate Citizenship Fund, the charitable arm of Kellogg, provides financial support for programs that expand opportunities for persons of diverse backgrounds. In 2011 in the U.S., the fund contributed more than \$200,000 to diversity-related causes, primarily for scholarship programs that include diversity as a criterion. Beneficiaries included organizations such as The Consortium for Graduate Study in Management, Casa Central (Chicago), the National Council of La Raza, the Wounded Warrior Project and the Organization of Chinese Americans, to name a few.

In addition, the Kellogg's Corporate Citizenship Fund's \$75,000 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. In 2011, the six NAACP Law Fellows visited Kellogg headquarters in Battle Creek, Michigan, to learn about corporate law careers.

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. We're also very proud that we hired our first employee from the Bridges program this year, to work part-time as a merchandiser. We expect to hire more individuals from this program in the future.

DIVERSITY AND INCLUSION, CONT.



SUPPORTING WOMEN AT WORK IN AUSTRALIA AND NEW ZEALAND

In our Australia and New Zealand markets, we have offered workshops aimed at helping women to further their careers and gain leadership positions at Kellogg. We are in our third year of meeting or exceeding the voluntary standards of the Equal Opportunity for Women in the Workplace Agency (an Australian government agency). We are also supporting more job sharing for working mothers and have provided sponsorships for a number of women from our manufacturing function to attend an eight-day Women in Management training course.

DIVERSITY RECOGNITIONS

The following are among the diversity awards and recognitions we received in 2011 and early 2012:

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

Corporate ONE Award – Michigan Minority Supplier Development Council

Best Places to Work for LGBT Equality, and perfect score on the Corporate Equality Index – Human Rights Campaign

Top 60 Companies for Hispanics – Hispanic Business magazine

50 Best Companies for Latinas – LATINA Style magazine

40 Best Companies for Diversity – Black Enterprise magazine

25 Noteworthy Companies for Diversity – DiversityInc

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

DIVERSITY DATA

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. 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 31 percent people of color.

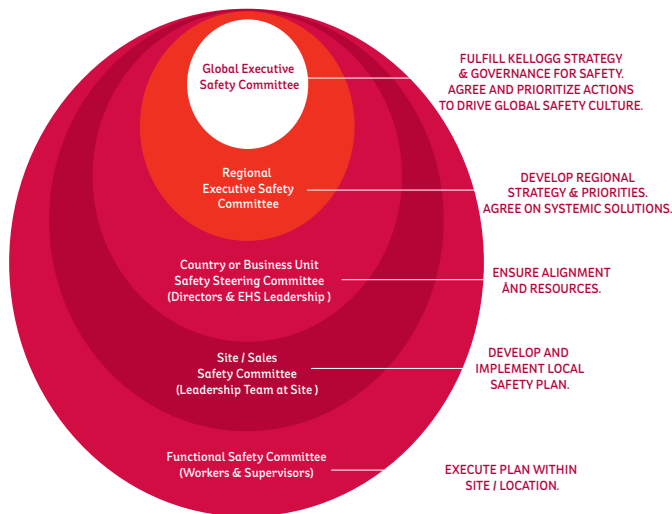


EMPLOYEE SAFETY

At Kellogg, we work hard to ensure that the systems, processes and equipment are in place to enable our employees to do their jobs safely. Our goal is to fully embed a safety culture and management systems that will result in zero injuries and occupational illnesses.

Until we achieve zero injuries and work-related illnesses companywide, we aim to reduce injuries 15 percent year over year. Each sector of our business has its own safety improvement goals to help us achieve this. In addition, in 2011 we made the decision to add "people safety" as a performance measure, beginning in 2012, for those employees who are eligible for our annual incentive plan program.

OUR SAFETY COMMITTEES



All of our business units track and report their safety performance monthly using our environmental and safety management system called Kellogg Cares About People & Planet, or K-CAPP. This web-based system standardizes audit and compliance management, as well as incident management and reporting, at all Kellogg sites globally. K-CAPP is fully aligned with ISO 14001 and OHSAS 18001, the widely recognized global standards for environmental, health and safety management.

Also in 2011, we conducted environmental, health and safety audits at 40 Kellogg manufacturing facilities and warehouses around the globe (out of 104), as part of our ongoing global environment, health and safety auditing program. These audits use a standard protocol based on Kellogg's environmental, health and safety requirements. Regulatory compliance is also assessed as part of the audits, which are conducted by senior Kellogg staff in conjunction with third-party auditors.

To keep workplace safety "top of mind," our employees receive specific training on safety procedures; we engage employees at all levels in safety discussions through safety committees (see diagram at left); and we communicate regularly to employees about safety. To demonstrate the importance of safety to all Kellogg employees, the Global Executive Safety Committee is chaired by John Bryant, Kellogg Company's President and CEO.

Our last report noted that our safety performance in North America, after several years of gradual improvement, had plateaued. In 2011 we redoubled our efforts to promote people safety in North America in an effort to rejuvenate a safety culture within the organization and resume progress in the right direction. At the same time, we did not lose sight of the importance of ensuring a strong safety culture in all of our operations globally.

To achieve this, we established four strategic imperatives for our safety work globally:

- Personal ownership and accountability for workplace safety, to build a culture in which we all watch out for ourselves and each other,
- Unwavering leadership,
- Intolerance of unsafe behaviors and conditions, and
- Sustained, continuous improvement in our safety culture and performance.

EMPLOYEE SAFETY, CONT.

We have also taken a risk-based approach and prioritized areas in need of greatest improvement, and then focused resources on those.

Already, we have seen significant improvements in our safety performance in North America. Our Total Recordable Incident (TRI) rate in North America decreased by 30 percent from 2010 to 2011, and our Lost Time Incident (LTI) rate decreased by 20 percent over the same time period. Recent efforts like those at our Memphis, Tennessee, cereal plant provide a good example of the types of changes we've been making.

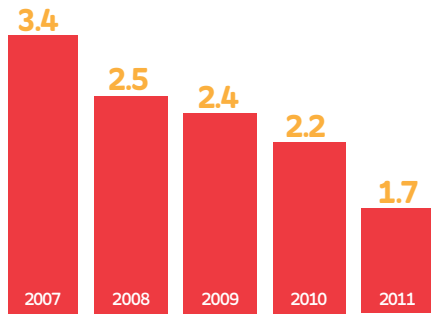
We have also made good progress globally. Our plant in Valls, Spain, for example, achieved significant improvements in their people safety metrics in 2011, reducing their TRI rate by 45 percent and LTI rate by 58 percent through strong safety leadership and employee engagement. One of the plant's initiatives is a Take One Minute for Safety campaign that encourages workers to think for one minute before they take on a new task, to ensure they approach the task in a safe manner and follow appropriate procedures.

In Latin America over the past three years, we have been implementing a behavior-based safety program known as "Ojo de Tigre," which involves peer-to-peer observation and reporting of safe and unsafe behaviors. (The name is a reference to Tony the Tiger, the *Kellogg's Frosted Flakes*® mascot.) In most plants, about 30 percent of workers are trained as Ojo de Tigre safety observers, while in Bogota, Colombia, all workers and staff employees have been trained. In addition, all manufacturing plants in Mexico have standardized an evaluation and recognition program that rewards employees with "Tony Dollars" for positive behaviors relating to worker safety, food safety, quality and other activities. The Tony Dollars can be exchanged for Kellogg-branded souvenirs such as T-shirts and caps.

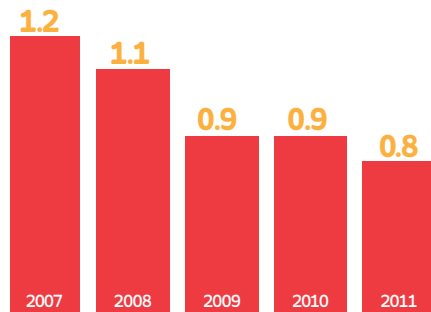
Visit the Workplace Safety Performance page to see our companywide safety data.

WORKPLACE SAFETY PERFORMANCE

Our companywide safety data for 2011 show the results of our increased focus in this area. Our Total Recordable Incident (TRI) rate decreased 23 percent in 2011 compared to 2010; it was down by half compared to 2007. Our Lost Time Incident (LTI) rate decreased 11 percent in 2011 compared to 2010; it was down 33 percent compared to 2007.



TOTAL RECORDABLE INCIDENT RATE¹



LOST TIME INCIDENT RATE²

Kellogg locations with no Total Recordable Injuries and no Lost Time Injuries in 2011

Manufacturing Facilities	Office Facilities	Distribution Centers
Baltimore, Maryland	Charlotte, North Carolina	Albuquerque, New Mexico
	Chicago, Illinois	Atlanta, Georgia
	Kashi Headquarters, La Jolla, California	Auburn, Maine
	Oakbrook, Illinois	Brunswick, Georgia
	Philadelphia, Pennsylvania	Evansville, Indiana
		Greensboro, North Carolina
		Hagerstown, Maryland
		Houston, Texas
		Memphis, Tennessee
		Montgomery, Alabama
		Philadelphia, Pennsylvania
		Phoenix, Arizona
		Portland, Oregon
		Springfield, Missouri
		St. Louis, Missouri

Kellogg locations with no Lost Time Injuries in 2011

Atlanta, Georgia	Battle Creek, Michigan	Boston, Massachusetts
Augusta, Georgia	Denver, Colorado (two office locations)	Charlotte, North Carolina
Belleville, Ontario	Pittsburgh, Pennsylvania	Chicago, Illinois
Charlotte, North Carolina		Dallas, Texas
Charmhaven, Australia		Denver, Colorado
Columbus, Georgia		Gonzales, Louisiana
Frenchs Forest, Australia		Highview/Cranbury, New Jersey
Grand Rapids, Michigan		Indianapolis, Indiana
Louisville, Kentucky		Oklahoma City, Oklahoma
Muncie, Pennsylvania		Salt Lake City, Utah
Pikeville, Kentucky		San Antonio, Texas
San Jose, California		St. Paul, Minnesota
Springs, South Africa		Tampa, Florida
Wyoming, Michigan		Tracy, California
Zanesville, Ohio		

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

2. Lost Time Incident Rate = (the total number of incidents that resulted in days away from work x 200,000 hours)/total labor hours worked. Also, note that our previous report mistakenly listed the data for 2009 as 0.96; it was in fact 0.92, which rounds down to 0.9.

SUPPORTING EMPLOYEE WELL-BEING

We want our employees to live healthy, productive lives. To help them do so, we work to support our employees' well-being through a variety of health, wellness and benefits programs. Our program offerings vary by country, so that we can meet employee needs in each location while complementing (but not duplicating) services and coverage offered by government-run programs.

In the U.S., we put a special focus on prevention, fitness and wellness. In early 2011 we launched a new, broader health management plan – an expansion of our longstanding Feeling Gr-r-reat™ program – that uses one vendor to integrate and manage all of our health- and wellness-related offerings. Through this single plan, our U.S. employees can get flu shots, enroll in smoking cessation programs, undergo health screenings and health risk assessments, and track benefit incentives and rewards, among other things. We are currently making a special effort to encourage participation in this program in our U.S. plants and distribution centers, and among our remote sales employees.

Also in the U.S., we organized and celebrated our first-ever National Kellogg Wellness Day in November 2011. The day was designed to get employees thinking about – and acting on – their own health and wellness goals, and it included a variety of group awareness-raising activities. As a direct result of the communications for National Wellness Day, our *Feeling Gr-r-reat* website saw a 158 percent increase in visits for the calendar year (compared to the previous year).



In the U.S., we offer employees a variety of medical plans to meet their individual needs. In 2012 we are for the first time including a health savings account, a tax-advantaged savings plan that helps people to save for future medical expenses. To help employees choose from among our various plans during open-enrollment season, we increased our communication efforts and offered online tools to support their decision making.

Around the world, Kellogg locations offer a wide variety of health and wellness programs. In Spain, for example, our "Smacks® Life" program helps employees to better manage their work/life balance through a variety of tools and working options, including flex-time, support to employees and families, and courses in time management and stress management. In Italy in 2011, we launched a new nutrition education program for employees, to encourage healthier eating. The program provides basic information about the importance of nutrients, fiber and whole grains and how to read nutrition labeling, among other topics.

In 2011, 70 percent of our eligible employees took part in either a *Feeling Gr-r-reat*™ health assessment or a biometric health screening.

The American Heart Association recently named Kellogg a 2011 Platinum Level Start! Fit-Friendly Company – an honor recognizing companies that champion the health of their employees and strive to create a culture of physical activity in the workplace. This is the third year in a row Kellogg has earned a Start! Fit-Friendly award for its wellness efforts.



MEMPHIS PLANT CASE STUDY

In 2010, Kellogg managers at our cereal plant in Memphis, Tennessee, recognized that the workplace safety culture at the facility was not as strong as it could be. So they brought in a new health and safety manager – Balaji K. – to help boost performance.¹

One of Balaji's first areas of focus was to strengthen and engage the plant's Safety Committee. "The first time I met with the group, I laid out a simple expectation," explained Balaji. "I wanted each one to think of themselves as a 'Safety Manager' for their departments." To do this, Balaji promised to give each member the knowledge they needed to be confident when they talked to their peers on the floor. And, he changed the format of their monthly meetings, so that they spent the first two hours of every meeting working on safety projects or completing safety audits in the plant.

Balaji also divided the group into subcommittees to help them focus on the critical safety issues for the plant. To improve communication with plant employees, the Committee decided to publish a safety newsletter and create a Safety Zone at the entrance to the plant where all relevant safety information is posted.

