



2009 Corporate Responsibility Report—Executive Summary

“Bringing Our Best To You”





# For more than 100 years,

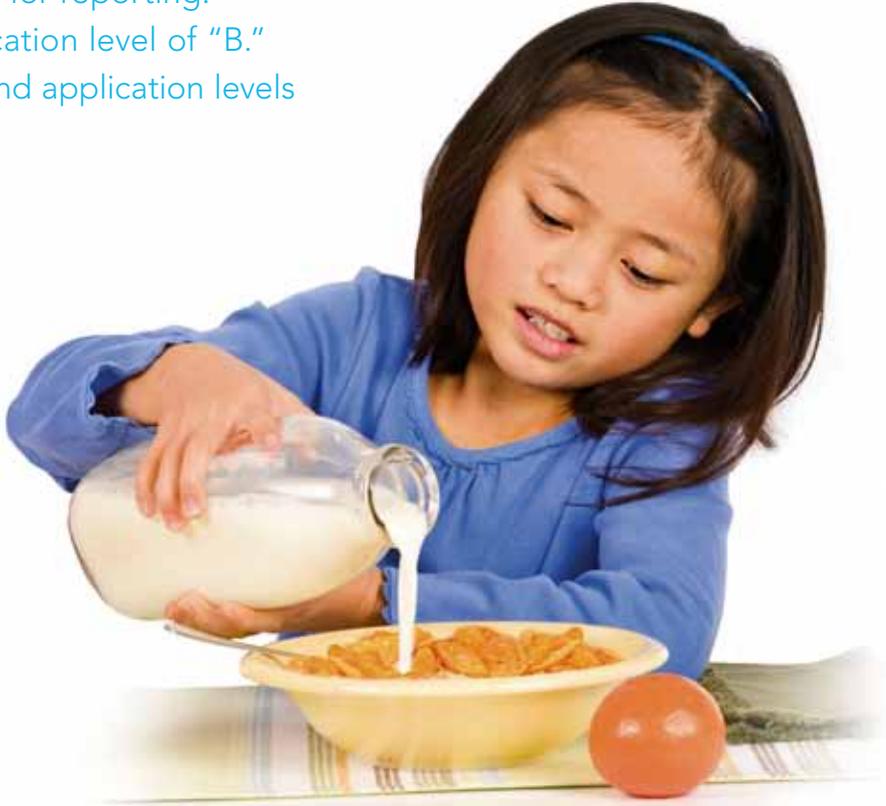
corporate responsibility has been at the foundation of Kellogg Company and a key part of our heritage and culture. We are pleased to share with you this executive summary of Kellogg Company's global Corporate Responsibility Report. This summary highlights key issues addressed in our full report, an 83-page document available in PDF at [www.kelloggcompany.com/CR](http://www.kelloggcompany.com/CR). The full report details our corporate responsibility approach, priorities and targets, and data on our performance. We hope this summary is useful to our stakeholders, including our consumers, employees, customers, investors, business partners, community members, and governmental and nongovernmental organizations.

WELCOME

Welcome to the executive summary of Kellogg Company's 2009 Corporate Responsibility Report.

This summary and the full report cover calendar years 2008 and 2009. (Our first report was published in January 2009 and covered calendar year 2007.) Both documents cover Kellogg Company's wholly and majority-owned operations, and complement other information about Kellogg available on our company Web site ([www.kelloggcompany.com](http://www.kelloggcompany.com)) and our nutrition Web site ([www.kelloggnutrition.com](http://www.kelloggnutrition.com)).

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



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“We know that our customers, our consumers and our employees want us to be a successful business while also doing the right thing for the environment and society. That’s what Kellogg stands for.”

*A question and answer interview with David Mackay, President and CEO, and John Bryant, Chief Operating Officer*

**Q.** How would you describe Kellogg Company’s approach to corporate responsibility (CR)?

*A: David Mackay*

We aim to deliver sustainable business results while making responsible choices for the environment and for society. To prepare for our first corporate responsibility report, published in early 2009, we defined our most material issues, set priorities and began the process of establishing objectives, targets and metrics.

Leadership expectations are now clear, and momentum is growing across the organization.

This report is a comprehensive accounting of the progress we’ve achieved in addressing our most material issues—and about the challenges that we face.

**Q.** What areas of CR-related progress over the last year stand out for Kellogg?

*A: David Mackay*

We continued to make progress toward our environmental goals. Since 2005, we’ve decreased our energy use, greenhouse gas emissions and water use (per metric tonne of food produced), by 5.7, 8.9 and 7.4 percent, respectively.

We also developed a framework for making decisions about how we package our products, so we can continue to do our part to decrease the impact of packaging on the environment. And, we’ve implemented global “green marketing” guidelines.

We’re especially proud of our GoGreen Teams—groups of company employees focused on environmental sustainability—in all of the regions in which we operate. These teams are not only helping us achieve our corporate environmental goals, but are also encouraging fellow employees to take what they learn home with them and make changes in their own lives and communities.

*A: John Bryant*

We also made good progress in the area of responsible sourcing. We finalized our Global Supplier Code of Conduct in 2009 to encourage suppliers on sustainability initiatives. We expect our suppliers to comply with our standards and will begin internal audits with some direct suppliers in 2011.

Also in 2009, we donated an entire day’s production of cereal in the United States to Feeding America, the nation’s largest hunger relief organization. This was an unprecedented donation, as the need is unprecedented as well.

**Q.** What CR areas are you finding particularly challenging to address?

*A: David Mackay*

Not surprisingly, some of the most important CR-related issues cannot be addressed by Kellogg alone; they require discussion and collaboration with others in order to make progress. These issues include sustainable agriculture and the problem of obesity. Finding ways to reduce the sodium content in foods is another challenge that our entire industry continues to address.

And Kellogg and our peer companies are all wrestling with the challenge of communicating nutrition information about our products to



John Bryant,  
Chief Operating Officer

David Mackay,  
President and CEO

the consumers who buy them. We're working collaboratively to better understand what's both effective and acceptable to consumers and stakeholders in terms of nutrition labeling.

**Q. Food safety is on the minds of many consumers. What does Kellogg see as the most pressing concern with food safety?**

*A: David Mackay*

Food safety is, and has always been, our number-one priority. We are advocating for changes to the food safety regulatory system in the United States. Much like the European Union did almost a decade ago, U.S. stakeholders must prioritize and emphasize the importance of prevention in ensuring food safety.

**Q. What is Kellogg doing to address global challenges like obesity?**

*A: David Mackay*

We believe in the concept of energy balance—balancing the calories consumed as part of a healthy diet with the calories expended by physical activity. At Kellogg, we have been working to help consumers balance both sides of the equation for some time. In Europe, for example, we have been involved with the European Commission's Platform for Action on Diet, Physical Activity and Health. Last year in the

U.S., we joined forces with others in our industry to create the Healthy Weight Commitment Foundation in an effort to help effect real change. The obesity epidemic requires the efforts and attention of a broad range of stakeholders.

*A: John Bryant*

"Choice" is an important word for us. We have always believed that it's important to give consumers a range of food options, from wholesome foods to more indulgent treats. We also believe that we can play a role in helping consumers get more healthful benefits from the foods they eat. That's why we continue to seek to improve the nutrition profile of our products wherever possible without compromising on great taste and quality, including our initiative to increase the fiber content in many of our products.

**Q. What are the business drivers for CR at Kellogg?**

*A: David Mackay*

In the coming years, we know that the pace of change and the scale of global challenges will only accelerate.

We are committed to doing our part to address the critical global challenges of climate change and energy and water conservation. The food

business is entirely dependent on the availability of natural resources—including land, energy and clean water. So it is in our interest to use resources sustainably and join with others to promote sustainability, to ensure the continued availability of these vital resources.

We anticipate that as energy and water supplies become increasingly scarce, prices will rise. We also expect to see increasing carbon regulation and costs in all the markets in which we operate. So any reductions we make in energy use now will help to mitigate increases in energy costs down the road.

