

Kellogg's

2010 CORPORATE RESPONSIBILITY REPORT





CONTENTS

WELCOME	4
EXECUTIVE MESSAGE	5
2010 ACTIVITIES AT A GLANCE	6
COMPANY PROFILE	7
STRATEGY, MANAGEMENT AND ENGAGEMENT	8

	MARKETPLACE	12	
	WORKPLACE	22	
	ENVIRONMENT	28	
	COMMUNITY	38	

WELCOME



Welcome to Kellogg Company's 2010 Corporate Responsibility Report.

This report, which covers calendar year 2010, is intended to provide information useful to our stakeholders, including our consumers, employees, customers, investors, business partners, community members, and governmental and nongovernmental organizations.

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), our nutrition website (www.kelloggnutrition.com) and our various regional websites around the world. The report received extensive internal review by subject-matter experts and our Executive Leadership Team, composed of our top executives.

For this report, we used the Global Reporting Initiative (GRI) G3 Guidelines, which provide a recommended framework and indicators for reporting. We are reporting at a GRI-checked application level of "B." A GRI Index, which details the indicators covered and their locations in this report, is included online, at www.kelloggcompany.com/CR. (The text of the online and print versions of the report are otherwise identical.) 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 2011, Kellogg Company will make a one-time donation of \$5 to the Global FoodBanking Network—up to \$10,000.





Kellogg's

W.K. Kellogg put his signature on every package of cereal to express his personal pledge to quality and nutrition.

EXECUTIVE MESSAGE

As Kellogg Company's chief executive officer, I'm pleased to introduce our third-annual global Corporate Responsibility Report.

I was elected to this position in December 2010 and began serving in January 2011, following a difficult year for Kellogg. The global recession has challenged our business, as it has many of our food industry peers. Yet we continue working to enhance our corporate responsibility efforts, and our commitments to our customers, our employees, our communities and the natural environment remain strong. We know this is the right thing to do for all of our stakeholders.

Corporate responsibility has been a vital part of our heritage, dating back more than a century to our founder, W.K. Kellogg, who had a strong commitment to nutrition, health and quality. His legacy still informs and inspires us in all we do, from the products we make to our community investments.

The food industry continues to face ever-greater social challenges, such as feeding a growing population, battling world hunger, improving nutrition and addressing the obesity epidemic. These have been historically—and will continue to be—key concerns for Kellogg.

Such social challenges are linked to global environmental challenges, which remain key concerns for Kellogg as well. For example, we're more aggressively addressing the issue of water, and its important links to environmental and social problems ranging from climate change to public health.

New projects we have undertaken in recent years are helping to make Kellogg an even better company—and an even better corporate citizen—and we're seeing good outcomes from recent investments in each of our four pillar areas: marketplace, environment, workplace and community.

For example, we have been working to improve the nutrition credentials of our food. Indeed, the single biggest societal impact we can have as a company is to make food

that tastes great and contributes to a healthier diet. Over the last few years, we have focused more resources on renovating products to improve their nutritional value.

In the environmental arena, we are making good progress toward our 2015 environmental performance goals, particularly our waste reduction goal. We made solid strides this past year toward our energy use, greenhouse gas emission and water use goals as well, and launched a global water risk assessment process.

We continue to work to make our company an employer of choice through programs like Feeling Gr-r-reat™, which encourages health and wellness among our workforce, and through enhanced employee safety initiatives.

Another important area for us is employee diversity and inclusion. This year's report highlights our recent success with a program designed to increase the number of women in our manufacturing operations. But while we are making progress, we realize we have a long way to go when it comes to diversity, particularly at senior levels of the organization. On the whole, we are not as representative of our consumer base as we would like to be.

We strive to make a significant difference in the communities where we live and work, particularly through our food donation programs, our physical fitness outreach and our work with the United Way and other charitable organizations. The W.K. Kellogg Foundation (www.wkkf.org) also continues our founder's legacy in its support of children, families and communities.

We see corporate responsibility only growing in importance as we continue to work more collaboratively with customers, consumers, investors and other stakeholders to develop innovative solutions to important societal concerns. Corporate responsibility is a continuous journey for our company and one to which we are fully committed.

John A. Bryant

President

Chief Executive Officer

April 2011



KELLOGG CORPORATE RESPONSIBILITY 2010 ACTIVITIES AT A GLANCE

Kellogg Company is committed to building a stronger business while acting responsibly toward our customers and consumers, our employees, our communities and the environment. Our third-annual Corporate Responsibility Report includes a comprehensive update of the company's progress and performance in four key areas: marketplace, workplace, environment and community. The boxes at right highlight key activities and achievements in 2010 in each of these corporate responsibility pillar areas.

Reduced **sugar and sodium** and continued to **increase fiber** in many products globally.

Participated in the **Healthy Weight Commitment Foundation** (a coalition of 100+ food companies and other stakeholders), which pledged to collectively remove 1.5 trillion calories from members' products in the United States by the end of 2015.



Partnered with other U.S. food companies on a uniform, fact-based, front-of-pack **nutrition labeling system**.



Further embedded our **Global Supplier Code of Conduct** into our supplier relationships.

Became **one of the first companies** worldwide to submit water use data to Water Disclosure, a new global data repository.



Reduced waste sent to landfill by **20 percent** (per metric tonne of food produced) since 2009, our baseline year. This represents a 51 percent decrease since we began tracking reductions in waste to landfill in 2005.

Launched a **global water risk assessment process**.



Significantly **increased** the size of our **North American corporate safety staff**.



Garnered the **United Way's prestigious "Spirit of America" award** for our philanthropic efforts.

Were named one of the **"2011 Best Places to Work for LGBT Equality"** by the **Human Rights Campaign**, the leading lesbian, gay, bisexual and transgender (LGBT) civil rights organization in the U.S.

Were included on the lists of:
World's Most Admired Companies—*Fortune* ranked Kellogg 5th in the global consumer food products industry.
America's Most Reputable Companies—*Forbes* ranked Kellogg 5th overall (ranking released in 2011).

COMPANY PROFILE ¹

With 2010 sales of more than \$12 billion, Kellogg Company is the world's leading producer of cereal and a leading producer of convenience foods, including cookies, crackers, toaster pastries, cereal bars, frozen waffles and vegetable-based meat alternatives.

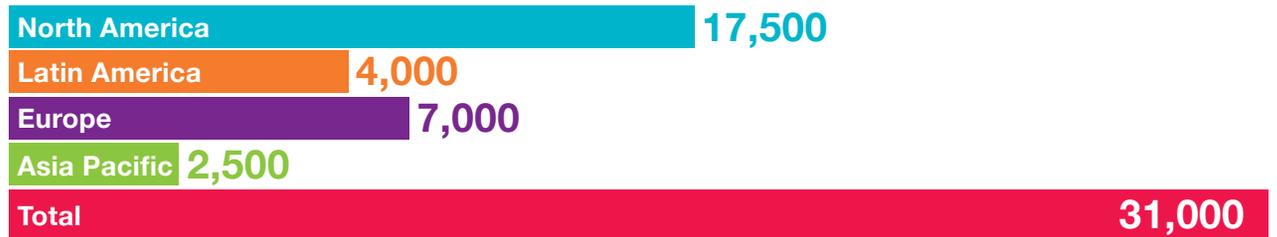
KELLOGG COMPANY OPERATIONS ²



\$12.4 billion	2010 Net Sales
\$1.2 billion	2010 Net Income Attributable to Kellogg Company
-1%	2010 Shareholder Return
\$3.30	2010 Diluted Earnings Per Share
\$534 million	2010 Cash Flow ³
\$10.407 billion	2010 Operating Costs
\$474 million	2010 Capital Expenditures
\$502 million	2010 Income Taxes
\$31.9 million	2010 Community Investments



APPROXIMATE EMPLOYEE NUMBERS BY REGION



To learn more about our company, visit www.kelloggcompany.com. Information on our U.S. brands can be found at www.kelloggs.com. In addition, our company's various regional websites provide information on our global operations and brands sold outside the U.S. For links to our global sites, see www.kelloggcompany.com.

Kellogg is a publicly traded company headquartered in Battle Creek, Michigan. 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.

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 2010.

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.

STRATEGY, MANAGEMENT AND ENGAGEMENT

CORPORATE RESPONSIBILITY STRATEGY

We have a comprehensive, global corporate responsibility strategy to help guide our decisions in light of ever-changing environmental, social and economic conditions.

The strategy, which we first developed in 2008 to consolidate our many existing efforts in these areas, aligns with our vision, mission and statement of purpose, which can be found at www.kelloggcompany.com. The strategy identified our major corporate responsibility issues based on a materiality analysis that defined the most important areas for both our company and our stakeholders.⁴ The material issues were grouped into four pillar areas—marketplace, workplace, environment and community. These areas continue to form the structure for this report and serve as the basis for the further development and implementation of our strategy.

Across the corporate responsibility pillars, we have created new programs and continued to engage with groups both within and outside our industry on key issues such as obesity and nutrition. Examples of these initiatives can be found throughout this report.

We are also driving progress toward our environment pillar goals. We recognize setting goals and metrics in other pillars remains an opportunity.

⁴ 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.

We have articulated our ambitions for each of our pillars, as follows:

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.

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.

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.