The first major project in which the Committee became involved was the installation of a new production line. "We were part of the project team from the very beginning," Balaji said, "which enabled us to incorporate changes up-front, such as how the equipment was laid out, to enhance safe operation." Changes recommended by the Committee included better machine guarding, design changes to eliminate ergonomic challenges and the addition of interlocks to the equipment. The project involved some major changes to the network of aisles along which rolling stock travels, so the Committee worked with the project team to develop a comprehensive plan to ensure pedestrian safety during construction. "With the number of contractors, heavy equipment and rolling stock traffic we had on site," Balaji said, "it was a great accomplishment to install and start up this new line without any safety incidents."

Among the Committee's other activities have been the planning and implementation of a staff Safety Day and the launch of an ongoing, good-natured competition (dubbed the Breakfast Smackdown) with the nearby Rossville plant, to see which plant can achieve the best safety results at the end of each quarter. "The Breakfast Smackdown has helped keep our employees engaged and interested in learning what they can do to win the competition," said Balaji. "And it helps Committee members to understand the challenges that other plants face so we can better prepare ourselves to handle them if needed."

Today, the Safety Committee is respected by peers and managers alike, and the group has become more effective. "We are now much more involved with co-workers during our floor activities to address safety issues and get them resolved," said Sandra H., a Safety Committee member. Fellow member Tim L. concurred. "I believe the Committee as a whole has become better educated about how to identify opportunities that can improve our safety program," he said.



Kellogg plant in Memphis, Tennessee

The plant's latest safety results prove the turnaround has been a success. Its Total Recordable Incident rate has dropped 59 percent and its Lost Time Incident rate is down 50 percent since 2009.

"The Safety Committee members now have ownership of our safety program," said Balaji. "I share the vision on where we need to be, and they drive it from there. In fact, our safety program today is completely driven by the 'Safety Managers' that we have on our Committee. They are committed to take us where we need to be – to zero incidents."

Plant manager Chris R. agrees. "Safety is, and will always be, an integral part of everything we do," he said. "With the support of the plant leadership team and the continued dedication of the Safety Committee, we will continue to imbed a true safety culture at the Memphis Plant."

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

OUTLOOK

We are fortunate to have a workforce that is productive, innovative and dedicated to our company's success. As our 2011 Global Opinion Survey revealed, overall our employees are proud to work for Kellogg and intend to stay with the company. We do not take these sentiments for granted, and we work hard to make sure Kellogg remains a workplace of choice.

Like all companies, we do face workplace-related challenges. For instance, we know we need to better engage our hourly manufacturing workforce, build an even stronger culture of safety within the organization and continue to work toward greater diversity in our workforce.

Many of the initiatives discussed in this section of the report have been specifically designed to address these challenges. In the coming year, for example, we will be looking to broaden the reach of our Supervisor Success training program. And, we intend to conduct additional Global Opinion Surveys in the future to benchmark how we are trending on these important topics.



ENVIRONMENT

At Kellogg Company we are keenly aware that, as world population grows, Earth's natural resources are coming under increasing stress. To do our part to alleviate that stress, we have analyzed and identified our most significant environmental impacts and are working hard to minimize them. In short, we aim to produce more with less – less energy, fewer greenhouse gas emissions, less water, less waste.

Our efforts to reduce environmental impacts align with our company's vision and purpose. Our vision is to enrich and delight the world through foods and brands that matter. The inclusion of "the world" in that vision confirms our focus on supporting and sustaining our planet. Our purpose as a company is nourishing families so they can flourish and thrive. Fulfilling that purpose includes helping to ensure the sustainability of natural resources, so the Earth that is our home can flourish and thrive as well.

This section of our report catalogs our environmental progress to date.



ENVIRONMENT PROGRESS

Since our last report was published in April 2011:

We have continued to work toward our 2015 energy use, greenhouse gas (GHG) emission, water use and waste goals. We remain on track to meet our GHG and water goals, but we are lagging slightly behind on our energy use and waste goals.

Our Bremen, Germany, plant has **reduced energy** use by 19 percent since 2005, and our Linares, Mexico, facility is now heating the hot water used in its boilers with solar energy.

Our cereal plant in Omaha, Nebraska, reduced its absolute **water use** 24 percent in 2011 (compared to 2010), which equates to a 16 percent decrease in water used per metric tonne of food produced.

In 2010 we conducted a **water risk assessment**, and in 2011 we shared the results of this assessment publicly through the Water Disclosure program of the Carbon Disclosure Project.

Seven of our plants globally have achieved **zero waste to landfill**.

We have received a number of **notable recognitions** for our efforts to operate in an environmentally sustainable manner.

In Europe in 2011, our **GoGreen teams** organized and sponsored an awards program to recognize, reward and promote environmental best practices at Kellogg locations in that region.

Several U.S. plants have seen strong **waste-to-landfill reductions** per metric tonne of food produced since the 2009 baseline. In particular, waste to landfill is down 66 percent at the Seelyville plant, 60 percent at the Omaha facility, 47 percent at the plant in Kansas City and 45 percent at the Battle Creek plant.

We are also working to drive environmental improvements in our supply chain. These efforts are discussed in our **Sustainable Agriculture** spotlight story.

ENVIRONMENT RECOGNITIONS

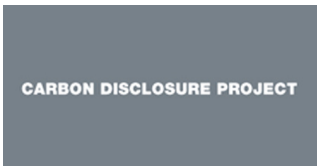
Seven of our U.S. cookie and cracker facilities earned the first-ever Energy Star certifications for bakeries from the U.S. Environmental Protection Agency (EPA). According to the EPA, these bakeries use one-quarter less energy than similar plants across the country. The Kellogg facilities represent more than half of the 13 bakeries that the EPA recognized nationwide.

Kellogg was included in the Carbon Disclosure Leadership Index (CDLI) for the first time. The CDLI recognizes 55 companies in the S&P 500 with the highest "disclosure scores" for their submissions to the Carbon Disclosure Project (CDP). Disclosure scores are based on the level of comprehensiveness and depth of information reported to the CDP regarding companywide energy use and greenhouse gas emissions. Our disclosure score improved from 67 in 2010 to 85 in 2011.

Kellogg Company's treasury and accounts receivable teams at U.S. headquarters earned the Green Treasury Project of the Year award from GTNews, for significantly reducing paper usage and waste. See the Waste section for details.

Kellogg received Certificates of Recognition for Energy Efficiency from Consumers Energy, a local utility, for our Battle Creek and Grand Rapids, Michigan, manufacturing plants.

Kellogg Company ranked 36th on Interbrand's list of the top 100 Best Global Green Brands. We ranked 5th in the "fast-moving consumer goods" category.



ENVIRONMENTAL MANAGEMENT

Commitment to strong environmental performance starts at the very top of our company, at the board and senior executive level. From there it is integrated throughout our business.

The Social Responsibility & Public Policy Committee of our Board of Directors oversees the company's sustainability efforts and climate policy. All four members of this committee are independent, as defined by the U.S. Securities and Exchange Commission.

At the executive level, environmental sustainability is overseen by our chief sustainability officer (CSO). The CSO reports to our senior vice president of Supply Chain, who in turn reports to our President and CEO. (At Kellogg, "Supply Chain" refers to our manufacturing operations.)

We have set companywide goals for lowering our energy use, greenhouse gas emissions and water use by 15 to 20 percent (per metric tonne of food produced) from 2005 to 2015. We also have a goal to reduce our waste to landfill 20 percent (per metric tonne of food produced) from 2009 to 2015.

Each Kellogg plant around the world has reduction goals that align with these companywide goals. The plants report monthly on progress, and managers' performance reviews and bonuses are based, in part, on their facilities' performance compared to the targets.

In 2010 we implemented a new environmental and safety management software system called K-CAPP (Kellogg Cares About People and Planet). K-CAPP standardizes audit and compliance management relating to environmental and occupational health and safety programs, as well as incident management and reporting, at all Kellogg sites globally. K-CAPP is fully aligned with ISO 14001 and OSHAS 18001, the widely recognized global standards for environmental and health and safety management.

As of December 2011, five Kellogg facilities were ISO 14001 certified. In Mexico, two plants – Querétaro and Linares – received *Industria Limpia* ("clean industry") certifications in 2011 from PROFEPA, Mexico's federal environmental protection agency. This was the Querétaro plant's sixth consecutive *Industria Limpia* recognition. In addition, the Mexicali plant received a High Environmental Performance Program Recognition from the state of Baja California.



Kellogg employees Jesus P. and Paulina G.¹ with the new solar collectors at our plant in Linares, Mexico

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

ENERGY USE AND GREENHOUSE GAS EMISSIONS

We all know that it takes energy – usually electricity or natural gas – to toast a piece of bread or bake a cake at home. More energy is then needed to heat water to clean the dishes and pans afterward.

At Kellogg, we toast grains for cereals and bake many products, and we do a lot of cleaning up – all at a much larger scale than in the home kitchen. So it's no surprise that we require a fair amount of energy to do it.

Energy use is one of our most significant environmental impacts, because the greenhouse gas (GHG) emissions that result from burning fossil fuels contribute to climate change.¹ Fossil fuels power not only our cereal, snack and frozen food plants but also the transportation fleets that deliver our products to retailers. Our suppliers also require energy to make the food ingredients, equipment and packaging material we purchase.

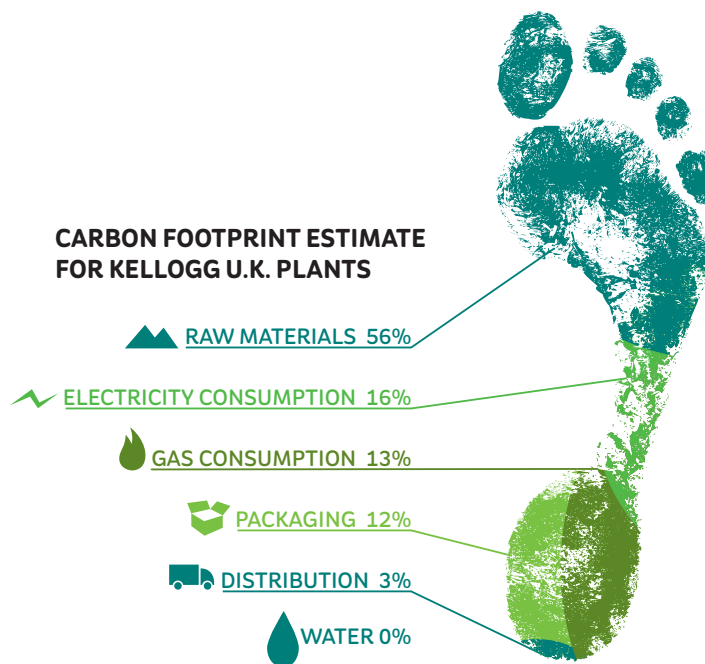
Several years ago we completed “carbon footprint” assessments for several products made in our U.K. plants (see graphic below). We have also completed carbon footprint assessments for products made in our U.S. plants. This work confirmed that, on average, more than half of our products' lifecycle carbon emissions occur in the raw materials supply chain. That's part of why we have become more involved in promoting sustainable agriculture – to try to drive sustainability improvements, including energy use and GHG emissions reductions, at the agricultural stage in our value chain. Those efforts are described in the Sustainable Agriculture spotlight story. This section reports on our progress in our own facilities and transportation fleet.

CARBON FOOTPRINTING PARTNERSHIPS

Our carbon footprinting work was developed with assistance from Manchester University using a methodology compliant with PAS 2050. PAS 2050 is widely used and respected, and we believe the resulting carbon estimates are sound. Nonetheless there is disagreement among experts about the best way to measure the carbon footprint of a product, and multiple procedures exist. We are thus involved in industry efforts to develop common environmental footprinting methodology.

One such effort is being led by the European Food Sustainable Consumption and Production Round Table. Created by FoodDrink Europe (an industry association of which Kellogg is an active member) and other partners representing the entire food chain, the organization is seeking to drive convergence on a common footprinting methodology for food and drink products, as well as a common framework for communicating the resulting information to consumers. The Round Table is co-chaired by the European Commission and is supported by the United Nations Environment Programme and the European Environmental Agency.

CARBON FOOTPRINT ESTIMATE FOR KELLOGG U.K. PLANTS



¹ Carbon dioxide (CO₂) is by far the most prevalent of the greenhouse gases associated with the manufacture of our products. Our emissions metrics take into account all types of GHGs emitted due to our energy use, however, and are technically measured in “carbon dioxide equivalents.”