*A: John Bryant*

CR issues aren't academic—they go to the heart of our business. We know that our customers, our consumers and our employees want us to be a successful business while also doing the right thing for the environment and society. That's what Kellogg stands for. We will continue to make progress on our CR goals, look ahead to new challenges and engage the whole organization.

OUR COMPANY

With 2009 sales of nearly \$13 billion, Kellogg Company is the world's leading producer of cereal and a leading producer of convenience foods, including cookies, crackers, toaster pastries, cereal bars, frozen waffles and vegetable-based meat alternatives.

**\$8.5 billion** 2009 North American Sales

**\$1.0 billion** 2009 Latin American Sales

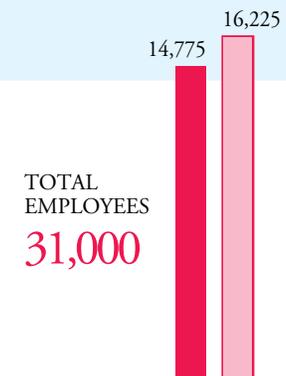
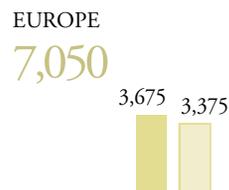
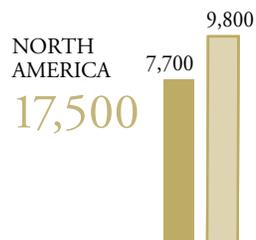
**\$2.4 billion** 2009 European Sales

**\$700 million** 2009 Asia Pacific Sales



APPROXIMATE EMPLOYEE NUMBERS BY REGION

■ Salaried ■ Non-Salaried



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

To learn more about our company, visit [www.kelloggcompany.com](http://www.kelloggcompany.com) and our various international corporate Web sites.

Kellogg is a publicly traded company headquartered in Battle Creek, Mich. Kellogg products are manufactured in 18 countries and marketed in 180 countries around the world. Kellogg Company operates through four business units: Kellogg North America, Europe, Latin America and Asia Pacific.

There were no significant changes to our operations during 2009.

180	Countries where our products are marketed
18	Countries where our products are manufactured
50+	Manufacturing facilities
\$12.6 billion	2009 net sales
\$1.2 billion	2009 net income attributable to Kellogg Company
22 percent	2009 shareholder return
\$3.16	2009 diluted earnings per share
\$1.266 billion	2009 cash flow <sup>2</sup>
\$10.574 billion	2009 operating costs
\$377 million	2009 capital expenditures
\$476 million	2009 income taxes
\$31 million	2009 community investments



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.

## Corporate Responsibility Strategy

In 2008, we developed a comprehensive, global corporate responsibility strategy to help guide our responsible choices in light of rapidly changing environmental, social and economic conditions.

The strategy identified our major corporate responsibility issues based on a materiality analysis.<sup>3</sup> The material issues were grouped into four areas we call “pillars.” These pillars form the structure for this report and the further development and implementation of the strategy.

By the end of 2008, we had completed the identification of objectives, targets and key performance indicators for the Environmental area. The Marketplace and Workplace teams made progress in 2009 toward establishing objectives and indicators by analyzing Kellogg Company’s strengths, weaknesses, opportunities and threats in each of those areas. We discuss our progress in more detail in each of the chapters of this report. Our overall progress on the strategy is summarized in the figure on p. 7.

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

<sup>3</sup>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.

## Stakeholder Engagement

We regularly engage with a variety of stakeholders on issues ranging from nutrition to climate change, based on our identification of material issues and key initiatives. For example, as described in the Environment section, since 2008 we have been a part of Field to Market: The Keystone Alliance for Sustainable Agriculture, a multi-stakeholder group committed to achieving long-term, continuous improvement in sustainable agriculture production. We have learned a lot from this collaborative effort; along with other initiatives discussed in this report, it has advanced and informed our approach to key issues.

In addition, in the past year we expanded our engagement with stakeholders interested in our corporate responsibility approach and performance. For example, in March 2009, a group of socially responsible investors and stakeholders from nongovernmental organizations (NGOs) provided us with feedback on our inaugural corporate responsibility report. We found the dialogue valuable in understanding these stakeholders’ perspectives on our strategy and reporting. We will continue to seek the counsel of stakeholders as we implement our corporate responsibility strategy.

## Corporate Responsibility Governance and Management

We have a corporate responsibility governance structure (illustrated below) that outlines accountability for driving progress in implementing our strategy. This structure integrates the management of our material issues into our mainstream business processes.

At the Board of Directors level, we have a Social Responsibility Committee composed of four members, all of whom are independent. It oversees all aspects of our corporate responsibility approach. Other committees of the Board address corporate responsibility issues as well. For example, the Audit Committee reviews various environmental issues. The Board as a whole also addresses key issues discussed in this report, including many relating to health and nutrition.

At the senior executive level, our chief sustainability officer reports directly to the chief executive officer. Two senior managers have been designated as “pillar leads” for each of the four pillars of our corporate responsibility strategy. The pillar leads are responsible for identifying overall objectives, actions needed to achieve the objectives, and goals and key performance indicators for each of the issues, as well as monitoring performance.

### Corporate Responsibility Structure



### Sample Brands and Products

Information on our brands can be found at [www.kelloggs.com](http://www.kelloggs.com) and at our company's various international Web sites.



**Corp!**  
We Mean Business

**Institutional Investor**

### Recognitions

Kellogg Company was included on *Corporate Responsibility* magazine's 2010 list of the "100 Best Corporate Citizens." In addition, we were rated one of the "Top 20 Most Innovative Companies of 2010" in the food & beverage industry by the Strategos/wRatings Innovation Index.

Kellogg, which has been headquartered in Battle Creek, Mich., since our founding in 1906, was twice voted a "Best of Michigan Business" in the manufacturing category by *Corp!*, the state's largest business magazine.

For the third year in a row, David Mackay has been voted the food industry's best CEO by Wall Street analysts and investors in an *Institutional Investor* magazine survey of over 900 investment professionals at more than 460 institutions.

*Institutional Investor* magazine also recognized Kellogg in the following areas:

- » *John Bryant was named the food industry's top CFO, for the fifth time.*
- » *Kellogg was named the food industry's most shareholder-friendly company, for the second consecutive year.*



STATEMENT OF PURPOSE—“BRINGING OUR BEST TO YOU”

Through our foods, we bring health, nutrition and enjoyment to people all over the world.

Our brands and our heritage differentiate and guide us. We will be economically, socially and environmentally responsible by managing all aspects of our business for sustainable performance.

Our people and their diversity are our greatest asset. We strive to provide employees with a great place to work and the opportunity to grow and prosper.

Our vision, mission, operating principles and values unite and inspire us to succeed together.



Corporate Responsibility Strategy Framework & Value Chain

This graphic summarizes our corporate responsibility pillars, key elements of those pillars and where each element occurs in our value chain. It also summarizes the status of our sustainability strategy implementation for each pillar.