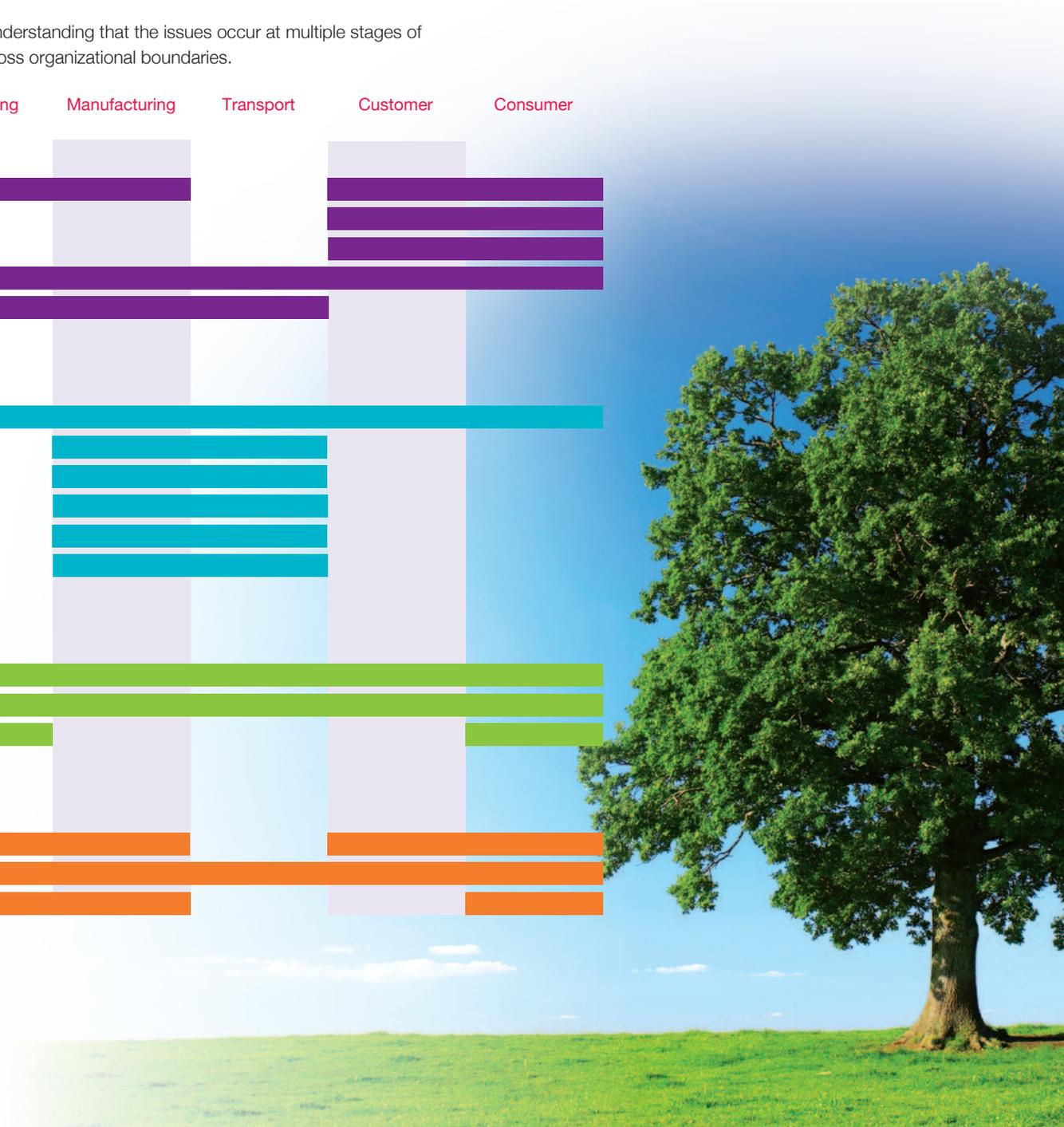
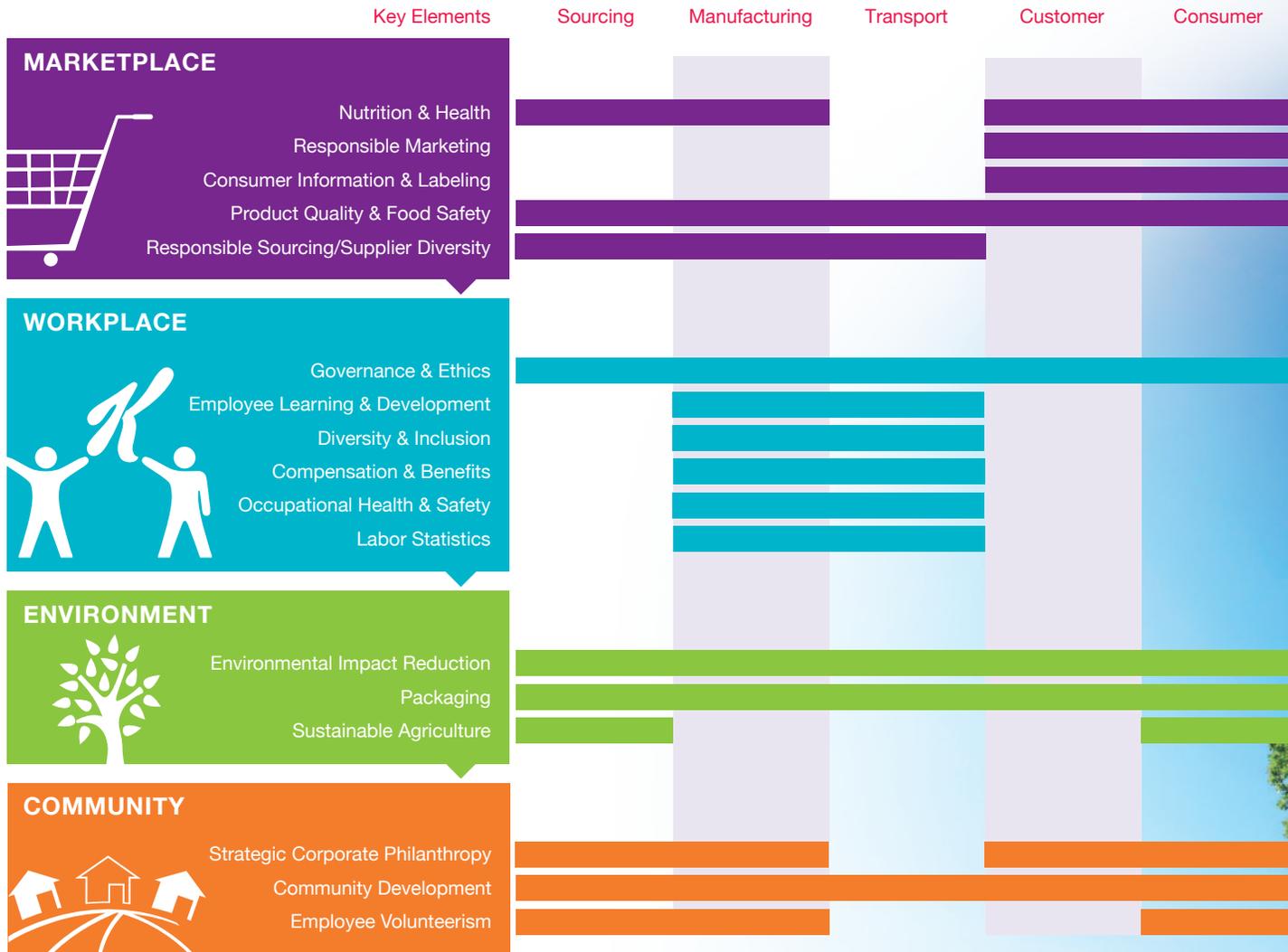
COMMUNITY AMBITION

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.



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.



CORPORATE RESPONSIBILITY GOVERNANCE AND MANAGEMENT

We have a corporate responsibility governance structure that outlines accountability for driving progress toward our corporate responsibility 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. The committee, which has been in existence since 1979, met twice in 2010 and 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 environmental performance. 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. Our corporate responsibility strategy has been fully integrated into our business, with subject-matter experts for each pillar area who report on progress to the heads of their business units.

Kellogg Company's cross-functional Emerging Issues Team meets regularly with our Executive Leadership Team and helps us keep 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.

ETHICAL CONDUCT

Kellogg Company requires of its employees ethical conduct and a commitment to compliance with all applicable laws, company policies and our *K Values*[™]. The *K Values*[™] shape our culture, serve as our social contract and guide the way we run our business.

The most important factor in creating and reinforcing such a culture is the commitment of corporate leadership, particularly at the Board and senior management levels. Kellogg employees at all levels take the *K Values*[™] seriously, and we refer to them regularly in our work. Most of our new employees take part in an orientation program — customized to each location — that includes training in the *K Values*[™]. This ensures that all employees understand what those values are and how to put them into practice. In addition, employee performance reviews take into account employees' adherence to and demonstration of the *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.



Our Global Code of Ethics guides the business practices of all Kellogg employees worldwide. Nearly all employees with access to company computers complete annual Compliance and Ethics Training, which is conducted in 13 languages and has been in place since 2000. We also distribute paper-based training to our sales employees.

In 2010, we implemented changes to our online ethics and compliance training program to continue improving its relevance to the Kellogg business. In addition, employees now participate in four shorter, quarterly training programs, rather than one longer, annual course. The more frequent training sessions allow for improved employee engagement and keep employees more up-to-date on ethical issues and concerns.

In the fourth quarter of 2010, nearly 14,000 employees (or almost half of our global workforce) received ethics training, totaling more than 7,000 hours. We expect as many or more employees will participate in quarterly ethics training in 2011.

We also provide enhanced training and compliance courses relating to the Foreign Corrupt Practices Act, to ensure that our employees fully understand what constitutes bribery, and our policies against it.

We have 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 anonymously. Our Corporate Governance Guidelines, Global Code of Ethics and additional information about our governance systems can be found online at www.kelloggcompany.com.

RESPONSIBLE SOURCING

In 2010, we fully implemented our Global Supplier Code of Conduct, further embedding it into our supplier relationships. For information on our responsible sourcing strategies, please see the Marketplace section of this report.