CLIMATE CHANGE RISKS AND OPPORTUNITIES

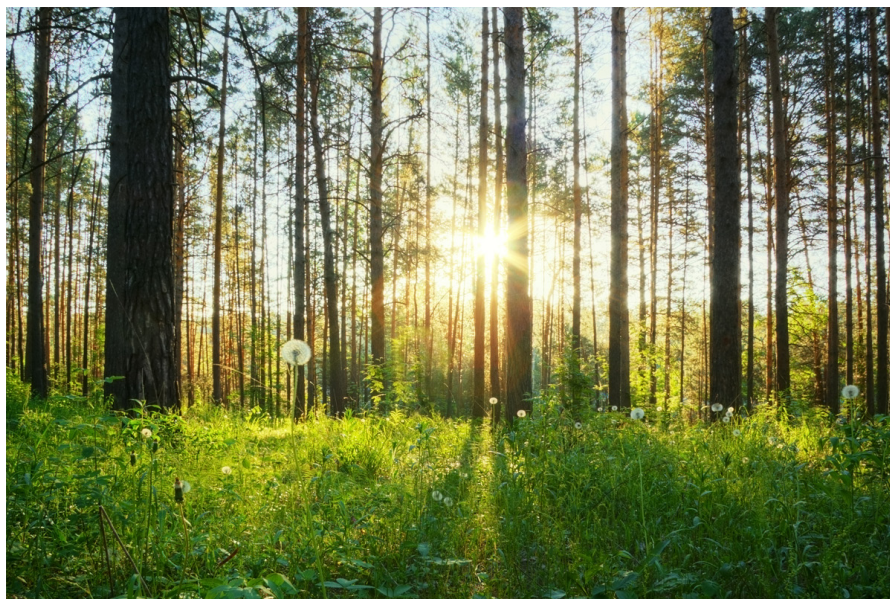
Around the globe, concerns about efficient uses of environmental resources, including fossil fuels and water, are escalating; the cost and availability of these resources, meanwhile, pose risks for an agriculture-based company like ours. We have carefully assessed the risks and opportunities we face as a company due to potential changes in climate conditions. These risks and opportunities are outlined in detail in our submission to the Carbon Disclosure Project (CDP), which is available online at www.cdproject.net.

Among these risks are, for example, changes in precipitation patterns, reservoir levels, snowpack and average temperatures, which may affect agriculture and stress supplies of fresh water (including water needed for irrigating crops and for operating our own manufacturing plants). These types of physical risks may also impact the cost of agricultural raw materials, which are a significant component of our overall costs.

We also face regulatory risks and associated costs. For example, Kellogg Company's four largest facilities in the U.S. now report greenhouse gas emissions under new U.S. Environmental Protection Agency regulations. If such reporting someday leads to mandatory greenhouse gas reduction regulations, that could increase our operating costs. Already, we experience costs associated with the cap-and-trade scheme in Europe and carbon taxes in the U.K.

In Australia, Kellogg is not directly affected by the recently enacted carbon pricing legislation, because our facilities fall below the government-set emissions threshold. However, we will likely be indirectly impacted by pass-through costs from our suppliers, including energy companies, as they seek to recover their additional carbon-related costs via higher rates.

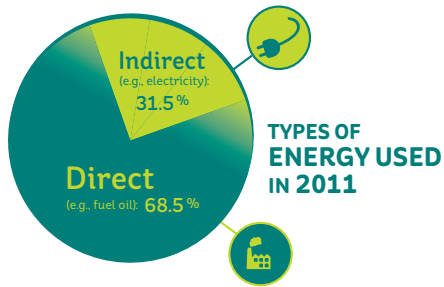
While it is difficult to predict, there is a possibility that climate change could also present Kellogg with opportunities. For example, changes in temperature and/or precipitation may provide opportunities to expand or modify our agricultural supplier base.



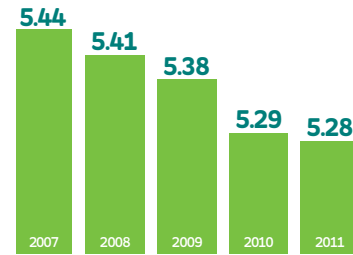
OUR ENERGY AND GREENHOUSE GAS PERFORMANCE¹

We continue to work toward our goal of reducing our global energy use and greenhouse gas (GHG) emissions (per metric tonne of food produced) by 15 to 20 percent from 2005 to 2015. As seen in the charts below, our performance on these two metrics was essentially flat in 2011, compared to 2010. This was due in part to changes in our plant cleaning processes, which were revised in order to enhance our food quality and safety systems, as well as changes in production volumes.

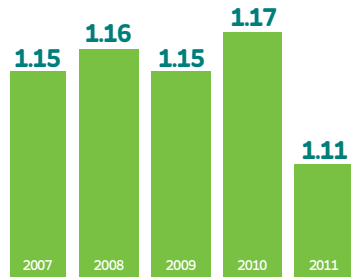
Since 2005, our baseline year, our GHG emissions and energy use per metric tonne of food produced have dropped 11 percent and 8 percent, respectively. That means we are still on track to meet our GHG goal but are slightly behind on our energy goal.



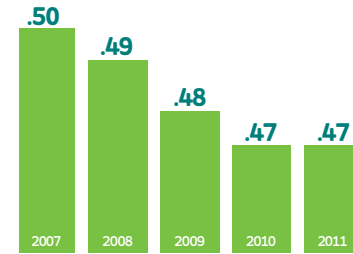
TOTAL ENERGY USE
[in millions of gigajoules]



ENERGY USE PER METRIC TONNE OF FOOD PRODUCED
[in gigajoules]



TOTAL GREENHOUSE GAS EMISSIONS
[in millions of metric tonnes]



GREENHOUSE GAS EMISSIONS PER METRIC TONNE OF FOOD PRODUCED
[in metric tonnes]

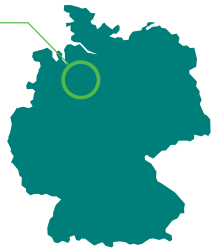
1. The protocols we use to calculate our GHG emissions are based on the GHG Protocol Corporate Accounting and Reporting Standard developed by the World Resources Institute and the World Business Council for Sustainable Development. Note that our energy and GHG data are for our global manufacturing facilities only. They do not include energy and emissions from our transportation fleet, offices or warehouses.

FACILITY INITIATIVES

Many of our facilities undertook energy- and greenhouse gas-reduction activities in 2011 – some significant and some more modest – that continued to move us toward our goals. For example:

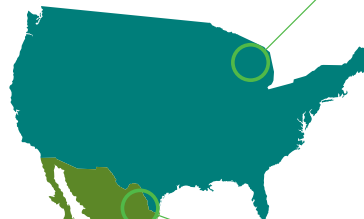
Our plant in Bremen, Germany,

has reduced its energy use by 19 percent (per metric tonne of food produced) since 2005. Much of this reduction is attributable to ongoing, systematic reviews of processes and equipment to ensure optimal energy efficiency. Increased production volume and mild weather over the past two years have also contributed.



Our plant in Battle Creek, Michigan,

reduced its absolute electricity consumption 19 percent in 2011 compared to 2010, due to energy-efficiency projects such as the installation of an efficient variable-speed chiller. These reductions resulted in cost savings of \$1.5 million.



Our cereal and snacks plant in Linares, Mexico,

installed 125 state-of-the-art solar collectors. The energy generated by these solar collectors heats water for feeding two boilers. The system is expected to save more than 125,000 liters of liquid propane gas and eliminate nearly 173 metric tonnes of carbon dioxide (CO₂) emissions per year.

In the office areas of our plant in Takasaki, Japan,

we installed a special, highly reflective material in standard fluorescent tube fixtures, which enables half of the tubes to be removed with no reduction in light quantity or quality. By removing 140 fluorescent tubes, we reduced electricity consumption from this lighting by 45 percent and will save 3.5 metric tonnes of CO₂ per year.



Our snacks plant in Charmhaven, Australia,

has reduced absolute energy use even as production has risen. In 2011, production at the plant increased 13 percent, even as electricity decreased 10 percent. Natural gas use did rise slightly, but the plant has nonetheless already met its overall 2015 energy use goals.



TRANSPORTATION INITIATIVES

Given the high cost of fuel, transportation and logistics are also important areas of focus for us. Reducing miles on the road has the dual benefit of saving on fuel costs and decreasing greenhouse gas (GHG) emissions.

In the U.S. and parts of Mexico, we operate a fleet of nearly 800 trucks; we also utilize contracted truck fleets for part of our business. As seen in the graph, our carbon dioxide (CO₂) emissions per case of food delivered increased about 6 percent in 2011, but we are still down 8 percent since 2007.

One way we are working to decrease road miles traveled in the Kellogg-operated fleet is by installing on-board computers in our trucks that allow us to monitor truck routes and driver performance. For example, the system tracks unscheduled stops, out-of-route miles and idling time. We began using this system in 2008, and it has helped to significantly improve vehicle performance.

In addition, in 2011 we enrolled our Kellogg-operated fleet in the U.S. Environmental Protection Agency's SmartWay program. SmartWay is a partnership among government, business and consumers to help reduce fuel use and improve air quality. In the SmartWay program, companies are given scores based on efforts to promote fuel efficiency and improve environmental performance. Scores improve when companies adopt fuel-efficiency and emission-control technologies, policies and strategies for their fleets.

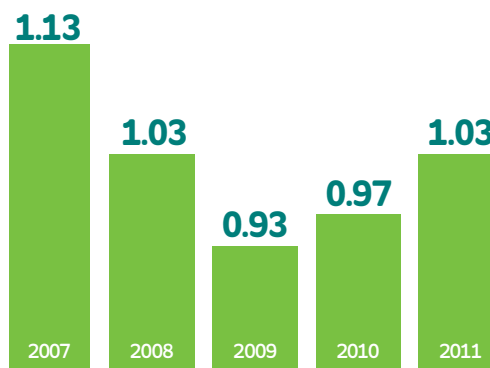
We also track GHG emissions in our contracted fleet, and we have seen dramatic reductions in the amount of energy it takes this fleet to ship our products to market in the U.S. and Canada. More than 90 percent of our contract carriers are SmartWay certified.

In the U.K. in 2011, we found several opportunities to reduce road miles traveled – in some cases by switching to barge shipment instead of truck. For example:

Instead of shipping product from Poland to our U.K. warehouses by truck, we now move it via container by sea, from the port of Gdynia, Poland, to Hull, U.K. By the end of 2011, we had moved 231 containers along this route, avoiding approximately 180,000 road miles and a net 113 metric tonnes of CO₂ emissions.

Similarly, instead of shipping our finished product from Manchester to Liverpool, England, over congested roadways, we now move it via canal on barges. In 2011, we shipped 78 45-foot-high cube containers in this manner, and in 2012 we expect to move at least 250, which would save about 11 metric tonnes of CO₂.

Finally, we have worked with Asda (a U.K. grocery chain that's a subsidiary of Walmart) to reduce empty return truck shipments on three key routes. By loading our product onto Asda trucks that would have otherwise returned to the stores empty, we will eliminate 137,000 miles of empty runs per year, or about 193 metric tonnes of CO₂ emissions.



KELLOGG-OPERATED U.S. TRUCK FLEET, CO₂ EMISSIONS PER OUTBOUND CASE¹

[in pounds]

1. Note that these data have been restated (for all years), as we switched to a more-precise calculation method.

WATER USE

As a global food company, we are mindful that water is becoming an increasingly scarce natural resource in many regions. Water supplies are under pressure due to the growing population (now at 7 billion) and the effects of climate change. Access to clean water is also a critical social issue around the world and is, of course, essential to our business.

Over the past year, we have come to realize that water use – by our company but especially in our agricultural supply chain – represents perhaps a more significant environmental impact than even energy use and greenhouse gas emissions, at least in the short term. Water is needed to irrigate the crops that become ingredients in our products, and we've estimated that agriculture accounts for more than 95 percent of the water used during the lifecycles of our cereal products. (See the Sustainable Agriculture section to read about how we're working to drive sustainability in our supply chain.) We also use water directly – for cleaning, heating and cooling in our plants; as an ingredient in some products; and for personal use and landscape irrigation.

We have a corporate water policy in place that requires us to:

understand and demonstrate compliance with all legal requirements relating to water source, use and discharge;

control water use and wastewater discharge to limit potential impacts on the environment; and

achieve our water-related environmental impact reduction goals.



COMMUNITY WATER INITIATIVES

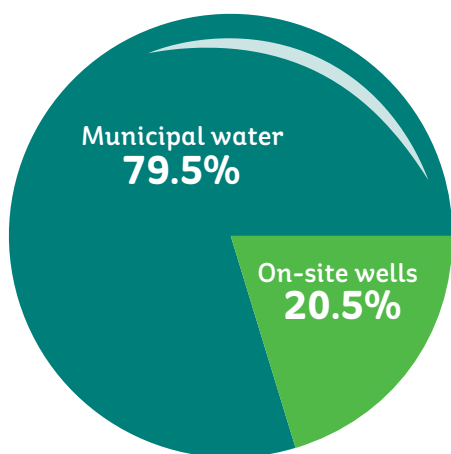
We are active in two water-related initiatives in our corporate headquarters of Battle Creek, Michigan. We are longtime members of the city's Wellhead Protection Team, which serves to identify and mitigate risk to the city water supply. We also participate each year in the city's Children's Water Festival – an educational event that gives kids the opportunity to learn about and understand the value of water.

WATER-RELATED RISKS AND OPPORTUNITIES

We've assessed our water-related risks to give us insight into where, when and how we face issues relating to water availability and quality. We used the World Business Council on Sustainable Development's Global Water Tool, which was created for multinational companies who want to better understand water issues in their operations and their supply chains.

For each Kellogg facility, we assessed watershed stress, incoming water flow, incoming water quality, wastewater discharge, water cost, regulatory pressures and facility water management. Our preliminary results were validated by external subject-matter experts in each region. We also assessed key ingredient supplies and associated water-related business risks, overlaying our supply source locations against water stress indicators. The results from the assessments are helping us to identify and prioritize water-related business risks, monitor projected trends and evaluate regional conditions, for both our own facilities and the sources of our agricultural supplies. In 2011, we shared the results of this water risk assessment publicly via the Water Disclosure program of the Carbon Disclosure Project.