ACTION PLANS & MEASUREMENT

● In Development   ● Significant Progress   ● Fully Developed

**MARKETPLACE**

● Objectives   ● Programs   ● Engagement   ● Key Performance Indicators/Targets

Key Elements	Sourcing	Manufacturing	Transport	Customer	Consumer
Nutrition & Health	●	●	●	●	●
Responsible Marketing	●	●	●	●	●
Consumer Information & Labeling	●	●	●	●	●
Product Quality & Food Safety	●	●	●	●	●
Responsible Sourcing/Supplier Diversity	●	●	●	●	●

**WORKPLACE**

● Objectives   ● Programs   ● Engagement   ● Key Performance Indicators/Targets

Key Elements	Sourcing	Manufacturing	Transport	Customer	Consumer
Governance & Ethics	●	●	●	●	●
Employee Learning & Development	●	●	●	●	●
Diversity & Inclusion	●	●	●	●	●
Compensation & Benefits	●	●	●	●	●
Occupational Health & Safety	●	●	●	●	●
Labor Standards	●	●	●	●	●

**ENVIRONMENT**

● Objectives   ● Programs   ● Engagement   ● Key Performance Indicators/Targets

Key Elements	Sourcing	Manufacturing	Transport	Customer	Consumer
Environmental Impact Reduction*	●	●	●	●	●
Packaging	●	●	●	●	●
Sustainable Agriculture	●	●	●	●	●

*\*Includes energy use, greenhouse gas emissions, water use and waste*

**COMMUNITY**

● Objectives   ● Programs   ● Engagement   ● Key Performance Indicators/Targets

Key Elements	Sourcing	Manufacturing	Transport	Customer	Consumer
Strategic Corporate Philanthropy	●	●	●	●	●
Community Development	●	●	●	●	●
Employee Volunteerism	●	●	●	●	●



Kellogg aims to create enjoyable, wholesome and nutritious foods for people all over the world—foods that meet a range of consumer preferences, tastes and health needs. At the same time, we seek to produce foods that are sourced, manufactured, labeled, marketed and sold safely and responsibly.

### SINCE OUR LAST REPORT

We have continued to make progress in our marketplace pillar. To help guide our corporate responsibility strategy, we have been working to develop key performance indicators and targets relating to the topics addressed in this Marketplace section. This past year, we undertook a very focused approach to better analyze our strengths, weaknesses, opportunities and threats in the following areas: nutrition; product quality and food safety; consumer information and labeling; and responsible marketing and responsible sourcing.

We are currently formulating internal goals relating to some of these topics. We will track progress against them and expect to share data on our progress externally in the future.



## Nutrition and Health

At Kellogg, we believe our role is to give consumers the information they need to make informed dietary choices for both themselves and their families. We also believe that all foods can have a place in the diet—with balance and moderation. These concepts are core to our Global Nutrition Policy, which we updated this year to take into account consumer nutrition needs in addition to available science. We are committed to reviewing this policy annually and to providing nutrition information in a transparent and open manner.

### The Importance of Fiber

In 2009, we zeroed in on an important nutrient, announcing plans to add fiber to many of our ready-to-eat cereals in the U.S. and Canada. By the end of 2010, we expect that the majority of our ready-to-eat cereals in the U.S. will qualify as “good”—if not “excellent”—sources of fiber.<sup>1</sup>

We believe Kellogg can have a big—and positive—impact on consumer health by improving the nutritional content of cereals that are already popular with consumers. Since we haven’t changed the taste, we know these cereals will continue to be enjoyed. Only now, consumers will enjoy them with added nutritional benefits.

### The Challenge of Sodium

One of the most challenging nutrition issues for Kellogg and other food manufacturers is finding ways to reduce the sodium in our foods while maintaining great taste. Over time, we have

## Cereal: The Complete Story

Experts worldwide agree that breakfast is the most important meal of the day. Researchers have also revealed that essential nutrients missed at breakfast are not compensated at other meals during the day.<sup>2</sup>

As the world’s leading producer of ready-to-eat cereals, Kellogg provides people the world over with nutritious, convenient and affordable products.

Among its many attributes, cereal:

- » Is a typically low-fat, nutrient-dense, low-cholesterol food that encourages breakfast consumption.
- » Delivers the important benefits of grain that make significant contributions to the diet.
  - » Provides a small portion (for example, five to seven percent in the U.S. and U.K.) of the average child’s daily intake of sugar, while supporting positive nutrient intake.<sup>3,4</sup>
  - » Contains less than half the sodium of many popular breakfast items worldwide, including bagels, toast and margarine, and croissants.<sup>5</sup>
  - » Provides convenient, affordable nutrition—the average cost of a serving of cereal with milk is 50 cents in the U.S. and equivalent amounts elsewhere in the world.

silently lowered sodium as we update product formulas. We have successfully reduced sodium in some of our most popular cereals worldwide.

One advantage of gradual reductions is that consumers’ tastes adapt to each shift. In this way, the change is less obvious, and consumers accept the lower levels of sodium. In new products, we include only the minimum amount of sodium needed to meet the taste preferences of consumers. Historically, the packaged foods industry has found that promoting a sodium reduction on product labels typically leads to a drop in sales, because consumers erroneously equate “reduced

salt” with “reduced taste.” Yet when we don’t advertise or promote a sodium reduction, most consumers continue to buy the product, never realizing that the sodium content has changed.

Kellogg is engaging with others in our industry, as well as regulatory agencies, consumer advocacy groups and NGOs, to find ways to address growing public concerns over sodium. Our company will continue to aggressively pursue sodium reductions while keeping up to date with new alternatives for sodium and salt substitutes.

### Healthy Weight Commitment Foundation

Kellogg is proud to have joined with more than 58 peer companies, major food retailers and NGOs in the U.S. to present a comprehensive and coordinated response to the obesity epidemic. This new initiative, called the Healthy Weight Commitment Foundation, launched in the fall of 2009 with a pledge of \$20 million from the group’s members. Our collective goal is to help reverse the trend of obesity in the U.S. by 2015 by encouraging people to balance a healthy diet with physical activity.

### Nutrition Education

As a global food company, we believe we can play an important role as nutrition educators—particularly for children, their parents and other caregivers—and we have a long history of proactively encouraging health and fitness.

We also work with leading nutritionists to develop healthy recipes and information for consumers and health care professionals about the health benefits of breakfast and other nutritional issues.

<sup>1</sup> The U.S. Food and Drug Administration defines a “good” source of fiber as containing at least 10 percent of the Daily Value, or 3 grams per serving, while an “excellent” source contains at least 20 percent of the Daily Value, or 5 grams per serving. In Canada, where we first increased the fiber in popular children’s cereals Froot Loops® and Corn Pops®, Health Canada regulates nutrient content claims so that a “source of fiber” provides at least 2 grams per serving, a “high source of fiber” provides at least 4 grams per serving and a “very high source of fiber” provides at least 6 grams per serving.

<sup>2</sup> Preziosi P, Galan P, Deheeger M, Yacoub N, Drewnowski A, Hercberg S. Breakfast type, daily nutrient intakes and vitamin and mineral status of French children, adolescents and adults. *J Am Coll Nutr.* 1999;18(2):171-178.

<sup>3</sup> NHANES, 2003-2006.

<sup>4</sup> Williamson CS. Breakfast cereals—why all the bad press? *BNF Nutr Bulletin.* 2010;35:30-33.

<sup>5</sup> U.S. Department of Agriculture, Agricultural Research Service. 2009. USDA National Nutrient Database for Standard Reference, Release 22. Nutrient Data Laboratory Home Page, <http://www.ars.usda.gov/nutrientdata>.



## Responsible Marketing

Kellogg is an active participant in expanding and improving advertising self-regulatory programs around the world. These collaborative programs are subject to monitoring and enforcement, with publicly available and fully transparent progress reports. We are members of programs in the U.S., Australia, Brazil, Canada, Chile, the European Union, Mexico, Romania, Russia, South Africa, Spain and Thailand. We intend to sign on to similar self-regulatory programs that are currently under discussion or in development in India, Peru and the Philippines.

One of the industry's key self-regulatory pledge programs is the Children's Food and Beverage Advertising Initiative, of which Kellogg is a charter member.

## Consumer Information and Labeling

Kellogg empowers consumers to make good nutritional choices by providing comprehensive nutrition information on our product packages, as well as on our Web sites. Our Guideline Daily Amounts (GDA) labeling system includes calories, total fat, sodium and total grams of sugar per serving, and where the food might fit in a consumer's daily 2,000-calorie diet. The system also identifies the nutrients consumers typically need more of, such as fiber, calcium, potassium and other important vitamins and minerals.