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, we are working with the Consumer Goods Forum, a global network of more than 650 retailers, manufacturers and others in the consumer goods industry, on four key areas relating to sustainability and climate change: carbon measurement, refrigeration, packaging and helping to achieve net-zero deforestation. We also 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. Other examples of stakeholder engagement are included throughout this report.



NUTRITION AND HEALTH

Our founder, W.K. Kellogg, dedicated his company to making “quality products for a healthier world.” That vision continues to guide our commitment to producing high-quality and nutritious foods that meet individual dietary needs and taste preferences.

In 2010, we continued our focus on innovating new products and renovating existing brands, reducing “negatives,” such as sodium and sugar, and increasing “positives,” such as fiber and essential vitamins and minerals.

As we continue to reformulate our products, we are committed to aggressively pursuing sodium and sugar reductions without compromising taste. In the U.K., for example, we announced a program to deliver a 15 percent sugar reduction in our *Coco Pops*® cereals. We plan to further lower the sugar content in our *Coco Pops*® products in the U.K. market, provided they pass consumer taste tests, and we are looking at ways to replicate these types of sugar reductions in other markets.

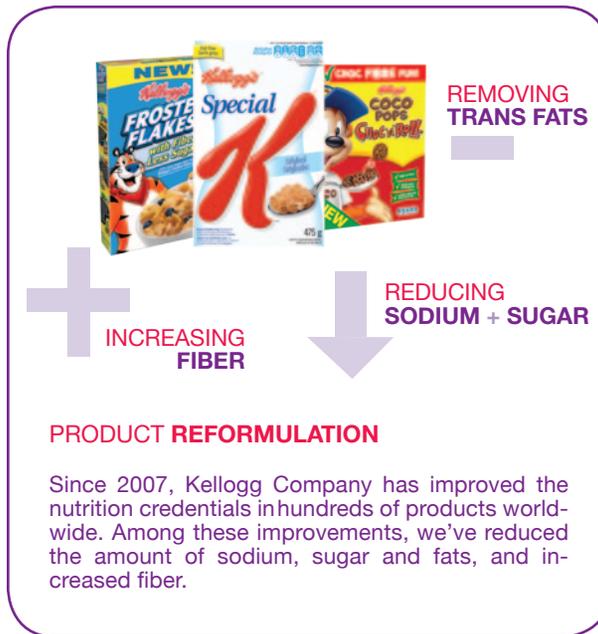
In terms of sodium, from 2007 through 2010 we reduced the average amount of sodium per serving in our ready-to-eat cereals in our core markets¹ by 13 percent. We had a number of notable examples of sodium reductions in 2010. In

THE WHOLE (GRAIN) TRUTH

Not all foods that contain whole grains are a good source of fiber; in fact, some foods that contain whole grains contain very little fiber. While whole grains contain essential nutrients, the fiber content of foods that contain whole grains varies greatly. Kellogg is working to educate consumers and clarify confusion about the difference between fiber and whole grains through a number of sources, including the labeling on our packages and our websites. (For more information, see www.kelloggnutrition.com.)



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



Europe, for instance, we lowered sodium by 30 percent in *Rice Krispies*® and *Kellogg's Corn Flakes*®, thereby simultaneously lowering the sodium in other popular cereals (such as *Crunchy Nut*®, *Frosties*® and *Coco Pops*®) that use the formulas for *Rice Krispies*® and *Kellogg's Corn Flakes*® as a base.

In Canada, meanwhile, we lowered sodium an average of about 20 percent in popular cereals such as *All-Bran*®, *Special K*® and *Kellogg's Raisin Bran*®, among others. *All-Bran*® dropped from 310 milligrams of sodium per serving to 190 milligrams—a reduction of nearly 40 percent.

These cereal products have very few ingredients, so achieving significant reductions in sodium and sugar do not come easily. Like many other food manufacturers, Kellogg struggles with finding ways to reduce the sodium in our foods yet

² The U.S. Food and Drug Administration (FDA) defines a “good” source of fiber as containing 3 grams or more per serving.

³ Based on a Kellogg audit of national breakfast cereals in September 2010. The data was drawn from label, website and a syndicated database and includes nationally distributed ready-to-eat cereals from Kellogg, General Mills, Post, Quaker and Malt-O-Meal.

still maintain great taste. While we have found acceptable substitutes for sugars and fats, there currently is no satisfactory (nor palatable) replacement for salt that can be used in commercial foods. We continue to study emerging substitutes and will consider including them in our products if extensive tests prove they are safe and reliable.

Our Snacks business also had some noteworthy product renovations this year, including a 10 percent sodium reduction in the *Cheez-It*® cracker portfolio—our largest U.S. cracker brand. We also introduced fiber into a number of snack products, including *Special K*® crackers and bars and *Nutri-Grain*® bars.

FOCUS ON FIBER

In 2010, we continued to emphasize the importance of fiber and whole grains, particularly in the U.S., where the diets of more than 90 percent of adults and children fail to meet government guidelines for dietary fiber intake. Today, as a result of our focus, Kellogg Company offers more ready-to-eat cereals that are *at least* a good source of fiber² and provide at least 8 grams of whole grains than any other food company.³

INVESTING IN CEREAL SCIENCE AND NUTRITION RESEARCH

Recognizing the contribution of cereal to consumers' overall health and the importance of ongoing innovation, Kellogg Company endowed the W.K. Kellogg Chair in Cereal Science and Nutrition at Catholic University of Leuven in Belgium, one of the oldest universities in Europe. Named after our founder, this position, created in 2010, will support education and research on the health benefits of cereal grains. We chose Catholic University of Leuven for this future-focused work because it conducts the most respected research in cereals and fibers.

Celeste A. Clark

Senior Vice President,
Global Public Policy
and External Relations,
Chief Sustainability
Officer



“ At Kellogg, we're proud of our heritage as a company that produces a range of great-tasting and nutritious products for consumers. And we're constantly working to improve the nutrition credentials of our foods.

As we look at ways to refine our nutrition strategy, we are focusing on product renovations and innovations that increase positives (such as fiber), reduce sugar and salt, and eliminate ingredients such as hydrogenated fats. We've been making great strides in these areas.

As one of the world's leading food producers, we can have a big impact on consumer health by making even small nutrition improvements in our foods. Typically, consumers aren't aware that we've made an improvement, such as a sodium reduction, because we have done it in a way that does not change the taste. We call these 'stealth' health renovations. ”

Cereal: The Complete Story

Cereal makes many positive contributions to the diet. As the leading provider of ready-to-eat cereals, it is important to share the latest scientific research about breakfast in general—and cereals in particular. To do so, Kellogg developed *Cereal: The Complete Story*, a four-part video series and 12-page Research Compendium of facts, including the following:



- Cereal is a low-fat, nutrient-dense food and, when served with milk, is the leading source of 10 nutrients in the diets of children in the U.S.⁴
- Cereal begins with simple grains, a foundation of all diets. *Rice Krispies*® are primarily puffed rice grains; *Kellogg's Corn Flakes*® begin with flattened grits of corn; and *Frosted Mini-Wheats*® come from shredded wheat berries.
- Overall, breakfast cereal provides a relatively small portion—5 to 7 percent—of the average child's daily sugar intake.
- In the U.S. and Canada, sodium from cereal contributes 2 to 3 percent of the sodium in the average consumer's diet.
- Regular cereal eaters, including children, tend to be slimmer than those who do not eat cereal regularly.

For more information, see <http://kelloggsvideos.com/>.

DIETARY GUIDELINES IN AMERICA

For more than a century, Kellogg has relied on scientific evidence and public policy—including the Dietary Guidelines for Americans⁵—to help guide our product development and nutrition communications. We believe the food industry plays an important role in helping Americans meet the Dietary Guidelines, which were revised for 2010, and we take seriously our responsibility to make a positive contribution.

Kellogg Company applauds the members of the Dietary Guidelines Advisory Committee for helping consumers better balance the calories-in/calories-out equation and make informed dietary choices. This guidance is useful, and we take it into account as we continually enhance our current portfolio and develop new products. For example, Kellogg has improved hundreds of products worldwide in the past three years—reducing sugar and sodium, removing trans fats and increasing fiber.

We were also pleased to see fiber identified as one of four nutrients of concern in the 2010 Dietary Guidelines.

⁴ NHANES, 2003-2006

⁵ The Dietary Guidelines for Americans, which are reviewed by a scientific panel every five years, contain the latest science-based nutritional and dietary guidance for the general public. The Guidelines provide the foundation for federal nutrition-education and promotion programs, as well as the basis for federal food-assistance programs.

THE OBESITY CHALLENGE

During 2010, concern about obesity continued to increase, as reflected, for example, in First Lady Michelle Obama's *Let's Move* campaign to curb childhood obesity through calorie reductions and increased exercise. Approximately 20 percent of children in the U.S. are obese, while about one-third are overweight.⁶

We believe that all foods have a place in the diet, with balance and moderation, and, when coupled with exercise, can be part of a healthy lifestyle. Kellogg is playing a role in the Healthy Weight Commitment Foundation (HWCF), a coalition of more than 100 retailers, food and beverage manufacturers and nongovernmental organizations, among others. This first-of-its-kind initiative, which Kellogg fully supports, pledged in 2010 to remove 1.5 trillion calories from coalition members' U.S. products by the end of 2015, using foods and beverages available in 2008 as a baseline.

Kellogg and other HWCF food manufacturers are pursuing calorie-reduction goals by developing and introducing lower-calorie options, changing existing recipes where possible to lower calorie content, and reducing the portion sizes of existing single-serve products. Kellogg is helping to develop similar coalitions in other parts of the world.