Our assessment identified two "water-stressed regions" where we have operations – Nebraska and Northeast Illinois, both in the U.S. An additional four regions were noted as "at risk" for water stress: Spain; the Shandong Province in China; California in the U.S.; and New South Wales in Australia. About 30 percent of our operations are located in the regions in these two categories. We have not identified any locations in these regions where our withdrawal of water is significantly affecting a particular water source.



Areas of Potential Water-Related Risk in which Kellogg Operates

Water-Stressed Regions		Areas at Risk for Water Stress			
Nebraska, U.S.	Northeast Illinois, U.S.	Spain	Shandong Province, China	California, U.S.	New South Wales, Australia

The Water Disclosure we submitted also describes at length the risks we face relating to water, and our strategies for addressing them. Among the types of risks identified are physical risks relating to declining water quality, flooding and increased water scarcity, and regulatory risks relating to mandatory water efficiency or conservation measures. These risks could result in, for example, higher prices for water and the need to adapt through changes in plant design, operation and production capacity. We have developed business contingency plans to address these types of risks. And of course we are working to become more water-efficient in our operations and in our supply chain, to reduce these types of risks for our business. We are now determining where our top 10 (by volume) raw materials are grown around the world, and which are grown in areas of most water stress.

OUR WATER PERFORMANCE¹

In 2011 we continued to work toward our goal of reducing water use (per metric tonne of food produced) by 15 to 20 percent from 2005 to 2015. As seen in the charts, our water use per metric tonne of food produced rose slightly (1 percent) in 2011. This increase was due in part to changes in the cleaning practices in our manufacturing plants. We are now assessing the impacts of those changes and looking for other ways to reduce our water use in the future. Since 2005, our baseline year, our water use per metric tonne of food produced is down 13 percent, so we are still on track to meet our 2015 goal.

Our facilities in 2011 continued to implement an array of water-saving initiatives that are helping to drive our water use in the right direction over the long term. For example:

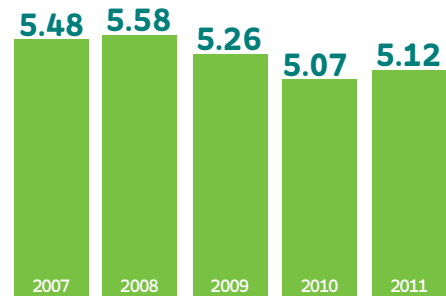
Our cereal plant in Omaha, Nebraska, reduced its absolute water use 24 percent in 2011 (compared to 2010), which equates to a 16 percent decrease in water used per metric tonne of food produced. Initiatives driving these reductions included the installation of low-flow faucets, improved management of steam and water leaks, and a change in cleaning practices in the packaging area that reduce water use.

In our cereal plant in Taloja, India, we've reduced water use per metric tonne of food produced by 67 percent since 2005. This has been achieved through multiple measures, including the installation of a high-efficiency steam boiler, high-pressure pumps for cleaning, and drip irrigation for landscaping, as well as the recycling of process water.

Our cereal plant in Valls, Spain, has reduced water use by 18 percent (per metric tonne of food produced) against the 2005 baseline. This has been achieved through the installation of an automated cleaning system on the spray coating lines, among other initiatives. Instead of a constant flow of water (which was more than was needed), the water now turns on and off on a set schedule.



TOTAL WATER USE
[in million cubic meters]



WATER USE PER METRIC TONNE OF FOOD PRODUCED
[in cubic meters]

¹ Our water data are for our global manufacturing facilities only. They do not include water use at our offices or warehouses.

WASTE

In recent years, many companies and consumers around the world have become less wasteful. Society has come to recognize that when we throw things away, we're wasting both natural resources and money. In the U.S., for example, the Environmental Protection Agency reports that per capita generation of municipal solid waste peaked in the year 2000 and has been gradually coming down ever since.

We at Kellogg have been striving to do our part to reduce waste as well. For us, waste includes any material leaving our manufacturing plants that is not part of the finished product or its packaging. This includes, for example, paperboard, metal, wood or other materials designated for recycling; food waste sold for animal feed; and any material headed for landfill or incineration.

Overall, more than 93 percent of the waste Kellogg generates is recycled, sent for energy recovery or used for animal feed. Less than 7 percent of our overall waste ends up in a landfill.

REDUCING WASTE FROM UNSALEABLES

We put a strong focus on reducing waste from "unsaleables" – product that is shipped to our customers but then cannot be sold because of damage, expiration or discontinuation. Kellogg conducts more than 100 week-long audits annually at customers' warehouses and retail stores throughout North America. We also work with the U.S. military in the U.S., Europe and Asia. The audits provide data and measure performance relating to unsaleables, which gives us direction on where improvements are needed across Kellogg and our retail customer supply chains. We then collaborate with retailers to reduce this waste and improve efficiencies. Over the past 10 years, we have decreased unsaleables by nearly 50 percent in many of our businesses, resulting in about 20 million fewer packages of food wasted annually.

In 2011, we won an award for our unsaleables program from *Supermarket News*. We also won an award for "reverse logistics innovation" at the Grocery Manufacturers and Food Marketing Institute's unsaleables conference. Kellogg is recognized as an industry leader in this important discipline.

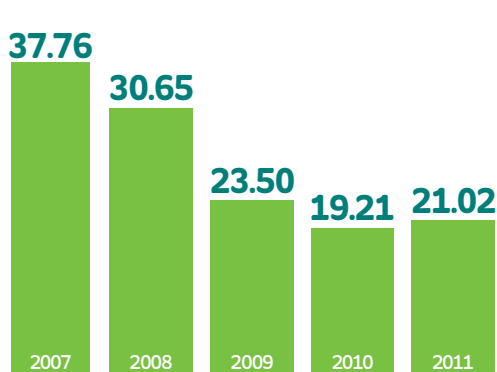
OUR WASTE PERFORMANCE¹

In terms of waste at Kellogg facilities, we've been most focused on reducing materials destined for landfill. We have a goal to reduce waste to landfill 20 percent by 2015 (per metric tonne of food produced), compared to a 2009 baseline. We had actually achieved that goal by 2010, but then trended in the opposite direction during 2011. In fact, we increased our waste to landfill by 13 percent from 2010 to 2011 per metric tonne of food produced. That means that by the end of 2011, we had reduced waste sent to landfill by 9 percent (per metric tonne of food produced) compared to the 2009 baseline, putting us behind schedule in meeting our goal.

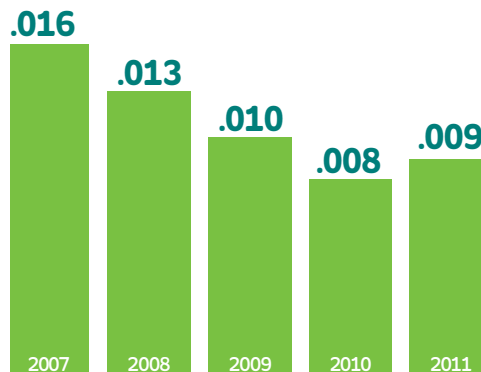
Even with this setback, however, our longer-term progress has been good. Since 2005, when we began tracking waste-to-landfill data companywide, we've reduced this waste per metric tonne of food produced by 44 percent.

There is no single reason for our increase in waste to landfill in 2011; some plants continued to achieve decreases, while others saw their numbers rise, sometimes due to unforeseen circumstances. At our plant in Springs, South Africa, for example, local waste regulations changed, and it took much of the year to find a new waste contractor with the required permits. During that period, all food waste that would have typically been sent for use as animal feed was instead sent to landfill. Since food waste for animal feed makes up some 90 percent of total waste at our plants, this issue caused the landfill waste numbers at the Springs plant to spike significantly, impacting our companywide totals.

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



TOTAL WASTE SENT TO LANDFILL
[in thousand metric tonnes]²



WASTE SENT TO LANDFILL PER METRIC TON OF FOOD PRODUCED
[in metric tonnes]

1. Our waste data are for our global manufacturing facilities only. They do not include waste generated at our offices or warehouses.

2. Note that total waste for 2010 has been restated from last year's report (where it was listed as 19,130 metric tonnes), due to waste information from some locations coming in after that report's publication.

WASTE REDUCTION INITIATIVES

A number of our facilities and departments globally had good success reducing waste in 2011. For example:

The Treasury and Accounts Receivable functions at our headquarters in Battle Creek, Michigan, recently completed a three-year effort to eliminate numerous manual, paper-intensive procedures and replace them with electronic processes. The electronic solutions implemented have driven significant business process efficiency and cost savings while drastically reducing waste. The project won "Green Treasury Project of the Year" award from GTNews.

In 2011, Kellogg replaced all network and personal printers in our global offices with multi-function devices that print, copy, e-mail and scan, providing office employees a significant upgrade in technology while delivering a 50 percent reduction in energy usage and a 35 percent decrease in paper usage (due in part to default double-sided printing and copying).

At our cereal plant in Rayong, Thailand, our waste to landfill spiked in 2009 when the plant began trial runs of a new product, resulting in a higher-than-usual amount of waste raw material and product that did not meet specifications. Plant managers worked to develop alternatives to landfill disposal, including providing wastewater sludge to a local farmer for use as compost and fertilizer and offering the rejected raw materials as an alternative fuel for power generation. Through these steps and others, the plant reduced waste going to landfill from 93,270 kg in 2009 to 8,606 kg in 2011, a reduction of 91 percent.

Our cereal plant in Battle Creek, Michigan, has reduced waste to landfill per metric tonne of food produced by 45 percent since 2009. They have achieved this by contracting with a recycling provider that better separates food from damaged packaging. The food, which can't be sold for human consumption, goes to animal feed, and the packaging is baled for recycling. Other U.S. plants that have seen strong waste reductions since 2009 include those in Seelyville (down 66 percent), Omaha (down 60 percent), and Kansas City (down 47 percent).

At our cereal plant in Springs, South Africa, employees resolved an ongoing mechanical problem on a cereal line that had been resulting in excessive waste of cereal product. Through the installation of better equipment, they are now preventing 15 to 20 metric tonnes of waste per month.

Since 2005, the Querétaro plant in Mexico has donated food that cannot be sold for human consumption to an organization called Research and Reproduction Birds of Prey Foundation. The Foundation uses that food to feed wildlife that they have rescued and are rehabilitating, with the intention of reintroducing them to the wild. During 2011, we donated an average of 30 metric tonnes of food per month to this organization.

SUSTAINABLE PACKAGING

Our packaging – whether for Kellogg cereals, snacks or frozen foods – must serve multiple purposes. It must protect our products in their journey to retailers and then to consumers' homes. It also must communicate product attributes and nutrition information. And it has to be recognizable and attractive on a grocery store shelf or in a freezer case. At the same time, packaging costs us money and has its own environmental footprint. And it needs to be easily recycled or disposed when no longer needed.

We have a long history of using recycled paperboard for packaging. The first cereal cartons that rolled off the line in 1906 were made from 100 percent recycled paperboard, as are nearly all of our packages today. About 35 percent of that recycled board is post-consumer material. (That's the industry standard.) We are one of the largest users of recycled paperboard in the U.S. In the few packages where we use virgin board, we source only from certified sustainable sources.

To guide our packaging specialists toward more sustainable solutions, we developed a sustainable packaging framework that focuses on improving performance in three key areas across the packaging lifecycle: the package-to-food ratio, percent recycled material content and percent materials that are commonly recoverable. In 2011 in North America, we began publishing internal sustainable packaging reports every quarter, to better track and communicate our progress and our commitment to continuous improvement.

Each year our packaging team works on 40-plus projects involving either designing packaging for an all-new product or improving packaging for an existing product. In 2011, for example:

For several types of snacks, we eliminated corrugated cases altogether and instead shipped the product in shrink-wrapped bundles of four to six cartons each. This improved the package-to-food ratio for these products by 32 percent.

We redesigned the *MorningStar Farms*® Chik'n Strips bags and cases in order to fit more into a corrugated case, thereby improving the package-to-food ratio by 13 percent and increasing the number of units per truck by 33 percent. (The more products we can fit on a truck, the fewer truck trips required, the less fuel we use and the fewer greenhouse gases we emit.)

Kashi conducted a special Earth Day promotion with their *TLC Chewy Granola Bars* in which they replaced the product carton with stickers that held the five bars together front and back. This innovation improved the package-to-food ratio by 33 percent and increased the number of units per truck by more than 100 percent. The promotion was so successful that Kashi repeated it later in the year.

All told, our package-to-food ratios across product categories improved an average of 3.5 percent in 2011, building on the strong foundation of the 7.9 percent improvement we achieved in 2010.¹

1. Please note: Due to a data analysis error, our 2010 report significantly overstated the amount of packaging we had removed from the waste stream since 2005.

PACKAGING PARTNERSHIPS

We are involved with several industrywide efforts to promote sustainable packaging and standardize definitions and expectations for such packaging.

For example, we participated in the Global Packaging Project of the Consumer Goods Forum. This project, which began in 2009, aimed to set industry standards for appropriate packaging sustainability metrics. The initiative's final report was issued in September 2011 and is available at <http://globalpackaging.mycgforum.com/>.

In 2010, we worked with 10 other organizations to help found AMERIPEN – the American Institute for Packaging and the Environment, which then officially launched in 2011. We also hold a seat on the board. AMERIPEN is a group of North American-based companies focused on shaping public policy relating to packaging-related environmental issues. It seeks to “promote science-based decision making in order to advocate for a future where all production, distribution and consumption are sustainable.”

We also continue to be a member of the Sustainable Packaging Coalition and to participate in Walmart's Packaging Supplier Scorecard project.