### Health Claims

In Europe, there has been growing debate over health claims that food companies include on their packages. The European Food Safety Authority is currently evaluating more than 4,000 claims, and

plans to publish opinions on each of them in late 2010 or early 2011. Kellogg has been monitoring the situation with particular interest in the areas that are critical to our brands. Similar health claims regulations are under discussion in other global markets.

At Kellogg, we only make a health claim when we can back it up with robust scientific support. For example, there is established, scientific evidence showing that the oat beta glucan found in our *Optivita*® cereal (which is available in the United Kingdom, Spain and Italy) can help lower cholesterol.

For more on these and other related issues, please see a new section of our U.K. Web site, "The Truth About Our Food," at [www.kelloggs.co.uk/health/the-truth-about-our-food](http://www.kelloggs.co.uk/health/the-truth-about-our-food).

## Product Quality and Food Safety

The quality and safety of our foods is our highest priority. Kellogg has extensive systems and processes in place to ensure that our products meet our strict food safety standards.

But managing a global supply chain of more than 1,500 products can be a challenge at times, as evidenced most recently by the 2009 recall of many products containing peanut ingredients in the U.S.—the largest recall in the U.S. Food and Drug Administration’s history. Kellogg was one of many food companies adversely impacted by the recall of various peanut ingredients from the supplier Peanut Corporation of America.

In the wake of this unfortunate situation, we took several immediate steps, including establishing new cross-functional Kellogg audit teams to audit suppliers of high-risk ingredients. We also stepped up the monitoring, testing and visibility of our raw material ingredients as part of a broader effort to reduce the number of strategic suppliers.

In addition, we established a Food Safety Advisory Council comprised of external experts in toxicology, food science, regulatory, microbiology, legal and supply chain. The council is charged with supporting food safety intelligence and risk assessments, while providing strategic thinking on future food safety initiatives.

Kellogg has long believed that prevention is the key to food safety, so that potential sources of contamination are identified and properly addressed before they become actual food safety problems. We have been strongly advocating for changes to the U.S. domestic food safety system.

## Responsible Sourcing

We are committed to ensuring an ethical supply chain that is capable of providing continuity of supply in our ingredients, in our packaging materials and at our manufacturing plants, while minimizing the total environmental footprint of our products.

Our Responsible Sourcing Framework focuses on four key areas: business ethics, labor standards, employee safety and health, and the environment. A key element of this framework is our Global Supplier Code of Conduct, which we finalized in 2009, to ensure that the suppliers with which we do business embrace and demonstrate high standards of ethical business behavior. The code covers issues such as legal compliance, fair employment practices, anti-corruption efforts and food safety standards.

### Supplier Diversity

Kellogg has had a supplier diversity program in the U.S. for more than 20 years. Our program includes suppliers from more than 400 U.S.-based companies owned by minorities, women and disabled veterans. In 2009, we spent more than \$400 million on goods and services from diverse suppliers, surpassing our goal for the year of \$390.5 million. Among first-tier suppliers, we spent \$321 million, or 6.9 percent of our total spend.

## Challenges

The U.S. peanut products recall of 2009 ranks among the biggest challenges Kellogg has faced in the last decade. While we addressed the situation swiftly, we—and the entire food industry—face an ongoing challenge of ensuring a safe and secure supply chain.

On the nutrition front, we are working toward finding ways to improve our products’ nutrition profiles. We also continue to explore ways that we, and our industry, can help slow the obesity epidemic. We are always searching for ways to enhance the nutritional profile of our foods and to educate consumers about achieving energy balance, or “calories in/calories out.”

## Where We Are Going

As part of our ongoing journey to strengthen the nutrition credentials of Kellogg products, we will continue to reformulate our foods to reflect the evolving health needs of consumers. Looking ahead, we will also be evaluating our products to comply with new regulatory requirements that are under consideration in the U.S., Europe and other markets.

We intend to continue our leadership in responsible marketing aligned with our ethics and are also committed to ensuring that all Kellogg employees are engaged in food safety.

Kellogg will continue to formulate internal goals in areas of nutrition, product quality and safety, consumer information and labeling, and responsible marketing. We want to ensure we offer consumers the best products—including better-for-you and more indulgent choices. Through our foods, we want to continue to bring health, nutrition and enjoyment to people all over the world.



At Kellogg, our workplace initiatives are guided by our *K Values*<sup>™</sup>, including the value that urges us to “act with integrity and show respect.” We do this by adhering to high ethical standards, and by investing in our people and nurturing their development as leaders, by maintaining a diverse and inclusive work force, and by continually working to promote the safety, health and wellness of our employees.

### SINCE OUR LAST REPORT

Since our last corporate responsibility report, we have begun to identify and define key performance indicators for our workplace issues, which will help us to better gauge our progress. We’ve launched a new human resource initiative, myHR, which involves multiple technology solutions and will help us to better track workplace-related measures such as employee demographics and turnover rates. This initiative was introduced in the U.S., Canada and Latin America in late 2009. Implementation planning for our Europe and Asia Pacific regions is underway.

Also in the past year and a half, we have developed two new training and development curricula, one for our most senior executives and one for individuals in the pipeline for those senior roles; begun assessing employees’ diversity and inclusion behaviors in the yearly performance review process; and strengthened incentives for participating in our Feeling Gr-r-reat<sup>™</sup> health and wellness program, among other activities.



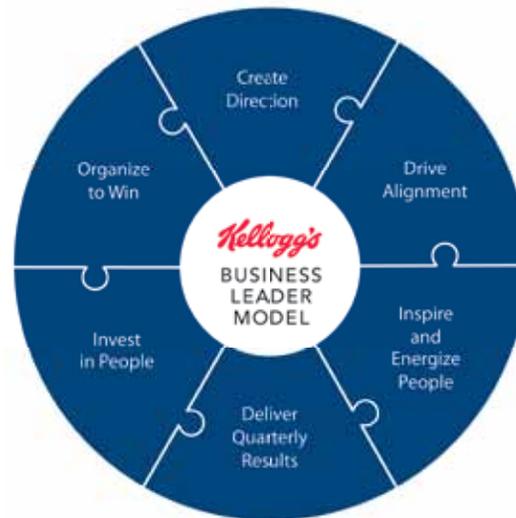
## Governance and Ethics

Our company is governed by a 12-member Board of Directors. Ten of the Board members are independent of the company, as defined by the New York Stock Exchange. The Board operates through six committees—Audit, Compensation, Executive, Consumer Marketing, Nominating and Governance, and Social Responsibility—and according to a set of Corporate Governance Guidelines. All of the members of Board committees are independent.

A Global Code of Ethics guides the business practices of all Kellogg employees worldwide. Substantially all employees with access to company computers complete Kellogg Company's annual Compliance and Ethics Training, which is conducted in 13 languages. During 2009, 16,931 employees (or about 55 percent of our global work force) received the training, totaling more than 30,000 hours. We have both a hotline, called the Ethics Alert Line, and a Web-based reporting tool for our employees, so they can raise questions or concerns anonymously.

## Labor Standards

Approximately 32 percent of Kellogg Company's global work force is represented by unions. Kellogg works to maintain a positive and professional working relationship with all of our employees worldwide and, where applicable, with their bargaining representatives. During 2009, Kellogg negotiated more than 20 collective bargaining agreements covering more than 3,400 employees in the U.S. and Canada.



Kellogg maintains high workplace standards at all of our manufacturing and distribution locations, including but not limited to: a safe work environment, adherence to compensation and employment laws and regulations, access to freedom of association, and freedom from child labor or forced labor. Kellogg conducts regular audits at its manufacturing and distribution locations to ensure adherence to regulatory requirements and Kellogg policies in such areas as payroll, hiring, benefits administration and other employment practices.

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

## Talent Management

Our learning and development programs help to strengthen our employees' abilities and establish Kellogg as a talent powerhouse.