In France, Kellogg has been a strong supporter of EPODE—the full name of which translates to “Together Let's Prevent Childhood Obesity”—a public-private partnership that encourages healthier lifestyles. In 2010, we contributed about \$135,000 to the organization. Launched in 2003, EPODE now extends to nearly 1.8 million residents in 167 cities in France, as well as 20 cities in Spain and eight in Belgium.

⁶ The U.S. Centers for Disease Control and Prevention determine overweight and obesity ranges for adults using weight and height to calculate a number called the “body mass index” (BMI). BMI is used because it typically correlates with a person's amount of body fat. An adult who has a BMI between 25 and 29.9 is considered overweight. An adult with a BMI of 30 or higher is considered obese.

⁷ Sources for obesity statistics: The International Obesity Task Force and the World Health Organization.

Obesity Around the World⁷

People over 15 years of age who are obese



WORLDWIDE INDUSTRY ENGAGEMENT

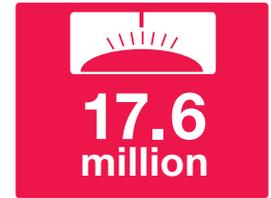
At Kellogg, we view industry collaboration as essential to providing meaningful contributions to complex societal issues such as obesity, food safety and responsible sourcing. We work with dozens of organizations, including the Consumer Goods Forum, the International Food and Beverage Alliance, the Grocery Manufacturers Association and the International Life Sciences Institute, among others. For a more complete list, please visit our website, www.kelloggcompany.com/CR.

NUTRITION EDUCATION

We believe Kellogg can—and should—play a role as a nutrition educator. We work with schools, parents and caregivers, nutritionists, governments and others to share informa-

PROMOTING HEALTH IN AUSTRALIA

In Australia, Kellogg has been an active participant in the Australian and New Zealand governments' “Food and Health Dialogue,” which includes government, industry and public health groups working together to address poor dietary habits and promote healthier food choices. In 2010, breakfast cereal manufacturers, including Kellogg, agreed to reduce by 15 percent the sodium content of ready-to-eat cereals that exceed 400 milligrams of sodium per 100 grams of cereal. The reductions will take place over four years.



Children under 5 worldwide who are overweight

tion about our products and communicate the importance of good nutrition habits, such as eating a healthy breakfast. (For more on our breakfast-related activities, please see the Community section of this report.) Recent initiatives include the following:

- In Canada, we hosted scientific programs for a number of educational forums, including the Dietitians of Canada Annual Conference, the Canadian Association of Cardiac Rehabilitation Annual Conference and the Canadian Nutrition Society Annual Conference. We also implemented a comprehensive program to educate health care professionals on the benefits of wheat bran fiber in promoting regularity.
- In Mexico, the Kellogg Nutrition & Health Institute (Instituto de Nutrición y Salud in Spanish) continued its outreach to help consumers make healthier choices. The Institute runs weekly broadcasts, targeting mothers, on a popular radio program with an audience of approximately 500,000. The topics cover nutrition, obesity, product labeling and related issues.
- In Australia, Kellogg has partnered with the Dietitians Association of Australia to run educational campaigns for doctors and dietitians about the benefits of dietary fiber and has launched a website for health care professionals (www.kelloggnutrition.com.au).



RESPONSIBLE MARKETING

Kellogg has pledged to responsibly market our products and communicate their intrinsic qualities so that buyers can make informed choices.

Our Worldwide Marketing and Communication Guidelines (WWMCG) provide a consistent global framework for responsible marketing practices. They guide our advertising and marketing approach for digital and traditional media, in-school activities, licensed property use, contests and promotions, in addition to the related areas of privacy protection, e-commerce and other media. In 2010, we began revisions to the WWMCG, including updates to stay current with our environmental marketing guidelines and rapidly evolving forms of social media.

The WWMCG will include our new corporate guidelines for “green marketing” claims and iconography, such as packaging-reduction statements, that appear on our product packages and related literature. In the U.S., the Federal Trade Commission (FTC) in 2010 proposed revisions to its own “green guides” to help companies avoid making misleading environmental sustainability statements. We believe our guidelines, which include four symbols to help reduce consumer confusion, already meet the FTC’s proposed standards.

KELLOGG GLOBAL NUTRIENT CRITERIA

As of Jan. 1, 2009, we stopped advertising to children under age 12 those products that did not meet our Kellogg Global Nutrient Criteria (KGNC). We developed these standards to guide which products will be marketed to children. Based on a broad review of scientific reports, the KGNC set upper per-serving thresholds on calories, fats, sodium and sugar.

⁸ Our 2009 report incorrectly included Spain among the map of countries with pledge programs.



Kellogg participates in advertising self-regulatory pledge programs around the world.

MARKETING PLEDGES AND ADVERTISING CODES

Around the globe, Kellogg subscribes to advertising self-regulatory codes that exist in many of the markets in which we operate.

In Mexico, Kellogg recently joined with our industry peers to sign the Code of Self-Regulation on the Advertising of Food and Beverages Directed at Children (known as PABI in Spanish). Our marketing team reviews all company advertising before a television or radio commercial is aired to ensure it complies with our PABI commitments.

In addition, Kellogg has signed a number of industry pledges related to the responsible marketing of foods to children.⁸ These pledge programs go above and beyond advertising self-regulatory codes.

REGULATORY LANDSCAPE

As a global company, Kellogg faces an array of region-specific regulations related to product marketing. We engage with governments and regulatory bodies on issues such as consumer messaging and the validity of nutrition health claims on product packaging.

Kellogg stays abreast of the changes in the regulatory landscape to ensure that we are meeting all requirements. In Europe, for example, the European Food Safety Authority is continuing its work to approve more than 4,000 health claims.

AWARDS AND RECOGNITIONS

- In 2010, Kellogg was voted Canada's "Most Trusted Brand of Breakfast Cereal" in a survey conducted on behalf of *Reader's Digest* Canada.
- Kellogg Canada earned the No. 2 spot in the 2010 Corporate Reputation Survey conducted by Leger Marketing and published in *Marketing* magazine. The Top 100 rankings are based on a corporate reputation survey of 1,500 Canadians.
- In the U.K., we ranked second on the TNS Corporate Reputation Index for 2010. This index assesses companies on their business success, favorability, trustworthiness and product/service quality. The research found that even those who do not purchase our products strongly admire our brand.

CONSUMER INFORMATION AND LABELING

We have a longstanding commitment to using our packaging to help educate consumers. In the 1930s, Kellogg was one of the first companies to include nutrition labeling and product information on the side and back panels of cereal boxes. In 2005, our company pioneered the use of front-of-pack Guideline Daily Amounts (GDAs), which provide total calories, fiber, fat, sugar and other nutrient information.

We continue to look for ways to improve our nutrition labeling. In the U.S., Kellogg joined with leading food and beverage manufacturers and retailers to announce the most significant change to food labels in nearly 20 years: a new front-of-package nutrition labeling system that will make it easier for consumers to make informed choices both when they shop and at home.

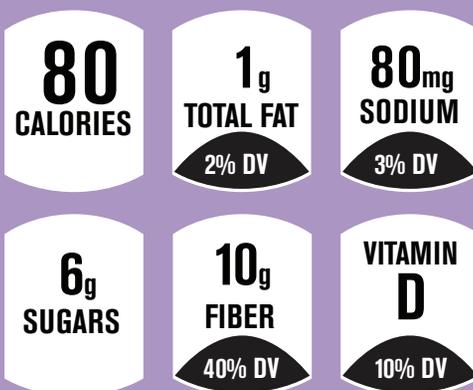
This "Nutrition Keys" program, which kicked off in early 2011, provides information about calories, saturated fat, sodium and total sugar content. Our goal is to transition over time from our current GDA format to the industry-wide approach across our entire U.S. product portfolio.

We are committed to a single, industry-wide approach to help consumers make informed choices through fact-based, simple and easy-to-understand information about how the key nutrients in each product fit in a balanced and healthy diet. To build consumer awareness and promote the use of the new label, Kellogg and our peer food and beverage manufacturers and retailers have agreed to support the change to the labels with a multi-million-dollar consumer education campaign.

In Canada, we joined with other companies in 2010 to announce our support of the Nutrition Facts Education Campaign. This campaign represents an innovative collaboration between Health Canada and Food and Consumer Products Canada to better enable Canadians to understand and use the Nutrition Facts table on packaged foods and make informed food choices using a new "% Daily Value" icon. Beginning in 2011, the icon will appear on three of our most popular cereals—*Kellogg's Corn Flakes*®, *Kellogg's Raisin Bran*® and *Just Right*®.



NEW FRONT-OF-PACKAGE NUTRITION LABELING SYSTEM



SALT VS. SODIUM

In Australia and New Zealand in 2010, we became the first food manufacturer to label salt in grams on our packaging, rather than labeling sodium in milligrams. We understand that many consumers have difficulty translating sodium in milligrams into recommended daily intake guidelines, which are provided in terms of grams of salt. We want to make it simpler for consumers to choose lower-salt options. We will be gradually implementing these labeling changes over time in our Australian and New Zealand markets.



PRODUCT QUALITY AND FOOD SAFETY

At Kellogg, there is no higher priority than the quality and safety of the more than 1,500 products we sell in 180 countries. We have extensive systems and processes in place to ensure that our foods meet our own strict quality and safety standards, as well as government regulations. We pursue partnerships with suppliers who meet our exacting requirements.

In June 2010, we voluntarily recalled about 19 million packages of cereal due to a substance in the package liners of the cereals that produced an uncharacteristic, waxy-like off-taste and smell. We immediately discontinued those particular wax liners, which were used in a limited number of products made at just one of our manufacturing plants. In the wake of the recall, we expanded our packaging quality department and met with our packaging suppliers to begin developing new testing and evaluation criteria for our packaging materials. We are now requiring packaging suppliers to perform additional quality tests on packaging materials, as of the first quarter of 2011.