EMPLOYEE INITIATIVES

We work hard to keep Kellogg employees informed of our sustainability goals and progress toward them. Some employees are engaged directly in reaching those goals – for instance, the teams in our manufacturing plants that implement energy- and water-efficiency initiatives.

But we also wanted a way engage *all* of our employees in thinking and acting more sustainably – to help build a sustainability culture within the organization, draw on the ideas of every interested employee and encourage people to make more sustainable choices outside of work as well. Our first employee GoGreen teams were established in 2007 to help us to accomplish these aims. We now have teams in numerous Kellogg locations around the world, each of which conducts activities and initiatives of their own choosing.

In Europe in 2011, the GoGreen teams organized and sponsored an awards program to recognize, reward and promote environmental best practices at Kellogg locations in that region. The awards were open to individuals and teams in Europe that organized projects or activities that had a demonstrated, measurable environmental impact. The winners were chosen by a four-person team of senior sustainability and environmental staff in Kellogg Europe. Three individuals and one team were given the awards in July 2011.

At our cereal and snacks plant in Maracay, Venezuela, the GoGreen team organized a variety of activities around World Environment Day in June 2011. These included planting trees at the Maracay Zoo and sponsoring talks on environmental topics for Kellogg personnel.

GoGreen team members at our cereal and snacks plant in Linares, Mexico, sponsored a Day Without Cars – encouraging people to instead carpool, ride bicycles, take public transportation or walk to work. More than 100 people signed up to take part in the day, and only six cars were used. The event succeeded in getting employees to think about the impact of their choices and raised awareness of alternative transportation.

Also in Mexico, the Querétaro plant held its first Green Week in 2011. One of the activities involved environmental education for the children of Kellogg employees. About 30 children came to the Kellogg facility for this event, where they learned about recycling, composting, how to reduce water consumption and the importance of ecosystem biodiversity.

In May 2011, the GoGreen team from Kellogg Canada's corporate headquarters in Ontario participated in the third-annual Kellogg Community Clean-Up of the Creek. More than 40 employees participated in this effort to clean up the local creek, filling about 25 bags of trash. In June, employees also participated in the first-ever tree-planting effort along the creek bank.

The GoGreen team at our world headquarters in Battle Creek, Mich., held a week of activities around America Recycles Day (November 15, 2011). Events included a Foam Party, in which employees were encouraged to bring in polystyrene foam for recycling, as well as a Recycling Showcase with booths about recycling in the lobbies of several headquarters buildings.



WREXHAM PLANT CASE STUDY

In Wrexham in northeast Wales, U.K., a UNESCO World Heritage Plaque marks a remarkable engineering achievement – the U.K.'s longest and highest aqueduct. At the time it was built, there was considerable skepticism that it would work. Still functioning more than 200 years later, the aqueduct carries water and canal boats over a deep valley.

Nearby, the employees in our snack plant in Wrexham are putting *their* engineering skills to work to help create a sustainable legacy for the future as well. In this case, they have been working to reduce energy, greenhouse gas (GHG) emissions, water and waste in the plant's operations.

"The Wrexham snack plant deserves recognition for its performance over the past couple of years," said Lynda F., environmental manager for Kellogg Europe.¹ "They identified and have implemented an array of opportunities for sustainability improvements, all of which have made a real difference."

For example, the plant has focused on reducing "changeover" times – i.e., the time it takes to switch from making one product to making another – in order to reduce downtime and increase production capacity. The same amount of food is now being produced in 18 percent less time. This has helped bolster the plant's energy use and GHG emissions per metric tonne of food produced. Energy use per metric tonne of food has decreased by 32 percent since 2009, when these efforts began in earnest, and by 57 percent since the 2005 baseline.

The Wrexham plant's efforts to reduce water use were hampered by a lack of specific data, so in mid-2010 site managers installed eight "sub-meters" – meters that directly monitor areas of high water consumption. "One of these meters immediately identified a belt washer that was significantly overusing water," said Lynda. "By fixing the problem, the plant reduced water use at this belt washer by 75 percent in one week." The sub-metering also helped identify a concealed water leak that was causing considerable water loss. Through the end of 2011, as a result of the new metering, the site had achieved an overall reduction in water use of 15 percent.

The plant has also reduced waste to landfill by 64 percent per metric tonne of food produced since 2005 by better segregating waste and increasing awareness and engagement among employees. In fact, the plant achieved zero waste to landfill in early 2012.

"The Wrexham plant has already met its 2015 targets for energy, greenhouse gases, water and waste reduction," said Lynda. "But they plan to continue to drive down changeover times, improving throughput and resource efficiency, as well as minimizing waste. We commend the team for a job well done, and are pleased that they can serve as a model for our other plants around the world."

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



Kellogg snack plant in Wrexham, Wales

OUTLOOK

We continue to seek ways to reduce our energy use, greenhouse gas emissions, water use and waste, in order to meet our 2015 goals. Our progress slowed somewhat in 2011, but we're not backing away from our long-term goals. Some of our facilities have met their internal targets already; others have more work to do. The road ahead will likely require more significant investments over the coming years. In the area of water, we are now armed with more knowledge about locations that will face water stress; we intend to prioritize our activities in those regions going forward. We will also continue to push toward reductions in our waste stream, which proved to be our most challenging area of impact this year. We will report on our progress on all of these issues in our next report.



COMMUNITY

At Kellogg, philanthropy is an essential part of who we are and what we do. More than a century after our company was founded, we continue the legacy of W.K. Kellogg, who was committed to using his fortune for the benefit of mankind. "If I am successful in getting out of debt and become prosperous," Mr. Kellogg wrote in 1909, three years after he founded our company, "I expect to make good use of any wealth that may come to me."

Today, we look for ways to make a difference in the communities where we operate and where our employees live and work. We focus in particular on areas where we can best make a meaningful impact, especially breakfast programs, nutrition and malnutrition and community development and fitness relief and community. We also support efforts around diversity.

Charitable donations are funded through the Kellogg Company and Kellogg's Corporate Citizenship Fund. The W.K. Kellogg Foundation, founded by Mr. Kellogg to fulfill his vision referenced above, is a separate and distinct entity, making its own social investments and governed by its own independent Board of Trustees.



COMMUNITY

PROGRESS

Since our previous Corporate Responsibility Report was issued in April 2011, we continued our focus on charitable investments that align with our core competencies as a global food manufacturer. For example we:

Contributed more than \$38 million in cash and products to organizations around the world in 2011.

Provided products for food banks all over the globe, and began donating to food banks in Denmark for the first time.

Launched "Be a Good Cookie," a program in the U.S. that donates 6 million cookies annually to the Red Cross, for distribution to donors at blood drives, allowing the organization to focus its dollars on better fulfilling its mission.

Pledged \$6.7 million through employee gifts and company matching grants to support United Way campaigns in the U.S. and Canada.

Made donations in excess of \$1.5 million toward disaster relief efforts in the U.S. and internationally.



STRATEGIC PHILANTHROPY

We work hard to ensure that our community investments align with our core competencies as a leading food producer. It simply makes good sense for us to focus on issues relating to nutrition and malnutrition, as well as physical fitness and community development. (Our efforts tied to breakfast programs and diversity are highlighted in separate sections of this report.)

Each year, we aim to donate to charitable causes the equivalent of 2 to 2.5 percent of pre-tax annual profits. This includes cash donations and in-kind donations. In 2011, we met that goal, contributing more than \$14 million in cash (including brand philanthropy) and \$24 million in products. The total includes charitable contributions made by some of our individual brands for specific causes, many of which are highlighted on product packages or advertised in stores or in online campaigns.

W.K. Kellogg Foundation

The W.K. Kellogg Foundation (WKKF) supports children, families and communities as they strengthen and create conditions that propel vulnerable children to achieve success as individuals and as contributors to the larger community and society. Much of this work is done through the lenses of increasing racial equity and community engagement.

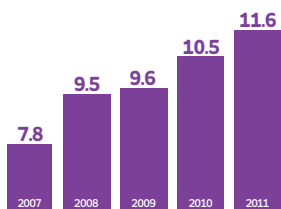
The Kellogg Foundation was established in 1930 by our company's founder, breakfast cereal pioneer W.K. Kellogg, who defined its purpose as "...administering funds for the promotion of the welfare, comfort, health, education, feeding, clothing, sheltering and safeguarding of children and youth, directly or indirectly, without regard to sex, race, creed or nationality." To guide current and future trustees and staff, he said, "Use the money as you please so long as it promotes the health, happiness and well-being of children."

WKKF receives its income primarily from the W.K. Kellogg Foundation Trust, which was set up by Mr. Kellogg. (During his lifetime, he donated most of his fortune - \$66 million - to create the foundation's endowment, which is held by the trust.) In addition to its diversified portfolio, the trust continues to own substantial equity - more than 20 percent - in the Kellogg Company. In 2011, Kellogg paid more than \$134 million in dividends to the trust to support the foundation's work.

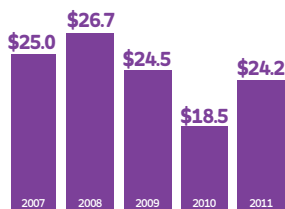
While the company, the trust and the foundation have enjoyed a longstanding relationship, both the trust and foundation are governed by their own independent boards of trustees.



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

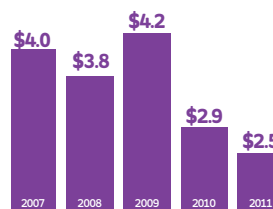


CASH CONTRIBUTIONS
[in millions of dollars]



IN-KIND CONTRIBUTIONS*
[in millions of dollars]

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



BRAND PHILANTHROPY
[in millions of dollars]

HUNGER RELIEF

At Kellogg, we have a longstanding commitment to help feed those who are in need, and our hunger-relief efforts span the globe. On average, Kellogg donates more than \$20 million worth of food products for hunger and disaster relief annually. In the U.S., our food donations are made primarily through Feeding America, the nation's leading hunger-relief charity. In Canada, donations are made via Food Banks Canada, a national charitable organization. In Europe, we donate to food banks in the United Kingdom, Germany, Spain, France, Italy, Greece and Belgium. In 2011, we began donating food to food banks in Denmark. In Mexico, Kellogg donated more than 9 million servings of cereal to the Mexican Food Banking Network and the Foundation for Childhood Protection. And in Australia, building on our 10-year relationship with Foodbank Australia, we donated more than 1 million servings of cereal and snack products last year.

In addition to our direct contributions to food banks, we also are active partners in The Global FoodBanking Network (GFN), which creates, supplies and strengthens food banks and networks of food banks. Kellogg Company co-founded the GFN in 2006. Today, the network is actively engaged in supporting and developing food bank systems in 19 countries. As part of our effort to fight hunger, we donated \$5 to the GFN for every message of feedback we received on our 2010 Corporate Responsibility Report and we are doing so again for our 2011 report (up to a \$10,000 cap).

HOSTING OUR PEERS

In 2011, Kellogg was proud to host several dozen members of the Association of Corporate Contributions Professionals (ACCP) for a workshop on food access and infrastructure issues. Participants came from companies that focus their philanthropy on hunger relief. Leaders from ACCP member companies and nongovernmental organizations discussed the challenges and solutions involved in building more sustainable hunger-relief efforts globally.



BRAND PHILANTHROPY

Our individual brands support a broad range of charities and philanthropic activities. One of our bigger initiatives was launched by our Keebler® brand in 2011. Through the new “Be a Good Cookie” campaign, Keebler® will donate 6 million cookies a year for the American Red Cross to share with blood donors. Keebler® will be the official cookie at every Red Cross blood collection operation in the U.S. through at least 2013.

Historically, the Red Cross has served a cookie to every blood donor as a way to say thank you – and to replenish the body following a donation. The Keebler® donation means the Red Cross can redirect millions of dollars each year that previously would have been used to buy cookies to better fulfill its mission. The collaboration between the Red Cross and Keebler® is a natural one, as Kellogg has partnered for years with the American Red Cross to provide assistance during disasters.

The donation campaign is promoted on packages of Keebler® cookies to provide visibility to, and encouragement around, blood donations. To show further corporate support for the initiative, we host regular blood drives at our Battle Creek headquarters, drawing record participation from our employees in 2011.



Other examples of brand philanthropy from 2011 include the following:

- In Sweden, sales from specially marked boxes of Special K® benefited a breast cancer charity.
- In the U.K., several cents out of each sale of Rice Krispies Squares® treats went to support Comic Relief, a charity that supports disadvantaged families in the U.K. and Africa.