Our Global Learning and Development team launched two new leadership development courses in 2009. Designed for the 150 executive leaders at the top of our company, the W.K. Kellogg Leadership Academy trains executives to develop other leaders throughout the company, while giving them tools and skills to strengthen their own talents. "The Best to You" classes—for select upper-level managers in the U.S.—are designed to help Kellogg build a robust leadership pipeline to fulfill future business needs, ensure managers' readiness for executive roles and accelerate professional performance. We also offer leadership development and training courses tailored specifically to the needs of our non-U.S. work force.

## Diversity and Inclusion

At Kellogg, we aim to maintain a diverse work force in terms of ethnicity, culture, gender, sexual orientation/identification, age, geography, experience, skills and work styles.

At present, two of our Board of Directors members are women; we also have one African-American and one Hispanic on the Board. Two of the senior executives on our 18-member Global Leadership Team are women and one is African-American. In addition, the team is multicultural with three Europeans, three Australians, two Latin Americans and one Canadian.

In 2009, we added five accountabilities relating to diversity and inclusion to our Performance Management Process for people managers in the U.S., in an effort to build responsibility for



**Kellogg Received Multiple Recognitions for Diversity in 2009**

- » DiversityInc—25 noteworthy companies for diversity
- » Working Mother—100 best companies for working moms
  - » National Association for Female Executives—top 50 companies for executive women
- » Black Enterprise—40 best companies for diversity
  - » Hispanic Business—Diversity Elite 60
- » LATINA Style—50 best companies for diversity

diversity at every level of the organization. For example, managers are now assessed on how well they work to ensure increased diversity among job candidates.

We offer diversity and inclusion training to our employees to build awareness, understanding and business acumen. In 2009, we offered 38 in-person diversity and inclusion training sessions to Kellogg employees in the U.S.

In the U.S., Kellogg has six Employee Resource Groups (ERGs)—one each for African-American, female, young professional, Latino, multinational, and gay, lesbian, bisexual and transgender (GLBT) employees. The GLBT group—called K-Pride and Allies—is the newest; it was formed in July 2009. The ERGs are open to all employees, and participation is voluntary. Our ERGs have had direct input into a wide range of projects and issues, including benefits packages, advancing cultural awareness, diversity initiatives, community service projects and leadership presentations.

### Employee Health and Wellness

Kellogg Company's wellness program, branded Feeling Gr-r-reat™ in the U.S., helps employees address health risks and boost physical activity. The program includes health screenings, health risk assessments, exercise and weight-loss challenges, free flu shots and more. In 2009, 61 percent of U.S. employees took part in Feeling Gr-r-reat™ health screenings.



Around the world, our wellness programs are tailored to local needs. In Colombia, for example, we provide annual health screenings that include optometry and dental exams. We also offer recreational leagues for soccer, basketball, volleyball, table tennis and other sports. In South Korea we provide special ergonomics education, and our India locations offer exercise facilities and health checkups. Kellogg Southeast Asia offers monthly wellness activities, including presentations on key health-related topics.

In the U.K., we run a Fit For Life campaign for employees. Through this program, free lifestyle assessments are offered at the beginning of each year. In 2009, about 40 percent of employees took part in these assessments, which measure key health indicators such as weight, blood pressure and cholesterol. Other key components of Fit For Life include onsite gyms, health counseling and a cycle-to-work initiative that allows employees to purchase bicycles tax-free.

### Employee Safety

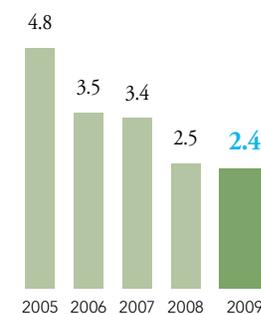
One of our goals is best-in-class safety performance. Our yearly target for continuous improvement is a 15 percent reduction in on-the-job injuries, while our ultimate goal is zero injuries.

In June 2009, Kellogg unveiled a new tool that provides an at-a-glance snapshot of our U.S. and Canadian year-to-date Total Recordable Incident Rate (TRIR).<sup>1</sup> The *Kellogg Safetyometer* is accessible to employees via the company intranet.

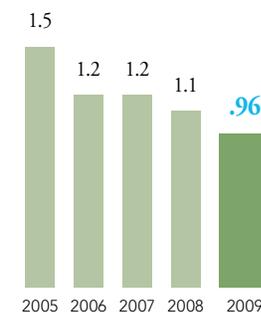
Kellogg Company's key safety performance data for 2005 to 2009 are shown in the figures above. In 2009, the company's Total Recordable Injury Rate was 61 percent lower than the food industry average, and our Lost Time Injury Rate was 31 percent lower than the food industry average. Eight of our facilities in 2009 did not experience a recordable injury and 13 did not record any lost work day cases. Additionally, we experienced no fatalities in 2009.

### GLOBAL WORKPLACE SAFETY

Total Recordable Injuries (per 100 employees)



Lost Time Injuries (per 100 employees)



<sup>1</sup>TRIR is defined by OSHA as the number of injuries per 100 employees requiring medical treatment beyond first aid.

## Challenges

One of our biggest challenges has been measuring and tracking our progress globally on workplace issues. Fortunately, our new human resources data-tracking initiative will provide us with more consistent and detailed data on a global basis.

The overall diversity of our U.S. work force also remains a focus. And, because diversity means different things in different locations around the world, we are working with company leaders at our international locations to understand how best to drive diversity and inclusion outside of our U.S. operations.

Rising health care costs also present a financial challenge for us—as they do for every large U.S.-headquartered company. One way we are addressing this challenge is through our health and wellness programs, which encourage healthy behaviors and preventative care.

## Pandemic Preparedness

In light of the threat to our employees' health and to business continuity posed by the H1N1 flu virus, in 2009 we developed a Special Global Influenza Preparedness Committee comprised of medical personnel; the Corporate Crisis Management Team (representing our Corporate Communications, Consumer Affairs, Legal, Quality, Safety and Security functions); and supply chain employees. In September 2009, the committee published a Global Influenza Preparedness Plan, to ensure the health and safety of all our employees and avoid disruption of the business.

## Workplace Recognitions

In 2009, Kellogg U.K. was ranked 30th in the *Sunday Times*' list of the top 100 best companies to work for. And, Kellogg Spain was named one of the best places to work in Spain, and among the 100 best in Europe overall, by the Great Place to Work Institute.

## Where We Are Going

Going forward, we will continue the development of key performance indicators on workplace-related topics, making use of our improved human resources data-tracking capabilities. Through our training and development courses, we will strengthen the leadership capabilities of our upper-level managers so they are prepared to move into executive positions when needed. We also will continue to embed diversity and inclusion practices throughout our business, and aim for a work force that is aligned with the diversity of our consumer base. In short, we will be "accountable"—an important *K Value™*—for a safe, inclusive, values-driven workplace built on great talent, ethical behavior, lean principles and sustainable results.





As a food company, we at Kellogg know that ensuring an adequate supply of food for the world's growing population will require the efficient use of increasingly scarce natural resources. In fact, our business depends on sustainable supplies of water, energy and agricultural crops. We are committed to reducing our company's impact on the environment and working with others to find solutions to global food challenges.

### SINCE OUR LAST REPORT

Over the past year and a half, we have undertaken numerous initiatives at our facilities around the globe to reduce energy use, carbon dioxide (CO<sub>2</sub>) emissions, water use and waste, and have made good progress toward our goals. As discussed in this section, in late 2009 we decided to change our waste goal to focus on the aspect of waste that has the most significant environmental impact—that of waste sent to landfill. Also in 2009, we conducted environmental footprint assessments to understand CO<sub>2</sub> emissions and water use over the lifecycle of selected Kellogg products; engaged with 67 of our largest suppliers on environmental impact reduction issues, including energy use and CO<sub>2</sub> emissions; opened a state-of-the-art plant in Mexico that features many energy- and water-saving technologies; and initiated several internal endeavors and external partnerships to promote sustainable agriculture, among other activities.