In 2010, we updated our requirements for our suppliers, outlining food quality and safety expectations for companies that work with us. We distributed the Kellogg Company Supplier Quality Requirements Document to all our ingredient and packaging suppliers, as well as third-party contract manufacturers that produce some of our foods. The document provides requirements on the food quality and safety standards we expect of our suppliers, as well as our auditing expectations.



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 audits
- Allergen-control methods
- Global Food Safety Initiative certifications
- Systems for sourcing sensitive ingredients
- Co-manufacturing plant audits

SENSITIVE INGREDIENTS

Over the last two years, we have created new internal teams to audit suppliers of sensitive, high-risk ingredients, such as nuts and seeds, dried fruits and vegetables, and chocolate. During 2010, our audit teams visited each sensitive ingredient supplier in the U.S.—approximately 100 suppliers in total—to ensure they are maintaining our high standards.

We are also expanding our internal auditing teams to audit all suppliers—not just those of sensitive ingredients. Currently, these suppliers are required to conduct their own quality and safety testing. While this is a common industry practice, we intend to further strengthen our approach.



AUDITING STANDARDS

We voluntarily participate in the Global Food Safety Initiative, or GFSI, a set of industry standards launched in 2000 to improve food-safety management systems throughout the supply chain. External GFSI audits provide a basis for consistency for the industry.

Today, nearly all of our manufacturing plants and co-manufacturing facilities are GFSI certified. We will require GFSI certification for all ingredient suppliers as of June 30, 2011.

In addition to the external GFSI audits, we have our own internal audits to review our manufacturing facilities for quality, food safety, hygiene and sanitary design. These five- to seven-day audits are conducted at all of our Kellogg manufacturing facilities globally.

Kellogg relies on third-party co-manufacturing facilities to help produce some of our products. We have teams of Kellogg auditors who evaluate our co-manufacturing plants at least annually as part of our stringent supplier quality audit process.

FOOD SAFETY ADVISORY COUNCIL

Our Food Safety Advisory Council—comprised of external experts in toxicology, food science, regulatory issues, microbiology, the law and supply chain issues—helps us further strengthen our food safety practices by assessing food safety risks and developing strategies for future food safety initiatives.

Number of extensive audits we conducted in 2010 at company manufacturing, contract manufacturer and ingredient supplier facilities. **597**

POSITION ON NANOTECHNOLOGY

Nanotechnology is an enabling technology that will impact medicine, cosmetics, agriculture, food and food packaging. The FDA has not established its own formal definition for a *nano particle*, which can potentially cause changes in the physical, chemical and biological properties of a material.

Kellogg does not use nano materials.

INDUSTRY PARTICIPATION

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

- The Association of Food and Drug Officials
- The Grocery Manufacturers Association
- The International Association of Food Protection
- The International Life Sciences Institute

We are proud to be a member of the University of Georgia's Center for Food Safety and actively participate in their meetings, support applied research in food safety and present scientific papers. For a full list of our industry partnerships, please visit our website.

FOOD SAFETY MODERNIZATION ACT

We are pleased with the 2010 passage of new food safety legislation in the U.S. This legislation will enhance public health and safety by requiring important food safety protocols—protocols that we already have in place at Kellogg.

We are working with our ingredient, packaging and co-manufacturing supply chain partners to ensure they are fully compliant with the new food safety law. At Kellogg, we are committed to working with regulators, our industry peers, academia and our supply chain partners to improve the safety of food in the U.S. and around the world.

COALESCING TOWARD SUCCESS: MINORITY SUPPLIER DEVELOPMENT AT KELLOGG

In 2003, a young African-American food scientist named Angela Cauley decided to launch her own company for blended spices and seasonings. Less than a decade later, Coalescence, LLC, sells more than \$21 million worth of custom flavorings each year to Kellogg and other major food companies and restaurant chains.

The company's rapid success was a mixture of good timing, hard work—and some pivotal support from Kellogg Company's supplier diversity program. In Coalescence's early days, we saw the potential for the minority-owned company to thrive. Kellogg provided a scholarship for Cauley to attend business school and hone her skills.

In addition, Kellogg gave Cauley and her team the benefit of our professional expertise to help her business grow. For example, we sent several of our quality and food safety employees to the Columbus, Ohio-based company to coach her staff on industry best practices. We also worked with Cauley and her husband and business partner, Ian Blount, on a long-term financial growth strategy.

Coalescence's sales exploded between 2008 and 2009, jumping 760 percent from \$2.5 million in annual sales to \$21.5 million. Today, Coalescence is the sole supplier of seasonings to our *MorningStar Farms*® line of meatless products—an appropriate fit for Cauley, who is a vegetarian.

"Our company couldn't have grown like it did if it weren't for patience and support from Kellogg," Cauley said. "They put us on the map, and they gave us the ability to develop our business into so much more than we had imagined."

At Kellogg, we want diverse suppliers like Coalescence to grow and evolve with us. We look for ways to equip these companies with the tools they need—from ideas to resources to procurement dollars—to stay competitive and strong.

"Our supplier diversity program is about more than simply boosting the numbers of minority-owned companies in our supply chain," said Cathy K.⁹, director of supplier relations and diversity at Kellogg. "It's about partnering with companies to foster mutual success."

RESPONSIBLE SOURCING

Ensuring an ethical supply chain is an essential part of our sourcing strategy. We want customers to feel confident that the ingredients that go into our products are sourced responsibly.

Our Responsible Sourcing Framework focuses on four key areas: business ethics, labor standards, employee safety and health, and the environment. A primary component of this framework is our Global Supplier Code of Conduct, which requires compliance with applicable fair labor practices and business ethics, as well as pertinent environmental, health and safety standards. (See www.kelloggcompany.com.)

In 2010, we further embedded the Code into our supplier relationships. We now include the Code within the majority of new or revised contracts we sign with our suppliers. Kellogg will terminate our relationship with any supplier whose business conduct is inconsistent with our Code.

Kellogg seeks to implement our Code deployment strategy first with our direct suppliers who provide the ingredients that go into our foods and their packaging, and then with those who supply equipment and services to our company.



Angela Cauley

Ian Blount

Owners / Coalescence, LLC

Code of Conduct

98% of our direct suppliers have contracts that include our Global Supplier Code of Conduct

35% of our indirect suppliers have contracts that include our Global Supplier Code of Conduct¹⁰

Within our industry, we have been looking at ways to perform shared social accountability audits among common suppliers. Kellogg is a member of AIM-PROGRESS, which is specifically focused on addressing these issues globally.

⁹ To protect the privacy of our non-executive employees, this report uses first names and last initials only.

¹⁰ Direct suppliers include our co-manufacturing plants and providers of raw material ingredients and packaging materials. All other suppliers are indirect.

SUPPLIER DIVERSITY AWARDS

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

Corporate 101 – Top Companies for Supplier Diversity, MBNUSA magazine

SUPPLIER DIVERSITY

2010	\$425 million spent in the U.S. on goods and services from minority-and women-owned businesses
	\$333 million spent among 1st tier suppliers
Million Dollar Club 2010	44 companies in Million Dollar Club (41 1st tier, 3 2nd tier)
	7 companies in Platinum Club (businesses with which we spend \$10 million a year or more) (all 1st tier)
	3 companies in Diamond Club (businesses with which we spend \$25 million a year or more) (two 1st tier, one 2nd tier)

CHALLENGES WE FACE

Many of the challenges we face are ones we can't tackle alone—issues such as an increasingly obese population and a safe and secure supply chain. We're continuing to look at ways we can make a difference by partnering with industry, retailers, governments and nongovernmental organizations. But system-wide changes don't happen overnight.

We are a responsible food manufacturer in each of our regions, following local guidelines for nutrition, marketing and labeling. Ultimately, everything we do ties back to our global nutrition policy, which expresses our commitment to providing great-tasting choices that help consumers meet their nutrition needs.

WHERE WE ARE GOING

Looking ahead, we will continue to search for innovative ways to improve the nutrition credentials of our foods without compromising taste and quality. Our aim is always to provide choices that allow consumers to select the foods that are right for them. We will also remain focused on continuously improving the safety and integrity of the products we make.



WORKPLACE



Our founder, W.K. Kellogg, said: “Whatever success I have had in business has been a result of my good fortune in selecting employees who could do their jobs better than I could have done them myself.” More than a century later, we know that employees remain our most important resource. Our success today and tomorrow depends on them.



SINCE OUR LAST REPORT

Since we published our previous report in early 2010, we have continued to focus on improving our performance in key workplace areas. For example, we:

- Significantly increased the size of our corporate safety staff in North America and also added safety professionals in other global regions.
- Refreshed our global workforce safety policies and implemented a strict mobile electronics use policy for our U.S. sales employees who drive Kellogg-owned vehicles.
- Established a new “total health management” program for all employees.
- Introduced a new diversity training program in Latin America that focuses on the inclusion of workers from all economic backgrounds.
- Were named one of the “2011 Best Places to Work for LGBT Equality” by the Human Rights Campaign, the leading lesbian, gay, bisexual and transgender civil rights organization in the United States.
- Contributed nearly \$350,000 to diversity-related organizations, primarily to support scholarship programs that include diversity as a criterion.
- Launched a new leadership development program.

The major topics discussed in this section include:

- **LABOR STANDARDS**
- **TALENT MANAGEMENT**
- **DIVERSITY AND INCLUSION**
- **EMPLOYEE SAFETY**
- **EMPLOYEE HEALTH, WELLNESS AND BENEFITS**
- **CHALLENGES WE FACE**
- **WHERE WE ARE GOING**



LABOR STANDARDS

At Kellogg, we maintain high workplace standards at all of our locations worldwide. We aim to ensure a safe working environment, adhere to compensation and employment laws and regulations, and ensure that our employees have the right to choose whether or not to be represented by a union. We have not identified any Kellogg-owned operations at which the right of freedom of association is at risk or at which child labor or forced labor are a risk.