COMMUNITY DEVELOPMENT AND PHYSICAL FITNESS

We provide support to a variety of initiatives in the communities where we live and work. (Information on our contributions tied to diversity can be found in the Workplace section of this report.) Examples of our recent work include the following:

- In France, our employees participate in a jobs mentoring program for young people from underprivileged neighborhoods. The program, called "Our Neighborhoods Have Talent," pairs Kellogg employees with young people to help prepare them for the workforce.
- The Kellogg Australia Charitable Foundation sponsors the Stephanie Alexander Kitchen Garden Foundation, which helps schools build gardens and develop curriculums on nutrition, gardening and cooking. During 2010 and 2011, Kellogg contributed about \$450,000 to the organization, which has a presence in nearly 260 schools, reaching some 35,000 children across Australia. Students spend time in a productive vegetable garden and home-style kitchen each week, learning skills that can last a lifetime.
- In our headquarters community in Michigan, we're helping to develop a new Battle Creek Area Mathematics and Science Center, slated for opening by the fall of 2013. Kellogg Company donated the building that will house the new center. The W.K. Kellogg Foundation and the Kellogg 25-Year Fund contributed \$7 million each to support the facility. The 25-Year Fund, which was created by the company's founder in 1944, is a private charitable foundation that assists impoverished former employees and supports other community projects.
- In Spain, we sponsor a youth basketball team, providing exercise opportunities for 1,000 children between the ages of 6 and 16.
- In the U.K., we have a long history of supporting community swimming projects. With British Swimming, we have funded projects that encouraged more than 50,000 families to get active through swimming. In early 2012, we offered vouchers on a range of our product packages, good for free swim passes for children to use at participating pools.
- In Canada, since 2005, we have been a proud supporter of Active Healthy Kids Canada, sponsoring the annual Report Card on Physical Activity for Children and Youth. The Report Card is designed to offer insight into how well the country provides physical activity opportunities to young people.
- In Mexico, we're proud supporters of a nonprofit organization founded by retired professional golfer Lorena Ochoa. The Fundación Lorena Ochoa operates a primary school in Guadalajara for approximately 350 underprivileged students. In 2011, Kellogg funded construction of a new center – for a total of about \$77,000 – where students and community members can play sports and engage in other activities.

COMMUNITY DEVELOPMENT AND PHYSICAL FITNESS, CONT.



SUPPORTING THE UNITED WAY

Our company is a long-time supporter of the United Way. Overall for 2011, we raised \$6.7 million supporting more than 350 United Ways in the U.S. and Canada. The total includes pledges from nearly 8,500 employees, retirees and members of our Board of Directors, as well as the company's dollar-for-dollar match of those pledges. In addition to the financial contribution, more than 1,700 Kellogg employees participated in United Way "Days of Caring" service projects in their communities in 2011.

In October 2011, we made a \$3.9 million contribution to the United Way of Greater Battle Creek's "Campaign for the Common Good." The gift included pledges from employees and retirees in addition to company dollar-for-dollar matches.

"Kellogg Company is one of United Way's most generous contributors in both financial support and time," said Chris Sargent, president of the United Way of Greater Battle Creek. "Their investment from individuals and the corporation are enabling us to achieve measurable results in education, income and health. Additionally, through their volunteer efforts, we are mobilizing community resources."

DISASTER RELIEF CASE STUDY

When disaster strikes, one of the first things a community needs is nutritious, ready-to-eat foods. Our shelf-stable products – especially cereals – can provide sustenance to people whose lives have been upended by tornadoes, earthquakes, hurricanes and other natural disasters. We're quick to respond when disaster hits to help bring nourishment and hope to those who need it most.

Over the years, Kellogg has donated substantial amounts of products and cash to assist impacted communities. The year 2011 was a particularly bad year for natural disasters. In March, we announced a \$500,000 donation to support relief efforts in Japan following the massive earthquake and tsunami that ravaged the coast. The contribution included equal amounts of cash to the American Red Cross, designated for the Japanese Red Cross Society, and product to local humanitarian organizations.

Two months later, parts of the U.S. Midwest and South were struck by devastating tornadoes and flooding. We announced some \$650,000 in cash and product donations to assist those impacted. This total includes a \$400,000 commitment of cash and product to Feeding America, the nation's largest hunger-relief charity, and \$250,000 in cash to the American Red Cross. Also in May, we contributed nearly \$100,000 for relief efforts following a 5.1 magnitude earthquake in Lorca, Spain.

Other examples of disaster relief for 2011 include the following:

Australia and New Zealand were also struck by natural disasters. In January, flooding from heavy rains hit parts of Brisbane, the nation's third-largest city, shutting down vital industry and destroying crops and infrastructure. We donated \$250,000 to the Flood Appeal – along with approximately 500,000 servings of our cereals and snack foods. In response to the February earthquake in Canterbury, New Zealand, we donated \$50,000 and also provided pallets of mixed cereal, which were distributed over a four-week period to more than 1,000 area residents displaced by the earthquake.

In the spring, Kellogg Canada announced its support of disaster-relief efforts following a series of devastating forest fires in Slave Lake, Alberta, and severe floods in Richelieu, Quebec. Keeping in line with our pledge to support our local communities, we made product donations to the affected areas.

In Colombia, the Kellogg's Corporate Citizenship Fund contributed \$25,000 to the Colombian Red Cross to support families affected by torrential rains.

FITNESS FOR CHARITY

In Germany, Kellogg employees felt an urgent need to set an example for famine relief in East Africa. So they started the "Fitness4Life" Kellogg Running Club. Employees could sign up to run with their colleagues after work. The club ran a collective total of 1,000 kilometers over a five-month period. For each kilometer logged, Kellogg made a donation of 1 Euro (for a total of 1,000 Euros) to UNICEF to support hunger-relief efforts in East Africa.

OUTLOOK

We're proud of our philanthropic efforts over more than a century, and have achieved greater focus in recent years by providing charitable support to initiatives that are targeted, strategic and related to our business: the development and production of nutritious grain-based foods. Our charitable works reflect this core competency through support of food banks, breakfast programs and disaster-relief efforts around the world.

But even as we take pride in this work, we know that an even greater focus is required, and we will be taking steps to accomplish this.



THE BENEFITS OF BREAKFAST

BREAKFAST AS A CROSS-PILLAR TOPIC

Breakfast is the most important meal of the day. As the leading global provider of ready-to-eat cereals, we certainly concur. And there are reams of scientific research to back us up. After a night of sleep, a balanced breakfast fuels the body and brain so they can function at their best.

Since introducing *Corn Flakes*® cereal in 1906, our company has invested heavily in cereal product development and related scientific research. We're continuing to innovate a century later, offering cereals that are low in fats, dense in nutrients, affordable, convenient to prepare and eat, and great-tasting. We're reducing sugar, sodium and fats, while increasing fiber, whole grains, vitamins and other nutrients (see the Marketplace section for more on these efforts).

In all of our global markets, our breakfast-related work spans several fronts, with our biggest efforts linked to nutrition and consumer education. We're also focused on the sustainability of the simple grains that go into our cereals. And, when it comes to product philanthropy, much of our work relates to providing nutritious breakfasts to individuals in need, especially children.

In 2008, when we developed our first comprehensive, global corporate responsibility (CR) strategy, we grouped our major CR issues into four categories or pillars: Marketplace, Workplace, Environment and Community. As we've worked to implement this strategy and fully embed it into our day-to-day work, it has become clear that some topics cut across multiple areas. The benefits of cereal are one of those topics, as it includes elements relating to three of our four pillars:

Because of the cross-pillar nature of this topic, we discuss it here, in its own section. The other spotlight story in our report this year discusses sustainable agriculture.



THE BENEFITS OF BREAKFAST

THE NUTRITION ADVANTAGES OF BREAKFAST

Here at Kellogg, we understand the many benefits cereals can offer, so we want to share our knowledge with consumers as well as the scientific and health communities. From the U.S. to Australia, Spain to Guatemala, and the U.K. to Canada and Greece, studies have consistently shown that cereals make a positive contribution to nutrient intakes.

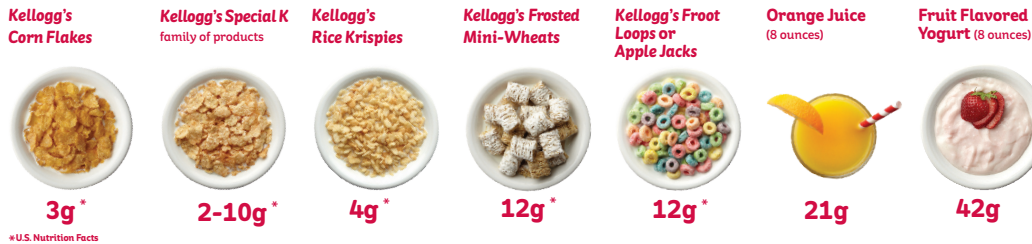
Scientific research dispels many myths about breakfast cereal. Breakfast cereals provide only a small proportion of the average person's daily intake of sugar. For example, breakfast cereal accounts for just 4 percent of daily added sugar intake in the U.S.¹ and Australia.^{2,3,4}

Similarly, sodium from breakfast cereal contributes a very small percentage of the total sodium in the diet. In the U.S. and Canada, it's only 2 to 3 percent of the total sodium consumed.^{5,6}

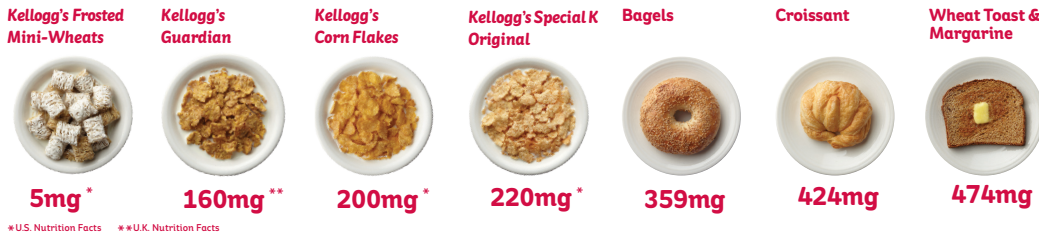
Reformulating Kellogg's cereals

Since 2007, we have reduced the amount of sodium, sugar and fats in hundreds of Kellogg's products worldwide and increased fiber in many of them.

Sugar per serving.



Comparison of sodium content



1. U.S. Department of Agriculture and U.S. Department of Health and Human Services. Dietary Guidelines for Americans (DGA), 2010. 7th Edition, Washington, DC: U.S. Government Printing Office, December 2010.

2. MacLennan W, Podger A. (1999) A National Nutrition Survey, Foods Eaten in Australia 1995 Canberra: Australian Bureau of Statistics, 1999. (Catalogue No. 4804.0.)

3. Williamson CS. (2010) Breakfast cereals – why all the bad press? BNF Nutr Bulletin. 35:30–33

4. National Diet and Physical Activity Survey of Australian Schoolchildren 2007.

5. National Health and Nutrition Examination Survey (2003–2006). Centers for Disease Control and Prevention (CDC), National Center for Health Statistics (NCHS). Hyattsville, MD: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention; data for boys and girls 6–17 years of age.

6. Statistics Canada, Canadian Community Health Survey, Cycle 2.2, Nutrition. 2004.

THE BENEFITS OF BREAKFAST

A GOOD START TO THE DAY

There are myriad benefits associated with eating breakfast. To help to educate consumers, we have gathered some of the latest research on cereal-related nutrition and published it in a compendium that's available to the public. Scientific studies show some of the following benefits for cereal and breakfast overall:



Cereal Breakfast

- ▶ An average serving of cereal with skim milk has 152 calories (less than many other breakfast choices) and delivers valuable essential nutrients including B vitamins and iron.
- ▶ Cereal also helps incorporate milk into the diet. About 95 percent of ready-to-eat cereal in developed markets is eaten with milk, making breakfast cereal an important driver for milk intake.¹
- ▶ Breakfast cereal eaters have been found to have lower BMIs (body mass indexes).²

Breakfast Overall

- ▶ Skipping breakfast is associated with a number of poor health outcomes and compromising behaviors among children and adolescents, including higher blood cholesterol and insulin levels, smoking, alcohol use, physical inactivity, eating disorders and unhealthy weight management practices.^{3,4,5,6}
- ▶ Eating breakfast may help children do better in school by improving memory, test grades, school attendance, psychosocial function and mood, according to a recent review of 22 studies.⁷

1. Song, WO, OK Chun, J Kerver, S Cho, CE Chung, S Chung (2006) Ready-to-Eat Breakfast Cereal Consumption Enhances Milk and Calcium Intake in the US Population. *J Am Diet Assoc.* 2006;106:1783-1789.

2. de la Hunty A and Ashwell M. (2007) Are people who regularly eat breakfast cereals slimmer than those who don't? A systematic review of the evidence. *BNF Nutrition Bulletin.* 32:119-129.

3. Cohen, B, Evers, S, Manske, S, Bercovitz, K, & Edward, HG (2003). Smoking, physical activity and breakfast consumption among secondary school students in a southwestern Ontario community. *Canadian Journal of Public Health.* 94(1):41-44

4. Keski-Rahkonen, A, Kaprio, J, Rissanen, A, Virkkunen, M, & Rose, RJ (2003). Breakfast skipping and health-compromising behaviors in adolescents and adults. *European Journal of Clinical Nutrition.* 57(7): 842-853.

5. Smith, KJ, Gall, SL, McNaughton, SA, Blizzard, L, Dwyer, T, & Venn, AJ. (2010). Skipping breakfast: longitudinal associations with cardiometabolic risk factors in the Childhood Determinants of Adult Health Study. *American Journal of Clinical Nutrition.* 92(6):1316-1325.

6. Zullig, K, Ubbes, VA, Pyle, J, & Valois, RF (2006). Self-reported weight perceptions, dieting behavior, and breakfast eating among high school adolescents. *Journal of School Health.* 76(3):87-92.

7. Rampsaud GC, Pereira MA, Girard BL, Adams J, Metz JD. (2005) Breakfast habits, nutritional status, body weight, and academic performance. *J Am Diet Assoc.* 105:743-760.

THE BENEFITS OF BREAKFAST

BREAKFAST RESEARCH AND SURVEYS

We have our own research labs and a nutrition science team who help to develop foods that can contribute to a balanced diet. We also engage and collaborate with experts around the globe to evaluate nutrition topics around breakfast, grains, fiber and cereal. The goal behind these research projects is to document and communicate the benefits of breakfast to our consumers. In India, for example, Kellogg has been working with a local nutrition expert to examine rates of breakfast-skipping within particular regions of the country. In the U.K., Kellogg-sponsored research we conducted in 2011 found that one in seven children doesn't eat breakfast in the morning.