### Environmental Performance<sup>1</sup>

At Kellogg, we are working to embed environmental sustainability practices into every aspect of our business. We are currently piloting a new environmental and safety management system at 12 Kellogg sites around the world. The system is designed to facilitate audit and compliance management, as well as incident management and reporting, relating to all of Kellogg Company’s environmental and occupational health and safety programs. The system is fully aligned with ISO 14001 and 18001. We expect to roll it out globally in 2010.

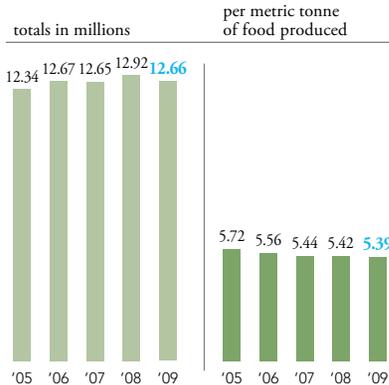
#### Energy Use and CO<sub>2</sub> Emissions

We consider energy use and CO<sub>2</sub> emissions to be our most significant direct environmental impacts.<sup>2</sup> They also represent a significant supply chain impact for Kellogg. Our recent carbon footprint assessments revealed that more than half of our products’ lifecycle carbon emissions can be attributed to the ingredients that go into making them.

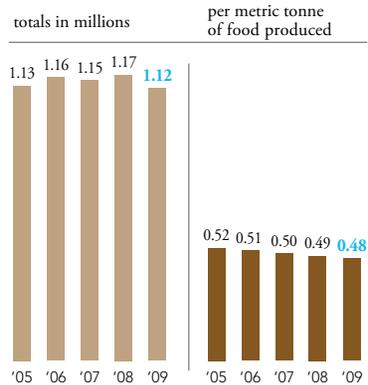
Kellogg has made strides in engaging with our suppliers on the issues of energy use and CO<sub>2</sub> emissions. The Carbon Disclosure Project sent

#### KELLOGG GLOBAL MANUFACTURING

Energy Usage (in gigajoules)



CO<sub>2</sub> Emissions (in metric tonnes)



### New Kellogg Plant in Mexico a Model of Efficiency

Our new cereal plant in Mexicali, Baja California Norte, which opened in May 2009, includes the latest in water- and energy-saving technologies. For example, cleaning equipment in the plant uses dry steam rather than water, to minimize water use. The plant also has high-efficiency boilers that use combustion exhaust to pre-heat water before it enters the boilers.

questionnaires to 67 of our largest suppliers, asking questions about carbon risks and opportunities, emissions reporting and reduction targets and plans. This program helped us to communicate to key suppliers the value that Kellogg places on carbon emissions accounting and management.

The figures below illustrate our global energy use and greenhouse gas emissions performance since 2005.<sup>3</sup> Our global energy use and CO<sub>2</sub> emissions per metric tonne of food produced have both decreased since 2005—energy use by 5.7 percent and CO<sub>2</sub> emissions by 8.9 percent.<sup>4</sup>

We still expect to meet our 15 to 20 percent reduction goals for CO<sub>2</sub> and energy by 2015.

These reductions are the result of many energy-saving projects and initiatives, small and large, at our facilities worldwide. For example:

- » Our warehouse facility in Brampton, Ontario, Canada, achieved a 30 percent reduction in natural gas consumption between 2005 and 2009 through a variety of initiatives, including installation of an energy management system to control natural gas usage.
- » Between 2005 and year-end 2009, our Florence, Ky., bakery reduced its energy use by 24 percent; our frozen foods facility in Atlanta, Ga., achieved a reduction of 14 percent; and our snacks plant in Rome, Ga., also decreased energy use by 14 percent (all per metric tonne of food produced).

In the transportation realm, we joined the U.S. Environmental Protection Agency’s voluntary SmartWay Transport Partnership program as a “shipper” in 2009. As such, we’ve agreed to use carriers committed to fuel efficiency for at least 50 percent of our contracted truck shipments. In fact, more than 80 percent of Kellogg Company’s contract transport fleet are members of SmartWay.

<sup>1</sup>Note that our goals and metrics include Kellogg-owned facilities only.

<sup>2</sup>We use the term “CO<sub>2</sub>” as shorthand throughout this report. Our emissions metrics take into account all greenhouse gases, however, and are technically measured in “carbon dioxide equivalents,” or CO<sub>2</sub>e.

<sup>3</sup>The protocols we use to calculate our CO<sub>2</sub> 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. Going forward, we will continue to refine and expand the scope of our CO<sub>2</sub> emissions reporting.

<sup>4</sup>“Metric tonne of food” is a measurement of actual food product, not including packaging.

The following are examples of our progress to date in reducing transportation-related energy use and CO<sub>2</sub> emissions:

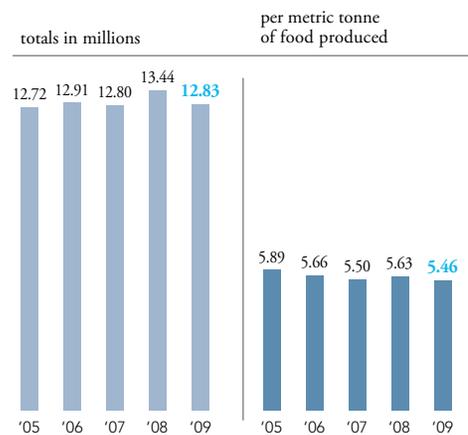
- » *In the U.S., we have decreased per-case fuel use in our Kellogg-operated truck fleet by 40 percent since 2005 by designing our routes more efficiently, using “governors” to control the speed of trucks and restricting the time the vehicles spend idling.*
- » *In the U.K. in 2008, we reduced our CO<sub>2</sub> emissions from transport by just over 11 percent per metric tonne of food produced compared to 2006. A significant portion of this reduction was due to our combining of shipments with the global health and hygiene company Kimberly-Clark, in partnership with the supply chain management company TDG.*

### Water

Fresh water is a precious natural resource—one that is vital to life and yet increasingly scarce. We use water in our manufacturing facilities—for cleaning, process heating, cooling machinery, in wet filtration systems and as a raw ingredient in our products. Our water footprint assessments revealed that agriculture accounts for more than 95 percent of the water used during the lifecycles of several of our cereals.

### KELLOGG GLOBAL MANUFACTURING

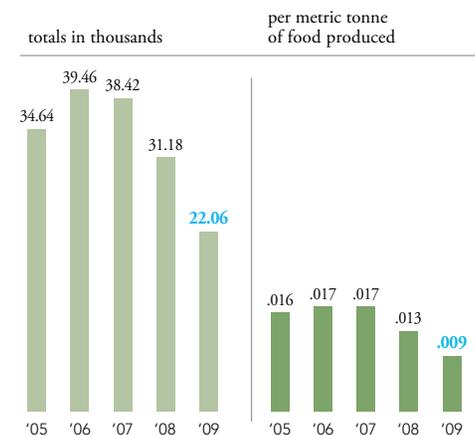
#### Water Use (in cubic meters)



To do our part in water conservation, we are continually seeking ways to minimize our water use and our impacts on local water supplies in the communities in which we operate. The figure above center shows that we have made progress in reducing water use compared to our 2005 baseline year; our water use per metric tonne of food produced decreased by 7.4 percent during that time.

### KELLOGG GLOBAL MANUFACTURING

#### Waste Sent to Landfill (in metric tonnes)



Many of our Kellogg facilities have made good progress in reducing their water usage. For example:

- » *Our Zanesville, Ohio, plant has reduced water use by 24 percent per metric tonne of food produced since 2005.*
- » *In 2009, our Manchester, England, facility installed a recirculating water system with an air-cooled chiller unit that will save 400,000 cubic meters of well water per year.*



**Waste**

In 2009, we changed our waste goal to focus squarely on waste sent to landfill. It’s the aspect of waste that is of most interest to us and of most environmental concern, and for which we have the most accurate historical data. Previously, our goal was a 15 to 20 percent reduction in all forms of waste, per metric tonne of food produced, by 2015, using 2005 as a baseline. Our new goal is to further reduce waste sent to landfill by an additional 20 percent (per metric tonne of food produced) by 2015, using 2009 as a baseline.