We work hard to maintain strong, positive relationships with our employees. Our corporate Labor Relations department supports all employee relations and union relations in North America. Outside North America, the corporate Labor Relations office collaborates with its international counterparts in our other regions to share best practices.

About 36 percent of Kellogg Company's global workforce is represented by unions. During 2010, we negotiated 23 collective bargaining agreements covering more than 1,600 workers in the U.S. and Canada.

We conduct regular audits at our manufacturing and distribution locations to ensure compliance with regulatory requirements and Kellogg policies in such areas as payroll, hiring practices, benefits administration and other employment practices. We also occasionally conduct external audits in areas such as the administration of benefits and payroll, to confirm our compliance.

Kellogg also requires ethical employment practices throughout our supply chain. Beginning in 2010, the majority of suppliers signing new or revised contracts with Kellogg must attest, in those contracts, that their practices align with our Global Supplier Code of Conduct. This Code states that we 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 and other forms of physical coercion. It also requires that suppliers ensure child labor is not used in any operation. See the Marketplace section for more on our Global Supplier Code of Conduct.

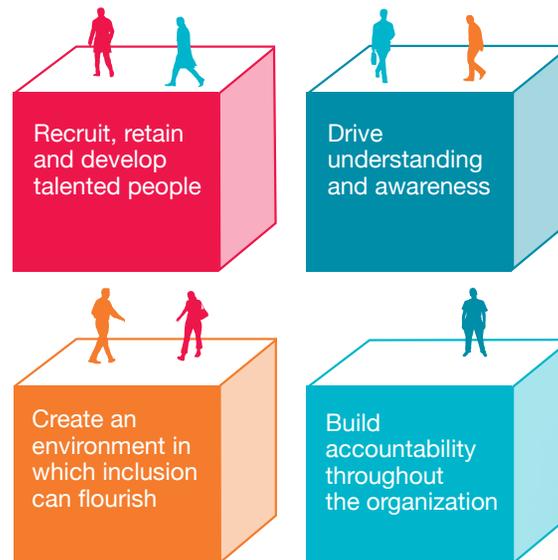
TALENT MANAGEMENT

At Kellogg, we know that our company grows when our people are encouraged to grow as well. Our Talent Management programs aim to develop the skills of our current and future leaders, so that they—and our business—continue to succeed.

Over the past year, we simplified the processes and technology supporting Talent Management. We also launched a new leadership development program. This program trained nearly all "people managers" in Kellogg North America (almost 600 of them) in how to coach their direct reports, to help improve individual performance and ultimately achieve better business results. Also in 2010, we developed training modules specific to individual business functions, such as marketing, sales and finance.

We continue to offer a strong talent development curriculum—for both managers and individual contributors—based on the Kellogg Business Leader Model. And we have continued to support senior leaders' development through the W.K. Kellogg Leadership Academy. Approximately 35 Kellogg leaders took part in this program in 2010.

The Building Blocks of Our Diversity and Inclusion Strategy



DIVERSITY AND INCLUSION

We know that a diverse and inclusive workforce strengthens Kellogg as a company. We are committed to ensuring diversity in terms of ethnicity, culture, gender, sexual orientation, age, geography, experience, skills and work styles. In July 2010, we expanded our nondiscrimination policy to include gender identity and gender expression.

Our Executive Diversity and Inclusion Council—a cross-functional group of senior leaders—champions diversity at Kellogg and oversees the implementation of our diversity and inclusion strategy. Our Office of Diversity and Inclusion worked with senior Kellogg leadership to develop that strategy and now partners with managers to implement it. Our managers are accountable for diversity and inclusion behaviors and results through our performance management process. For example, managers are assessed on how well they work to ensure diversity among job candidates.

In 2010, Kellogg offered four types of diversity training courses for our U.S. employees, to build awareness and understanding of the issues and teach how to put inclusion into practice.



We are working to ensure diversity and inclusion globally as well. For example, Kellogg Latin America conducted a 3½-day training program for our Latin American Leadership Team that focused on the full acceptance and inclusion of workers from all economic backgrounds. In Canada, we launched a new Kellogg Canada Diversity and Inclusion Council. Led by Canadian employees, the Council’s mission is to support and promote a diverse and inclusive culture across our Canadian business. And in Australia and New Zealand, we sponsored a series of “lunch and learn” seminars to provide women an opportunity to network and learn strategies for advancing their careers at Kellogg.

In the U.S. we sponsor six Employee Resource Groups (ERGs)—one each for our African-American, Latino, LGBT, multinational, female and young professional employees. The ERGs are open to all employees, and participation is voluntary. More than 2,600 people take part in these groups, which offer support, networking and development opportunities.

The ERGs assist with recruiting and retention and, increasingly, are contributing directly to business results. For example, our Latino and African-American ERGs recently assisted with market research by providing feedback on television advertising geared toward consumers from these ethnic groups. The effort helped Kellogg gain a richer understanding of these consumer segments and how we can most effectively communicate with them.

DIVERSITY AT KELLOGG

Two members of our Board of Directors are women, one member is African-American and one is Hispanic. Our 13-member Executive Leadership Team (ELT) includes three women, one of whom is African-American. In addition, the ELT is multicultural, with two Europeans, one Australian, and one Canadian.

Kellogg also supports a range of external programs that provide opportunities for individuals of diverse backgrounds. In 2010 we contributed nearly \$350,000, primarily to support scholarship programs that include diversity as a criterion. For example, we donated to 100 Black Men of America, the Organization of Chinese Americans, the Hispanic Scholarship Fund and the National Business and Disability Council, among others. Our donation to the National Association for the Advancement of Colored People funds that organization’s Law Fellows Program, a prestigious internship program dedicated to developing the next generation of civil rights attorneys.

For more information on diversity and inclusion at Kellogg, please see our Progress Report on Diversity and Inclusion, available at www.kelloggcompany.com.

2010 Diversity Recognitions

- Human Rights Campaign – “2011 Best Places to Work for LGBT Equality” due to perfect rating of 100 in its Corporate Equality Index
- National Association for Female Executives – top 50 companies for executive women
- *Working Mother* – 100 best companies for working moms
- *DiversityInc* – 25 noteworthy companies for diversity
- *Hispanic Business* – Diversity Elite 60
- *LATINA Style* – 50 best companies for diversity

2010

DIVERSITY TRAINING

FOR U.S. EMPLOYEES

4

Types of in-person diversity training courses were offered

590

Employees completed these courses



Debbie M.

Senior Vice President,
Customer Logistics
Services



“ In 2004, we had a low representation of women in our Supply Chain function, especially at the higher levels. So, the company launched a program to increase female employees’ opportunities for networking, training and advancement. (At Kellogg, when we talk about our organizational structure, ‘Supply Chain’ refers to our manufacturing operations and related departments, such as customer logistics services and procurement. It doesn’t relate to our suppliers.)

Called Women in Supply Chain, or WiSC, this voluntary program was created to enhance the success of women in Supply Chain and to foster leadership skills, offer professional development opportunities, enable networking and engage senior leadership in helping to overcome the barriers facing women, so that we would ultimately have better representation of women at all levels. WiSC now brings together salaried women from our Supply Chain function in the U.S. and Canada to participate in regional workshops and plant tours each year.

It has been a big success. In fact, the company views WiSC as one of the main factors behind the increasing number of women in Supply Chain at Kellogg. And we’ve received very positive feedback from participants.

I’ve been with Kellogg for 16 years and have been very fortunate to serve in a number of interesting roles. It’s a privilege for me to be involved with WiSC and to be a part of helping women develop professionally and have even greater impact within our company. I’m a strong believer that leveraging the diversity of our workforce makes us a stronger Kellogg Company and enhances our success. And I think this program is really helping us to do that. ”

WOMEN IN SUPPLY CHAIN AT KELLOGG

The number of women in our Morning Foods, Snacks and Frozen Foods operations has increased 349 percent from 2004 to 2010 (from 89 women to 400), while the number of women in the related business functions (such as Procurement and Global Engineering) has grown 83 percent (from 129 to 236).

EMPLOYEE SAFETY

Safety is a core Kellogg value, and we work to ensure the safety of our employees, our contractors and visitors to our facilities. We recognize that the strength of our global business depends on our employees’ health and well-being, which is why our objective is zero injuries and occupational illnesses. While we continue our journey, we expect at least a 15 percent reduction in injuries year over year. This year our safety performance internationally remained strong, but our performance in North America, after many years of incremental improvement, plateaued. The charts (on the right) show our global safety results for 2006 through 2010.

In 2010, our Total Recordable Injury (TRI) rate was 62 percent lower than the food industry average, and our Lost Time Injury (LTI) rate was 31 percent lower than the food industry average.

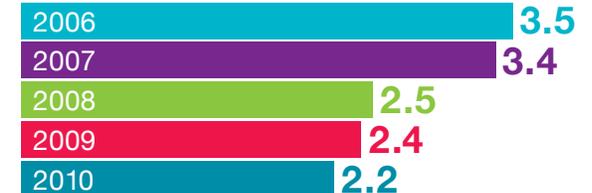
Tragically, we experienced a fatality in one of our facilities in Brazil in 2010—the first fatality at any Kellogg location since 2005. We deeply regret that this occurred.