In the U.S., we recently sponsored one of the largest surveys ever conducted on the subject of breakfast and the morning mealtime routine.¹ We surveyed more than 14,000 Americans of varying ethnicities, income levels, geographic regions and ages. The findings? While the vast majority of respondents feel breakfast is important, the reality of hectic mornings makes it difficult to fit the meal in every day. Our goal with surveys like this one is to understand breakfast behaviors and, as a result, provide information to consumers that may help to improve overall healthy lifestyle.



OLYMPIC SPONSORSHIP

Who better to reinforce the power of breakfast than a group of Olympic competitors and legends? As an official sponsor of the U.S. Olympic and Paralympic teams, we're teaming up with eight U.S. athletes who are living proof that breakfast is a critical component to daily success. Kellogg's "From Great Starts Come Great Things" Olympic campaign will highlight the value of breakfast and will feature the athletes in advertisements and on select product packaging. Fans will hear about the value of good nutritional habits and will get unique tips from these world-class athletes. In addition, Kellogg and U.S. Olympic Committee nutritionists will harness their combined expertise to produce a series of educational nutrition videos, featuring U.S. athletes and experts.

¹ Kellogg's 2011 "Breakfast in America" survey

Among the key results of the survey

(released in June 2011):

- ▶ While more than half of all U.S. adults would like to eat breakfast every day, only 34 percent actually do.
- ▶ Nearly all U.S. moms (89 percent) want their kids to eat a daily breakfast, yet 40 percent of mothers reported their children don't eat breakfast every day.
- ▶ While almost all U.S. toddlers and preschoolers eat breakfast, consumption of breakfast dips as these children age, falling to 50 percent in the middle school years and to 36 percent by the time they get to high school.

THE BENEFITS OF BREAKFAST

THE SIMPLICITY OF GRAINS

It's a short road from the farmer's field to the cereal bowl. Our cereals come from simple ingredients – rice, wheat, corn and other grains. And a number of Kellogg's most popular cereals, such as Mini-Wheats®, Rice Krispies® and Corn Flakes®, have five or fewer ingredients (not including added vitamins and minerals). The fact is, most ready-to-eat cereals are not heavily processed foods. Making cereal is a pretty simple process and is not all that different from baking at home.

And the grains that go into our cereals are not only nutritious; they have a relatively low environmental impact, compared to many other ingredients and foods. For example, the carbon footprint of the grains used to produce Kellogg's Corn Flakes® is much lower than the carbon footprint of meat or cheese.^{1,2,3}

As the world population grows ever larger, foods that use resources more efficiently will play an increasingly important role. We're partnering with growers and agricultural experts to help figure out ways to produce our key ingredients in an even more sustainable fashion. We're concentrating on rice, corn and wheat, which are the grains we use the most. See the Sustainable Agriculture section for more on this topic.



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

THE BENEFITS OF BREAKFAST

BREAKFAST FOR CHILDREN IN NEED

Given our passion for breakfast and its nutritional benefits, it's not surprising that we focus a lot of our community work on breakfast initiatives for children in need. In particular, we support and promote "breakfast clubs" that provide morning meals to children in countries where government-sponsored breakfast programs do not exist. Breakfast clubs are shown to improve students' behavior, punctuality and attendance rates at school. The meals provided also increase the children's ability to concentrate throughout the morning.

Around the world, we support or have helped to launch breakfast programs in many countries, including the U.S., U.K., Australia, Belgium, Germany, Ireland, New Zealand, Spain and Sweden, among others.

We first launched our breakfast clubs in the U.K. in 1998. In the years since, we have invested more than \$2.4 million with our partner charity ContinYou to develop breakfast clubs at more than 500 U.K. schools, which deliver around 2 million breakfasts each year.

Recently, however, budget cuts and funding deficits have forced many U.K. schools to close their clubs. In response, we ran a special "Help Give a Child a Breakfast" campaign in 2011 through our *Corn Flakes*® brand, with the goal of delivering an additional 1 million breakfasts across the U.K. by the end of 2012. For each box of cereal purchased, we pledged to make a donation to support breakfast clubs, which we hope will help bridge the funding gap. (It costs a school around \$5,000 to \$7,500 each year to operate a breakfast club.) Schools were eligible to apply to Kellogg for grants. We made grants to 270 schools in November 2011 and to another 230 schools in February 2012.

In 2011, our U.K. team partnered with the British charity Seeds for Africa to see how the breakfast club concept might work in schools in Uganda, Kenya and Zambia. Working with local agencies, the charity set up clubs in three communities and was working toward expanding the numbers of clubs in other locations. The results in the pilot projects were impressive. At the Caring Hearth and Primary School in Kampala, Uganda, for example, average daily school attendance jumped from 64 percent before the breakfast club to 94 percent after it was established.



THE BENEFITS OF BREAKFAST

ACTION FOR HEALTHY KIDS

In the U.S., the federal government funds school breakfast programs. Yet, fewer than half the 19.4 million children who are eligible for free or reduced-price breakfasts actually take part. To counter that trend, we have been working with Action for Healthy Kids, a nonprofit organization dedicated to fighting childhood obesity and undernourishment. We're supporting Action for Healthy Kids through grants aimed at increasing student participation in breakfast programs. Our grants include funding to cultivate school breakfast "ambassadors" who will train and empower volunteers to work with schools to increase school breakfast participation and get more kids to take advantage of the programs. Funding for the programs is provided by both Kellogg Company and Kellogg's Corporate Citizenship Fund.

For the 2010-2011 school year, a \$162,500 grant was applied to 82 schools in 20 states. The funds, which came from Kellogg's Corporate Citizenship Fund, were used to help schools develop alternative approaches to school breakfast programs. The grants boosted student participation in breakfast programs by 28 percent, resulting in more than 476,000 additional breakfasts served during the course of the school year in those 82 schools.

SHARE YOUR BREAKFAST

We believe in the power of breakfast and its ability to bring out the best in each day. But for the one in five U.S. children living in food-insecure households, breakfast can be hard to come by. That's why Kellogg Company's U.S. cereal business also partnered with Action for Healthy Kids to provide money and support for kids in need, with "Share Your Breakfast" grants.

We asked consumers to share a photo or text with us of what they eat for breakfast through our website (www.shareyourbreakfast.com). For every photo shared, we made a donation to Action for Healthy Kids, with the ultimate goal of helping to provide 1 million school breakfasts during the 2011-2012 school year. Thanks to Kellogg seed funding, Action for Healthy Kids was able to award grants to 95 schools in 26 states to help them increase breakfast participation during the academic year. Schools use grant money of up to \$1,000 each to implement a variety of programs to boost the number of breakfasts served in schools. For example, a school might use the money to do something as simple as purchase carts for staff to deliver government-funded breakfasts directly to students in their classrooms, or create spaces for "grab and go" breakfasts for students who don't have time for a sit-down meal in the morning. Funding for the breakfasts themselves comes from the U.S. government.



THE BENEFITS OF BREAKFAST

CEREAL DONATIONS

As a company, we've been working to fight hunger in the communities where we live and work for more than a century. This includes a longstanding partnership with Feeding America, the leading hunger-relief organization in the U.S. For example, we request that our retail customers donate any of our product that is fit for consumption but isn't able to be sold (because of damaged packaging, for example) to Feeding America. Although we have no way to track these donations, we estimate that it could be as much as \$20 million worth of Kellogg's products a year.

We also recently have enlisted colleges and universities from across the country in the fight against hunger.

In 2011, our U.S. Specialty Channels business that sells to the foodservice industry teamed up with more than 115 colleges and universities from 25 states. As part of the program, a bowl of Kellogg's cereal was donated to a local food bank for every bowl of Kellogg's cereal consumed by students in the participating institution's dining centers, during a designated time period. An average of 6,000 servings of cereal were donated to food banks in each participating school's community, for a nationwide total of more than half a million servings of cereal donated to food banks.

Some of the participating schools included:

{ Texas A&M University
(College Station, Texas)

{ Rutgers
(New Brunswick, New Jersey)

{ Columbia
(New York, New York)

{ East Carolina
(Greenville, North Carolina)

{ California State University-Long Beach
(Long Beach, California)

{ Georgetown University
(Washington, D.C.)

{ Aquinas College
(Grand Rapids, Michigan)

{ Calvin College
(Grand Rapids, Michigan)

{ Hope College
(Holland, Michigan)



THE BENEFITS OF BREAKFAST

BUILDING A BETTER BREAKFAST

At Kellogg, we believe that a better breakfast leads to a better day, and we are committed to providing foods – and cereals in particular – that can give consumers a great start to each morning. We take pride in our long legacy of providing nutritious breakfasts for consumers. We think it's important to promote and provide breakfast as a critical part of one's daily nutrition. Our aim at Kellogg is to fuel better days and better lives for everyone we touch.

As the world's population increases, we must look toward new ideas to feed more mouths. Kellogg is actively working with governments, nongovernmental organizations and others in our industry to explore ways to make our products more sustainable for the long term, to help make sure there's enough food to feed the world. Cereal is an efficient food that can play a key role in feeding a growing population.



SUSTAINABLE AGRICULTURE

In 1906, W.K. Kellogg revolutionized breakfast after he and his brother, Dr. John Harvey Kellogg, discovered how to “flake” grains. Their innovation transformed the breakfast habits of Americans, who shifted from morning meals comprised of heavy, animal-based foods to lighter, grain-based options. Early on, the company also recognized the health benefits of fiber cereals, introducing *Kellogg's Bran Flakes*® and *All-Bran*® in 1915 and 1916, respectively.

In the century since, our business has evolved in many ways. We have grown from a single cereal production facility into a global company with products made in 17 countries and sold in more than 180. And our product offerings have expanded beyond cereals to include a variety of snacks and frozen foods.

But throughout our history, we have remained steadfastly true to our grain-based roots. Indeed, nearly all of our products today are still derived from a few simple, nutritious grains – primarily wheat, corn and rice.

“We add other ingredients to these base grains,” explained Richard B.,¹ environmental strategy manager for Kellogg Europe, “such as fruits, nuts, sweeteners, seasonings and so forth, as well as vitamins and minerals in some markets to address possible deficits in consumers’ diets. But grains are at the heart of our products. And the good news is, grains are both nutritious and have a low environmental impact compared to many other foods.” (See the Benefits of Breakfast section for more on our cereal ingredients.)

Just as the base ingredients in our products remain simple, so too does our supply chain for procuring those ingredients. There is typically only one entity between us and the farmer, and that’s the grain miller. “The farmers sell their grain to the millers, and the millers sell the grain to us,” explained Ron M., vice president of advanced innovation at Kellogg. “It’s a simple, short supply chain.”

So even in today’s high-tech, fast-paced, globalized world, we remain only one step away from the farmers working the land.

Over the past few years, we’ve sought to work more closely with the farmers who grow our grains – to build relationships with them, learn about their growing practices and the sustainability improvements they’ve already made, and work together to drive future improvements. We are also encouraging agricultural sustainability beyond our own supply chain, through partnerships with others in our industry and beyond. All of these efforts build on the work we’ve been doing for years with breeders and crop scientists, to help develop the best crop varieties for our products.

AGRICULTURE AS A CROSS-PILLAR ISSUE

In 2008, when we developed our first comprehensive, global corporate responsibility (CR) strategy, we grouped our major CR issues into four categories or pillars: Marketplace, Workplace, Environment and Community. We realize, however, that some topics cut across multiple areas. Sustainable agriculture is one of those topics, as it includes elements relating to three of our four pillars:

Because of the cross-pillar nature of this topic, we discuss it here, in its own section. The other cross-pillar spotlight story in our report this year discusses the benefits of breakfast.

WHAT IS SUSTAINABLE AGRICULTURE?

According to the Sustainable Agriculture Initiative Platform, a food industry initiative of which Kellogg Company is a member, sustainable agriculture is “a productive, competitive and efficient way to produce safe agricultural products, while at the same time protecting and improving the natural environment and social/economic conditions of local communities.”



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

SUSTAINABLE AGRICULTURE

WORKING WITH GROWERS

Relationships with growers are important to us for several reasons. First, our consumers care about how their food is grown, where it comes from and who grows it. To respond accurately to consumers' questions, we have to know about the origins of our agricultural ingredients and how they are farmed.

In addition, environmental lifecycle assessments of our products, which we conducted several years ago, revealed that agriculture accounts for more than half of our products' lifecycle carbon emissions and more than 95 percent of their lifecycle water use. So to improve the lifecycle sustainability and environmental profiles of our products, we know we must help to address how the ingredients are grown.

To this end, we are actively focused on listening to growers, understanding their current practices and challenges, developing benchmarks against which to measure progress in the future and communicating our own sustainability expectations.

"By building relationships with farmers," said Richard B.,¹ "we're able to better understand the challenges they are facing and communicate our own expectations, in order to influence ever-higher levels of sustainability in the field."¹ Among the wide range of issues farmers have discussed with us are water availability, pest management practices, labor cycles and shortages, the expense of buying and maintaining capital equipment and the lack of young people choosing farming as a career.

To determine where to focus our work with growers, we conducted an analysis that took into account the estimated carbon and water footprint of each major raw material we use and the global volume we procure. As a result of this analysis, we chose to concentrate on the three grains we use the most – wheat, corn and rice – as well as palm oil. (Although we are a very minor user of palm oil, it has high environmental impacts.)