We’ve established this new target from a 2009 baseline because, as seen in the figure on p. 18, we have already made significant progress in reducing waste sent to landfill.<sup>5</sup> In fact, we’ve decreased total waste sent to landfill by 36.3 percent since 2005, which equates to a 41.5 percent reduction per metric tonne of food produced.

The following are examples of our waste reduction and recycling activities this past year:

- » *Our facility in Wrexham, U.K., installed equipment that enables proper baling of plastic bags, film, cups and containers as well as aluminum cans, so that these items can now be recycled rather than sent to landfill. This has helped to decrease Wrexham’s waste sent to landfill to about 6 percent.*
- » *Our Botany plant in Australia has reduced its waste to landfill by 41 percent since 2006, such that now 95 percent of its waste is diverted from landfill to recycling.*

**Sustainable Packaging**

Kellogg Company’s packaging protects our products in their journey from our manufacturing facilities to retail locations to consumers’ homes. At the same time, packaging represents a challenge for society if it is not properly managed after use. And, it requires natural resources and energy to produce and transport. We estimate that packaging accounts for about 15 to 20 percent of our products’ lifecycle carbon footprint.

We are committed to reducing our overall packaging, increasing our use of recycled content as well as increasing the recyclability of our packaging. Our Global Sustainable Packaging Team, established in December 2008, developed a framework that will be used across the company to make packaging decisions that improve our package-to-food ratio, percent recycled material content and percent materials that are commonly recoverable.

The following are recent examples of our efforts to ensure more sustainable packaging:

- » *In India, our packaging plant revised case configurations and laminate specifications, thereby reducing the amount of packaging material per kilogram of finished food by 2 to 8 percent, depending on the product.*
- » *Kellogg Mexico reduced the size of liners for several kinds of cereal bars made at our Toluca and Linares plants. In the two years since, the project has saved 62 tons of packaging material and more than \$2 million.*

<sup>5</sup>The waste data includes Kellogg-owned manufacturing facilities only.





## Sustainable Agriculture

At Kellogg, our vision for our sustainable agriculture work is to:

- » *Identify agricultural practices and strategies that will help meet the world's growing need for safe, nutritious food;*
- » *Decrease impacts on the environment; and*
- » *Improve the social and economic well-being of agricultural communities.*

Kellogg is developing an ingredient sustainability matrix, which will show which ingredients are the most carbon- and water-intensive to grow. The

knowledge we are gaining in developing this matrix will help us as we engage with our suppliers—so we can set priorities for environmental improvements in our supply chain and determine where we can have the most meaningful impacts.

We are also participating in three collaborative efforts to promote sustainable practices in production agriculture.

» *Field to Market: The Keystone Alliance for Sustainable Agriculture, a multistakeholder group committed to achieving long-term continuous improvement in sustainable agriculture production.*

» *The Sustainable Agriculture Initiative Platform, a food industry effort in Europe and Australia that aims to share knowledge, raise awareness and support the implementation of sustainable agriculture practices broadly.*

» *The Roundtable for Sustainable Palm Oil, a group working worldwide to promote the growth and use of sustainable palm oil.*



## Employee Initiatives

We now have active “GoGreen Teams” in our European, Latin American, Asia Pacific and North American regions.

These teams sponsor events and activities that contribute, along with our corporate-wide initiatives, to

Kellogg Company’s progress toward the environmental goals outlined in this report. For example:

- » *The Latin American GoGreen Team’s “Go Paperless” campaign in Querétaro, Mexico, succeeded in reducing paper use in administrative areas by 59 percent in just two months.*
- » *The GoGreen program at our European headquarters in Dublin has succeeded in engaging employees to reduce waste sent to landfill by 75 percent and energy use by 25 percent since 2005.*

In September 2009, Newsweek ranked Kellogg 115th in its “green rankings” of the 500 largest U.S. companies. Kellogg was 7th out of 29 food and beverage companies.

## Challenges

Despite the good progress Kellogg made over the last year, we continue to face multiple challenges in our environmental efforts. In the area of energy and CO<sub>2</sub> emissions, for example, it is becoming clear that in the facilities and offices where we have implemented the more straightforward fixes (e.g., high-efficiency fluorescent lighting), further gains will require more complex and/or expensive solutions.

Engaging with our suppliers on environment- and agriculture-related issues also remains an important task. We know that our operations are part of a complex global system that will be under increasing strain, due to the need to provide food for a growing population using finite resources. We also recognize that long-term, sustained effort will be needed to partner with our agricultural (and other) suppliers in order to reduce the life-cycle environmental footprints of our products.

## Where We Are Going

We remain committed to meeting or exceeding our environmental goals by 2015. To make further progress, we are:

- » *Continuing to drive awareness throughout the company of our environmental impacts;*
- » *Identifying and implementing ways to reduce energy use, CO<sub>2</sub> emissions, water use and waste in our operations and distribution system;*
- » *Engaging with our suppliers to drive reductions in their CO<sub>2</sub> and water impacts;*
- » *Working to deepen our understanding of the lifecycle carbon and water footprints of our products, in order to identify the points of leverage at which we can encourage our suppliers to reduce their impacts;*
- » *Continuing to drive improvements in the sustainability of our packaging;*
- » *Exploring additional collaborative options with foundations, government agencies and NGOs on sustainable agriculture; and*
- » *Implementing our new environmental and safety management system.*

In the longer term, we aspire to be recognized as an energy-, water- and waste-efficient business. We also seek to firmly embed our sustainability strategies within our businesses across the globe.

### PARTNERING WITH STAKEHOLDERS ON SUSTAINABILITY ISSUES

*“At Keystone we like to say that ‘sustainability is a team sport.’ Providing healthy and nutritious food in an environmentally, economically and socially responsible way requires multiple partners, including everyone in the supply chain that links the growers to the consumers.”*

Sarah Alexander  
Director of Sustainability and Leadership Programs, The Keystone Center



Social responsibility has been a key part of our heritage since our founding more than a century ago. Our stakeholders expect Kellogg to be a good corporate citizen, and we hold ourselves to this same high standard. We believe it's important to continue the commitments of our founder, W.K. Kellogg, by investing in our communities and assisting those in need.

Our charitable contributions and social responsibility programs are funded from two primary sources: Kellogg Company and Kellogg's Corporate Citizenship Fund. Four independent members of our Board of Directors guide our community engagement approach through the Social Responsibility Committee. The W.K. Kellogg Foundation, a separate and distinct entity, makes its own investments and is governed by its own independent Board of Trustees.

#### SINCE OUR LAST REPORT

Over the last 18 months, we have worked to shift our community investment programs to focus even more strategically on those that best align with our objectives as a global food company. To that end, we have been concentrating 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. As part of that realignment, we have been evaluating our philanthropic strategy to make fewer, but more impactful, investments.



### Strategic Philanthropy

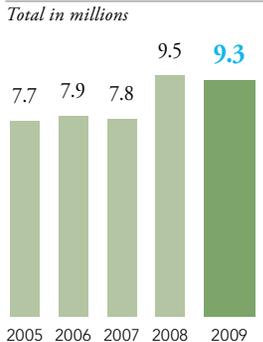
At Kellogg, we work to leverage our financial resources, work force talents and brands to support the communities in which we operate, as well as the global community overall. In 2009, we contributed more than \$9 million in cash and \$22 million in products to nonprofits and charitable organizations worldwide.

Kellogg allocates the equivalent of 2 to 2.5 percent of pre-tax profits to support social improvement initiatives. Each year, we aim to donate cash contributions (equal to half a percent of our pre-tax profits) to credible and effective nonprofit organizations. Kellogg also makes annual in-kind product donations, equal to 1.5 percent to 2 percent of pre-tax profits.