As we continue our journey toward zero injuries, we are investing in tools and resources to improve safety. We significantly strengthened our safety management systems in 2010 with an emphasis on global consistency and collaboration. We restructured and added safety resources in several parts of the world, including significantly increasing the size of our North American corporate safety team. We also established a new Safety, Wellness and Incident Management initiative that will increase the collaboration of our safety, workers’ compensation and wellness managers in the U.S. And, we updated our workforce safety policies and performance standards, and developed several new ones, to ensure consistency globally.

Each sector of our business has safety improvement goals, and performance appraisals for plant managers and business unit leaders include an assessment of performance against these goals. Employees also receive comprehensive training on safety requirements. Safety performance is tracked and reported globally on a monthly basis. Also, we require our suppliers to have health and safety systems in place.

Global Workplace Safety

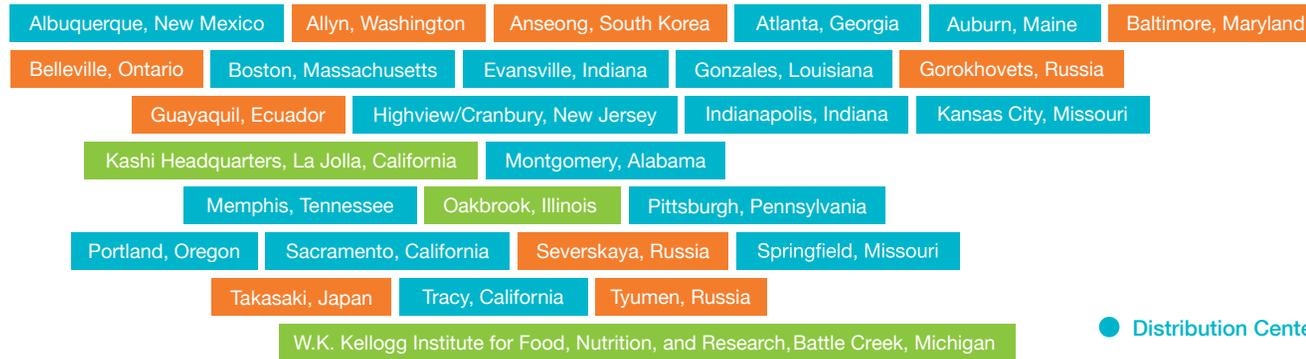
Total Recordable Injuries (per 100 employees)



Lost Time Injuries (per 100 employees)



Kellogg locations with no Total Recordable Injuries *and* no Lost Time Injuries in 2010



- Distribution Centers
- Office Facilities
- Manufacturing Facilities

Kellogg locations with no Lost Time Injuries in 2010



EMPLOYEE HEALTH, WELLNESS AND BENEFITS¹

In 2010 in the U.S., we secured a new vendor to launch an integrated total health management plan. This plan allows us to take a more holistic approach to disease and life-style management with our employees. It builds upon our Feeling G-r-reat™ program by offering a broad suite of wellness initiatives, including smoking cessation, diet and exercise programs and chronic disease management. The new platform will also allow our wellness program to expand to include employee spouses, domestic partners and retirees. In 2012, we hope to expand participation beyond the U.S.

Outside of the U.S., wellness programs have been developed to support local market needs. Programs range from annual health screenings to recreational sports leagues. In Mexico,

for example, our Linares plant sponsored an “environment and health week” in June 2010, during which employees could undergo health screenings and take part in seminars on office ergonomics, fire extinguisher usage and other topics.

To better align our retirement benefits with current industry practice in the U.S. and to remain competitive, we have replaced our defined benefit pension plans with an enhanced 401(k) plan for salaried and non-union hourly employees hired after Jan. 1, 2010. The new plan provides greater control, visibility and flexibility for employees to manage their retirement funds. In addition, we made new resources and tools available to employees to assist with

¹ Note that, generally, all of our salaried, non-union employees in the U.S. who work more than 20 hours per week are eligible for employee benefits.

Feeling Gr-r-reat Participation

In 2010, 68 percent of employees took part in Feeling Gr-r-reat™ health screenings, compared to 61 percent in 2009.



A number of Kellogg facilities around the world have achieved outstanding worker safety success in recent years. Among them is our cereal plant in Anseong, South Korea. The Anseong plant's 75 employees have not had a lost time injury nor a total recordable injury since late 2008.

Kelvin H., director of quality and technology for Kellogg Asia Pacific, attributes Anseong's success to both physical improvements in the plant and positive engagement with the workforce on safety issues.

"Over the past three years, the Anseong facility has made continual capital investments to the plant to improve safety," Kelvin said. "For example, they have installed improved guarding technology on the packaging and processing machinery to prevent injuries. They also reduced risk to staff from moving equipment by marking out clear paths in key areas and installing separating hand rails."

But Kelvin sees the plant's employee engagement efforts as pivotal. "At the beginning of each shift," he explained, "the employees participate in a discussion on the daily safety theme, and they make a verbal commitment to look out for each other's safety over the next eight hours. This team-oriented approach has been very effective." The plant also holds regular safety committee meetings and invests in safety training sessions delivered by outside specialists.

The graphic (on the previous page) shows the other Kellogg manufacturing facilities, office locations and distribution centers that achieved outstanding safety results in 2010. Seven of our manufacturing sites have had no LTIs for the past three years running. And in the U.S., 13 of our distribution centers have gone more 1,000 days since their last LTI, and nine distribution centers have gone more than 500 days without any recordable injury at all.

South Korea Plant Ranks Among Kellogg Company's Top Employee Safety Performers



retirement planning. Our defined benefit plans for employees hired before Jan. 1, 2010, remain fully funded with trust assets invested in a globally diversified portfolio.

Outside of the U.S., the company has undertaken similar efforts to align our retirement benefits with local market practices and provide education, as permitted by regulations, to assist with retirement planning.

OUR NEW MOBILE ELECTRONICS USE POLICY

In August 2010, Kellogg implemented a mobile electronics use policy that applies to U.S. sales employees who drive Kellogg-provided vehicles. The policy—which aims to prevent collisions caused by distracted driving—prohibits talking on cell phones (even hands-free) and sending or reading text messages while driving. The penalties for noncompliance are strong. For example, any employee discovered texting while operating a Kellogg-issued vehicle will be terminated.



RECOGNITIONS

- Kellogg was ranked 11th on the 2010 list of *Computerworld's* 100 Best Places to Work in Information Technology. The *Computerworld* survey also emphasized our company's ongoing commitment to diversity, and ranked Kellogg 3rd in that specific category.
- Kellogg Ireland was rated the top consumer goods company among companies with 50 to 250 employees in Ireland by the Great Place to Work Institute in 2011.

CHALLENGES WE FACE

Our safety metrics remain consistently better than the food industry average; however, our record of continuous improvement slowed in 2010, especially in North America. Driving further improvement in our safety performance thus ranks among our key aims for the coming year. Our new safety management resources, systems and policies are intended to help elevate this performance.

We also are continually challenged to ensure that our workforce mirrors the diversity of our customer base and the communities in which we are located. We know that we have room for improvement. We remain focused on not only recruiting, but retaining, a diverse and vibrant workforce.

WHERE WE ARE GOING

Going forward, we will continue to create new development programs that effectively target employee needs at key points in their careers. This will include consistent orientation practices for new hires, leadership development programs to increase our talent pipeline at the country manager and general manager levels, and an increased focus on function-specific training programs. In addition, we will work to develop and integrate a consistent global employee “brand” that allows us to leverage our heritage, brand equity and company reputation to recruit the most talented people.

Throughout our North American and Latin American operations, we are implementing new technology to better track workplace-related measures, such as employee demographics. Using the data gleaned, we hope to have more diversity metrics and other statistics to share in the future. In addition, we plan to conduct our periodic employee opinion survey in 2011, and the findings will be shared in our next report.

We remain wholly committed to attracting and retaining talented employees. With our values-driven culture and our strong commitments to positive labor relations, diversity, talent development, workplace safety and employee wellness, we feel confident we will continue to be seen as an “employer of choice” in the communities in which we operate.

ENVIRONMENT



As a global food company, natural resources are at the core of our business. We rely on agricultural systems for our food ingredients; we use energy and water in our manufacturing operations; and our packaging is made primarily from paperboard (most of it recycled). Clearly, we have a stake in helping to ensure a healthy environment and abundant natural resources for generations to come. That's why we are committed to conducting our business in a way that reduces our environmental impact.

SINCE OUR **LAST REPORT**

Since our previous report was published in early 2010, we achieved—and surpassed—our 2015 goal for reducing waste sent to landfill. In addition, we:

- Made steady gains toward our energy, greenhouse gas (GHG) and water goals.¹
- Conducted a water risk assessment for all Kellogg plants worldwide.
- Were among the first companies globally to submit water use data to Water Disclosure, a new global data repository.
- Made sustainability commitments (together with other members of the Consumer Goods Forum) relating to carbon measurement, refrigeration, packaging and helping to achieve net-zero deforestation.
- Expanded our engagement with suppliers on issues relating to sustainable agriculture.
- Updated our global standards—and introduced several new ones—relating to environmental performance.
- Made important packaging improvements, particularly in our Snacks business.
- Implemented a new environmental and safety management system at Kellogg sites globally.

¹ Due to improved data analysis, our previously reported data for energy use, GHG emissions, water use and waste for the years 2005 to 2009 have been slightly revised and restated in this report.

The major topics addressed in this section include:

- **ENVIRONMENTAL MANAGEMENT**
- **ENERGY AND GREENHOUSE GASES**
- **WATER**
- **WASTE**
- **SUSTAINABLE PACKAGING**
- **SUSTAINABLE AGRICULTURE**
- **EMPLOYEE INITIATIVES**
- **CHALLENGES WE FACE**
- **WHERE WE ARE GOING**



ENVIRONMENTAL MANAGEMENT

The Social Responsibility Committee of our Board of Directors oversees the company's sustainability efforts and climate policy. All four committee members are independent. At the executive level, environmental issues are overseen by our chief sustainability officer, who is a member of our Executive Leadership Team and reports to our president and CEO. A vice president for environmental stewardship, health and safety is responsible for those areas globally.