“Given the volume of grains grown in the world, we have to acknowledge that grain agriculture has significant impacts in terms of energy, water and land use. At the same time, however, a kilocalorie of energy from Kellogg's Corn Flakes® takes much less energy and water to produce than a kilocalorie of meat or cheese.* Because grains are extremely efficient users of land and labor, they are a great way to feed the world's growing population. Fortunately, they are also healthful and nutritious.”

**Richard B.,
environmental strategy manager,
Kellogg Europe**

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



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SUSTAINABLE AGRICULTURE

ENGAGING WITH LOUISIANA RICE FARMERS

A recent example of our grower partnership efforts is our work with rice growers in Louisiana. Over the past year, Kellogg has been working with rice farmers, the Louisiana Rice Mill and the Louisiana State University (LSU) Ag Center to create a Rice Master Grower program. This program aims to bolster long-term social and economic well-being among farmer communities, ensure a continuous supply of medium-grain rice for Kellogg products and drive environmental improvements in rice production.

Kellogg Company's purchases of rice in Louisiana are an important economic engine for the region. Bill Dore of the Louisiana Rice Mill calls Kellogg "the single most important customer for rice in Louisiana." Indeed, all of the rice we use in the U.S. for Kellogg's Rice Krispies® and Crispix® cereals is grown in Louisiana and Arkansas. These farmers grow a special medium-grain rice for us, in addition to long-grain rice, which is more commonly grown. So by strengthening relationships with growers and helping to improve the sustainability of their operations, we both help promote their financial success and secure our supply of rice for the long term.

Environmental issues in rice production may include water use (due to the intentional flooding of rice fields), methane emissions (which occur as plant matter decomposes in the flooded fields) and sometimes water quality (from runoff when fields are drained). Methane is a particular concern, since it is a potent greenhouse gas. By using best management practices, however, these issues can be managed and mitigated. And, a recent study commissioned by the USA Rice Federation found that rice production has already become more efficient and environmentally sustainable over the past 20 years. Nonetheless, more progress is possible, and the Rice Master Grower program seeks to promote and encourage these kinds of continued improvements.

Thus far, Kellogg and others involved in developing the Master Grower program have met twice, most recently at a "Field Day" in Louisiana in June 2011. Participants at the Field Day included rice farmers and representatives from Kellogg, the LSU Ag Center, the Louisiana Rice Mill, Walmart and the nonprofit conservation group Ducks Unlimited (because flooded rice fields make for excellent waterfowl habitat).

Kellogg and the LSU Ag Center are now developing a standards program for Master Growers that will launch in 2012, with detailed, outcome-based performance metrics developed by 2015. Our goal is that the program – which will be run with the LSU Ag Center – will help to ensure that all of Kellogg Company's rice suppliers are consistently using best practices in rice production. We also hope to expand the program to our growers in Arkansas.



Kellogg employees meet with growers and other stakeholders in Louisiana

The Field to Market Fieldprint Calculator

For the past several years, Kellogg has been a member and funder of Field to Market: The Keystone Alliance for Sustainable Agriculture. Field to Market is a multi-stakeholder dialogue group that has brought together growers, agribusinesses, food companies and conservation groups to find ways to drive continuous improvement in agricultural practices. It is convened and facilitated by the Keystone Center, a nonprofit organization.

One of the most valuable tools developed by the Field to Market program is the Fieldprint Calculator, an online program that helps farmers compute the environmental impacts of their operations and compare them to industry averages.

Growers have found the Fieldprint Calculator helpful in assessing their own performance and identifying opportunities for improvement. Kellogg was an early adopter of this tool and has fast-tracked pilot projects using it, while at the same time providing input to an upgraded version, which has recently gone live.

SUSTAINABLE AGRICULTURE

ADDITIONAL INTERACTIONS WITH GROWERS

Our partnership with Louisiana rice growers is just one of many recent interactions with growers. The following also took place in 2011:



▶ In Europe, Kellogg staff visited wheat farms in the U.K. and rice farms in Spain. During these trips, we learned about standard growing practices and the upstream supply chain structure. Further research on the wheat value chain in Europe is now in progress.

▶ In Argentina, our supplier gathered data from nearly 400 farms growing flint corn (a special kind of corn that has kernels with a hard endosperm, or interior), to help us benchmark current growing practices against industry best practice and identify and prioritize areas for improvement.

▶ We also learned more about growing practices for corn through a survey in partnership with the Global Corn Council. We sent questionnaires to 12 corn millers around the world to learn about agricultural practices and differences between various regions. We are now analyzing the results and piloting agronomic support to help growers.

▶ In Canada, we visited with Thompsons, a miller and supplier of soft white wheat, to discuss growing practices for this crop.

▶ In the U.S., Kellogg representatives visited with a wheat supplier and a grower of durum wheat to learn about the precision-farming techniques being used to grow that crop in North Dakota. During another trip, we visited a soybean farm, as well as a soybean oil processing facility, to discuss sustainable growing practices and opportunities.

▶ We have also continued to deploy the Fieldprint Calculator with corn growers in Nebraska, together with our corn supplier, Bunge. This partnership is now collecting data from 22 farms (some irrigated, some non-irrigated) for the third year in a row.

▶ And finally, we collaborated with a core supplier on a two-year study in the U.S. of the impacts of organic hard red winter wheat using the Fieldprint Calculator. We confirmed extremely low carbon and water footprints in the organic grower groups, as well as good stewardship of resources.

PROMOTING CHANGE INDUSTRYWIDE

While Kellogg is a large buyer of grain in the food industry, our purchases represent a very small percentage of the total grain grown globally. In order to help promote change beyond our own supply chain, and to broaden our own understanding of key issues, we have become increasingly involved in strategic partnerships with other organizations. The Keystone Field to Market program, discussed on a separate page, is a good example.

Recently, Kellogg was invited to jointly found the Sustainable Rice Platform – an initiative of the United Nations Environment Programme, the International Rice Research Institute and the International Institute for Environment and Development. This multi-stakeholder effort brings together rice exporters, traders, processors, food companies and research institutes to develop and deploy global standards for sustainable, resource-efficient rice production. A Kellogg representative sits on the Platform's Advisory Committee, and also the technical committee, and we will pilot key elements of the standards with one of our growers in 2012.

We also remain active members of the Sustainable Agriculture Initiative (SAI) Platform in both Europe and Australia. This food industry effort aims to share knowledge, raise awareness and support the implementation of sustainable agriculture practices broadly. In Australia in March 2011, Kellogg presented at and helped to fund the SAI Platform's inaugural Agricultural Sustainability Conference in Canberra.

Finally, we continue to be active in AIM-Progress, a forum for consumer goods companies seeking to enable and promote responsible sourcing practices and sustainable production.

PROMOTING SUSTAINABLE PALM OIL PRODUCTION

One of the industrywide initiatives in which we are involved seeks to drive systemic change in the palm oil industry. Palm oil is used in a wide variety of consumer goods, including foods, soaps, cosmetics and more. Most palm oil is grown and produced in Southeast Asia, and the rapid expansion of palm oil production has been associated with the destruction of biologically diverse tropical forests in that region. We are a very minor user of palm oil (buying about 0.1 percent of the global supply annually), but as a socially responsible company we are deeply concerned about the detrimental environmental impacts of palm oil agricultural practices.

In 2009 we committed to helping growers fund the transition to sustainable palm oil by purchasing “GreenPalm” certificates. Today, our approach to our use of palm oil is as follows:

▶ In the E.U., where a segregated supply of sustainably grown palm oil is now available, we will begin using it in 2012.

▶ In other markets where neither a segregated nor mass balance supply are fully available, we help growers fund the transition to sustainably grown palm oil by purchasing GreenPalm certificates to cover 100 percent of our current palm oil use in 2012. (See box. Also, note that “mass balance” supply refers to a combination of sustainably grown and conventional palm oil.)

▶ As noted in the [Overview section](#), in early 2012 Kellogg entered into an agreement to acquire Procter & Gamble’s Pringles® business. Once we finalize our purchase of the Pringles brand this summer, we will assess Pringles palm oil use and determine whether we need to adjust our approach.

Since 2008 we have been a member of the Roundtable for Sustainable Palm Oil (RSPO), a multi-stakeholder organization committed to working toward the development of a consistent and sufficient supply of segregated, sustainably grown palm oil. In addition, we are helping to reduce deforestation from palm oil production by:

▶ Only purchasing palm oil from suppliers that are members of the RSPO. And as members ourselves, Kellogg is also helping to promote the growth and use of sustainable palm oil. With this group and other stakeholders, we continue to explore solutions to this global issue.

▶ Encouraging our mass balance palm oil suppliers to continue to increase the percentage of sustainable palm oil in the supplies they purchase, as the available supply increases.

▶ Requiring our vendor partners to commit to reducing their impact on the environment as part of our Global Supplier Code of Conduct.

Our sustainable palm oil commitments are also helping us to meet our obligations as a member of the Consumer Goods Forum, another industry organization of which we are a member. The Consumer Goods Forum pledged in late 2010 to mobilize its collective resources to help achieve zero net deforestation by 2020, including stopping the cutting of tropical forests to create palm oil plantations.

SUSTAINABLE AGRICULTURE

PROMOTING SUSTAINABLE PALM OIL PRODUCTION, CONT.



WHAT ARE GREENPALM CERTIFICATES?

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

To help growers fund the transition to sustainable palm oil, in 2012 we are purchasing GreenPalm certificates to cover 100 percent of our current palm oil use. This commitment includes all Kellogg products, including Girl Scout cookies, which are produced by our Little Brownie Bakers subsidiary.



SUSTAINABLE AGRICULTURE

SUPPORTING RESEARCH



KELLOGG COMPANY POSITION ON GENETICALLY MODIFIED CROPS

There is worldwide scientific support for the position that there are no safety concerns with the currently commercialized ingredients derived from genetically modified (GM) agricultural crops on the market. The World Health Organization, the United Nations Food and Agriculture Organization, the U.S. National Academy of Sciences and the American Medical Association all share this assessment. Future GM crops may offer a way to help feed the ever-increasing world population.

That said, Kellogg Company accepts that there are differing points of view around the world on use of ingredients derived from GM crops. Our decisions on whether to use them are made on a market-by-market basis.

Because our products depend directly on the quality and characteristics of particular grains, Kellogg has for years been promoting the breeding of new and improved varieties. We work with crop breeders and researchers to encourage the development of varieties that are more environmentally sustainable, are drought tolerant, have higher yields or even have more fiber or other nutrients.

Kellogg Company's grain scientists keep on top of the latest developments in the breeding of wheat, corn, rice and other crops (including genetically modified crops – see sidebar). These scientists also support breeding work at universities and communicate with researchers at private seed companies to let them know the characteristics of crops we are seeking.

For example, Kellogg currently funds and supports:

- ▶ **breeding work at Michigan State University that is seeking to improve the disease resistance and pre-harvest sprouting of soft white wheat,**
- ▶ **research at the University of Illinois seeking to improve the nutritional profile of corn, and**
- ▶ **rice breeding research and rice scientist training in Southeast Asia, specifically Thailand and Vietnam.**

In addition, we are a member and financial supporter of the International Rice Research Institute's Consortium on Ecological Intensification of Rice-based Production Systems. This joint program focuses on long-term studies regarding the ecological intensification of rice-based cropping systems, including the design and implementation of best management practices for rice at the highest levels of productivity, resource use efficiency and ecological resilience.

In addition, in 2010 Kellogg endowed the W.K. Kellogg Chair in Cereal Science and Nutrition at Catholic University of Leuven in Belgium, to support education and research on the health benefits of cereal grains. Catholic University of Leuven was chosen for this chair because it conducts the most respected research on cereals and dietary fiber.

SUPPORTING COMMUNITY DEVELOPMENT

In Mexico, we use a unique, native grain called amaranth in our *Nutridia*® brand products. Amaranth is an ancient grain thought to be a staple in the diets of Incans and Aztecs. It is not widely planted today, but has great potential due to its exceptional nutritional profile and ease of cultivation.

In 2005, we found an opportunity to help alleviate poverty and promote economic development in rural regions of Mexico by supporting the sustainable production of amaranth. At that time, Kellogg became one of several funders of Mexico Tierra de Amaranto (MTA), a nonprofit organization that promotes the production and consumption of amaranth as a way to reduce malnutrition in rural areas and improve standards of living.

The MTA is implementing several programs – reaching nearly 2,000 families – that teach community members how to grow and harvest amaranth, use the plant in cooking and baking, and sell the foods they make. The program has been particularly successful in giving rural women a means to earn income for their families.

Over the past three years, the Kellogg's Corporate Citizenship Fund (discussed in the Community section) has provided the MTA with grants totaling \$163,000. A large part of those funds were used to build a warehouse where the grain can be stored and processed, and to buy processing equipment. Kellogg Company has also provided in-kind donations of *Nutridia*® products for MTA training sessions and events.



SUSTAINABLE AGRICULTURE

TOWARD A MORE SUSTAINABLE FUTURE

Building on Kellogg Company's century-long tradition of developing products from simple grains, our recent corporate responsibility efforts have led us to transform our approach to agriculture and develop new relationships with growers. We view our role as leading and supporting efforts to help those who research, grow and supply the grains we use. Our progress in this area will help drive three types of sustainability: the sustainability of growers' livelihoods, the sustainability of our supply of grains and the sustainability of natural resources in the growing regions. We look forward to continuing to report on our progress.