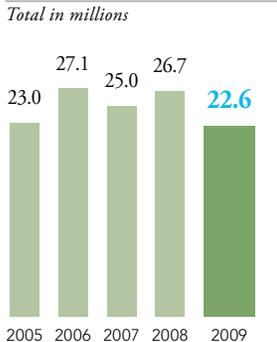
Our strategic philanthropy programs fall into three key areas: nutrition and physical fitness, including breakfast programs and hunger relief; community development; and initiatives that expand opportunities for people of diverse backgrounds.

(A list of programs we support is included in our full report.)

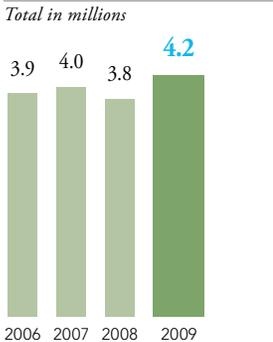
#### CASH CONTRIBUTIONS



#### IN-KIND CONTRIBUTIONS<sup>1</sup>



#### BRAND PHILANTHROPY<sup>2</sup>



<sup>1</sup>These products are valued at cost of goods sold.

<sup>2</sup>Data not available for 2005.

### Breakfast Programs

Scores of studies around the globe have consistently shown that children who eat breakfast have more physical and mental energy than those who do not. Breakfast eaters are also more likely to have healthier body weights, greater vitamin and mineral intakes and better memory skills. And, ready-to-eat cereals are a good source of vitamins and minerals for children.

Through Kellogg’s Corporate Citizenship Fund, we support researchers studying the impact of breakfast and the importance of fiber as part of our efforts to encourage better health. In a number of countries where government-sponsored breakfast programs do not exist, Kellogg’s Corporate Citizenship Fund has supported the development and promotion of “breakfast clubs”—school-based programs that serve hundreds of thousands of morning meals to children each year.



## Brand Philanthropy

IN 2009, OUR INDIVIDUAL BRANDS SUPPORTED A WIDE RANGE OF CHARITABLE AND PHILANTHROPIC INITIATIVES, INCLUDING THE FOLLOWING:

- » In Mexico, several Kellogg brands sponsored a program to protect endangered sea turtles, releasing one turtle back to the sea for the purchase of each box of Zucaritas® (Frosted Flakes), Eggo® and Special K®, among other brands.
- » Also in Mexico, Special K® donated funds for breast cancer research. And in South Africa, Special K® donated funds to Pink Link, a breast cancer support network.
- » In the U.K., a promotion for Coco Pops® (in partnership with the Born Free Foundation) resulted in a £50,000 donation to help establish a wildlife sanctuary in the African nation of Malawi.
- » In Sweden, we partnered with the Swedish Cancer Foundation to raise \$190,000 through sales of Special K®.
- » In Ireland, a Corn Flakes® promotion garnered enough support to fund the planting of 579,000 trees in Africa, thanks to a €10,000 donation from Kellogg, plus €40,000 from consumers. Kellogg Company’s Ireland business made another €20,000 donation, also through a Corn Flakes® promotion, to fund a milk storage facility for rural dairy farmers in Uganda.
- » In Canada, Rice Krispies® continued to spread the message of philanthropy through its Share a Square program, which encourages Canadians to give back to their communities and instill charitable habits in young children. In mid-2009, we committed to donating one dollar to Breakfast Clubs of Canada—up to a maximum of \$100,000—for every box of Rice Krispies® cereal and Rice Krispies Square Bars® sold.



## Product Donations

Kellogg recently revised our policy relating to products that are damaged during transit and are unfit for sale in stores. In the past, these products would be labeled as waste. We amended our policy in early 2009 to allow these products to be donated, as long as they meet our strict quality checks. In 2009, nearly 44,000 cases of products—with a retail value of more than \$2.1 million—went to food banks rather than landfills.

### Hunger Relief

The economic recession has challenged food banks across the U.S. to keep pace with a 30 percent increase in demand for food assistance. In response, Kellogg made the decision to donate an entire day's worth of cereal production to Feeding America, the nation's largest hunger relief organization. In total, we produced and donated 3.7 million pounds of cereal—worth approximately \$10 million in retail value—or about 55 million servings.

This donation was the first time in Kellogg history that we ran our production lines specifically for charitable contributions, and we are the first large food manufacturer to do so.

### Physical Fitness

Physical fitness is a cornerstone of good health, and we look for partnerships that will help people stay active—from swimming programs and competitions in the U.K., Ireland and Sweden to soccer programs in Mexico.

### Community Development

Kellogg looks for ways we can support the communities in which we do business, and in which our employees and their families live.

One of our largest companywide efforts in the U.S. focuses on United Way, which we have supported for years through corporate contributions and dollar-for-dollar matches of employee and retiree pledges. In 2009, \$5.9 million was pledged to benefit 28 communities; this includes employee and retiree pledges, as well as a company

dollar-for-dollar match. Each year, we support United Way Days of Caring, encouraging and arranging volunteer opportunities for our employees. In 2009, more than 2,000 employees participated in service projects in their communities.

In India, Kellogg employees contributed about \$7,700 to a United Way of Mumbai program. And in Canada, the company and plant employees contributed \$120,000 to the United Way of London and Middlesex and \$25,000 to United Way of Quinte in 2009, bringing our total contributions to date to over \$2 million.

### Challenges

While key performance indicators are an important measure of a company’s social responsibility efforts, it is often challenging to establish meaningful quantitative metrics in the area of our community work. We are committed to making sure that the dollars and products we contribute are having a positive impact, and we will continue to explore and refine ways to evaluate our effectiveness.

### Where We Are Going

We will continue to concentrate on the programs that best align with our business focus—namely, nutrition, fitness and health. In the coming years, we will be working to ensure that each of our core markets has resources in place to effectively make and manage charitable contributions. We are also striving to foster strategic and enduring partnerships that continue over time.



### United Way Awards

During some of the toughest economic times in U.S. history, Kellogg and its employees continued to give and volunteer in their communities. In recognition of these efforts, United Way presented Kellogg with its highest national award in 2010: the Spirit of America® Award for our comprehensive commitment to strengthening communities. This marked the fifth consecutive year that the United Way has recognized Kellogg.

In 2009, the organization gave Kellogg three prestigious Summit Awards—for Corporate Philanthropy, Community Investment and Community Volunteerism. And in Ontario, Canada, the United Way of Quinte gave our Belleville Plant its annual Spirit Award in recognition of the plant’s support for the charity.

<sup>3</sup>To protect their privacy, this report uses first names and last initials only for our non-executive employees.

### COMMENTS ON KELLOGG COMPANY’S DONATION OF A DAY’S WORTH OF CEREAL PRODUCTION TO FEEDING AMERICA

*“As someone relatively new to Kellogg, I had heard a lot about the leadership Kellogg has always shown to provide for people in need. When I was asked to help deliver this effort, I had no idea that I would be participating with a group of professionals that were so committed to doing all they could to get food to those in need. The heartfelt energy around the Feeding America donation was infectious. I’m proud to be a part of this company.”*

Daniel T., Senior VP, Customer Logistics Services, Kellogg Company<sup>3</sup>

*“I wanted to send the Kellogg Company a note of thanks for your ‘day of production.’ The role modeling Kellogg is playing within the food industry will have great influence and consequence. We have talked for years about just such a program and have hoped and prayed that a very significant and well-respected company like Kellogg would one day set the example. Our hope is that it will be emulated by others around the world.”*

Bill Bolling, Founder & Executive Director, Atlanta Community Food Bank



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Your feedback will help us improve our future reporting,  
and we welcome your comments and opinions. E-mail us  
at [corporateresponsibility@kellogg.com](mailto:corporateresponsibility@kellogg.com).



2009 Corporate Responsibility Report