Each Kellogg plant around the world has reduction goals for energy use, GHG emissions, water use and waste sent to landfill. 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 18001, the widely recognized global standards for environmental and health and safety management.

Also in 2010 we updated our global standards—and introduced several new ones—relating to environmental performance. The new standards cover topics such as land use management and energy conservation, among others.

As of December 2010, five Kellogg facilities were ISO 14001 certified. In Mexico, our Linares and Toluca plants received *Industria Limpia* ("clean industry") certifications in 2010 from PROFEPA, Mexico's federal environmental protection agency.

² Note that our goals and metrics are for Kellogg-owned facilities only. Also, "metric tonne of food" is a measurement of actual food product, not including packaging.

OUR GOALS FOR 2015 ²

- Reduce our energy use, GHG emissions and water use by 15-20 percent (per metric tonne of food produced), using 2005 as a baseline.
- Continue to reduce our waste sent to landfill (per metric tonne of food produced) beyond the 51 percent already reduced since 2005.



INDUSTRY COMMITS TO ZERO NET DEFORESTATION

Established in 2009, the Consumer Goods Forum (CGF) is a global industry association of more than 650 retailers, manufacturers and other businesses in the consumer goods industry. Kellogg is a member of the CGF.

Sustainability is one of the CGF's five strategic priorities, and the association has made commitments relating to four sustainability-related issues: carbon measurement, refrigeration, packaging and deforestation.

On the latter issue, the CGF Board pledged in November 2010 to "mobilize resources within our respective businesses to help achieve zero net deforestation by 2020." This pledge focuses on the major contributors to tropical deforestation: the cultivation of palm and soy, logging for paper and board, and the raising of cattle and other livestock. Member companies have agreed to achieve this goal via individual company initiatives and by working collectively in partnership with governments and nongovernmental organizations (NGOs).

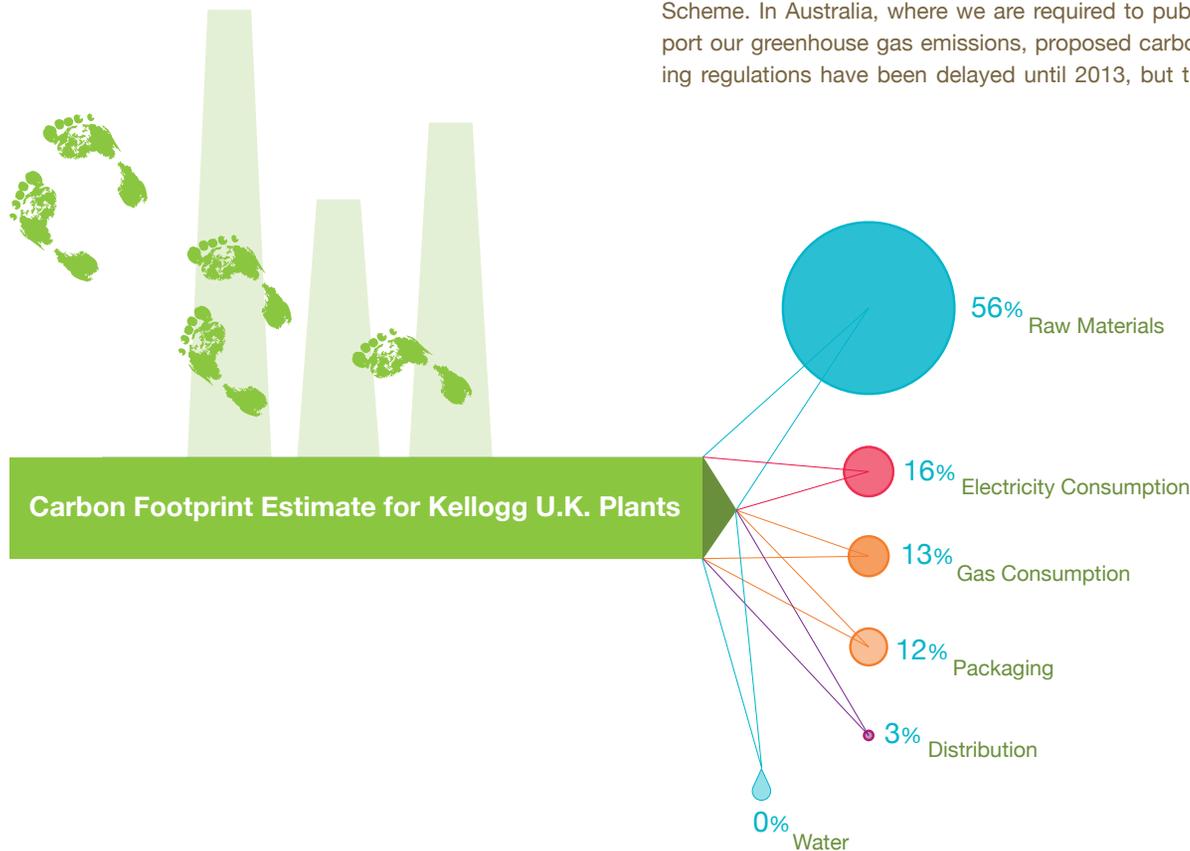
At Kellogg, we have limited, if any, exposure to soy, paper or livestock products derived from tropical deforested land. Palm oil is a more challenging issue; we discuss it in the Environment section.

We look forward to continuing our work with the CGF and our fellow member companies to drive progress on these and other important sustainability issues.

ENERGY AND GREENHOUSE GASES

We consider energy use and its associated GHG emissions to be our most significant environmental impacts.³ Our manufacturing facilities and transportation fleets are powered by fossil fuels, which release GHGs when burned. Our suppliers also require energy to create the food ingredients, equipment and packaging material we purchase.

Kellogg has completed “carbon footprint” assessments for several products in different countries and across different product categories. This work confirmed that more than half of our products’ lifecycle carbon emissions occur in the raw materials supply chain. A sample carbon footprint assessment for products made in our U.K. manufacturing plants is shown below.⁴



RISKS AND OPPORTUNITIES

GHG emissions are associated with climate change, and climate change presents both risks and opportunities for Kellogg. Our climate change risks may be regulatory, financial or physical in nature. Though it now appears that climate change legislation will not pass the U.S. Congress in the short term, the U.S. Environmental Protection Agency (EPA) has begun to develop GHG permitting regulations that could apply to Kellogg in the next two to five years. Carbon-related product labeling requirements may also be forthcoming, likely sooner in Europe than in the United States. These and other potential regulations could increase our costs of doing business in the short to medium terms.

In the United Kingdom, our manufacturing facilities are already regulated (and continue to meet their commitments) under the Phase II European Union Emissions Trading Scheme. In Australia, where we are required to publicly report our greenhouse gas emissions, proposed carbon trading regulations have been delayed until 2013, but they will

impact our manufacturing sites and transportation networks when implemented. Starting in 2011, our four largest U.S. manufacturing facilities will publicly report greenhouse gas emissions in compliance with a new EPA reporting regulation as well.

Climate-change-related weather disruptions (such as drought and flooding) present physical risks to agriculture and thus to our supplies of agricultural raw materials. We have continuity plans that focus on weather-related situations to help minimize business interruption risks, including sourcing major agricultural commodities such as wheat, corn and soybeans from multiple geographies. We also have plans in place to address longer-term business risks, through conservation programs and the development of alternative operation strategies.

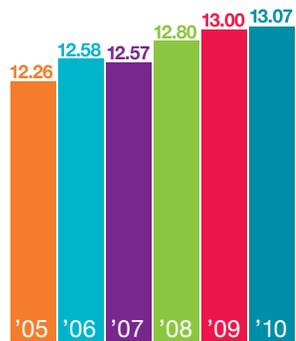
Our climate change opportunities may also be regulatory, financial or physical in nature. Regulatory requirements for monitoring and reporting provide additional drivers to identify inefficient uses of energy, and energy efficiency measures can ultimately lower our operating costs. In agriculture, changes in weather patterns may present new areas of economic growth for both our company and our suppliers. These opportunities could turn into a competitive advantage for the companies that move first to secure new sources of supply chain raw materials. In addition, climate change gives us an opportunity to share with consumers and other stakeholders the sustainability initiatives we have implemented.

We continue to report our GHG emissions and energy use to the Carbon Disclosure Project (CDP), and our CDP submission includes more detail on risks and opportunities related to climate change.

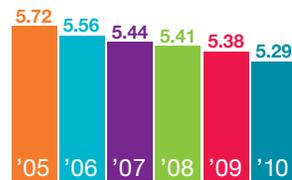
³ Carbon dioxide (CO₂) is by far the most prevalent of the greenhouse gases associated with the manufacture of our products. Our emissions metrics take into account all types of GHGs emitted due to our energy use, however, and are technically measured in “carbon dioxide equivalents.”

⁴ This carbon footprint estimate was developed based on the Carbon Trust Scoping study, with published secondary emissions factors for agricultural ingredients provided by Manchester University.

Energy Use (in gigajoules)

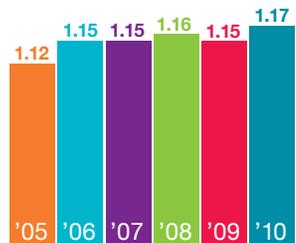


totals in millions



per metric tonne of food produced

GHG Emissions⁵ (in metric tonnes)



totals in millions



per metric tonne of food produced

⁵ 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 overall energy and GHG data does not include emissions from our non-U.S. warehouses, offices or fleet.

ENERGY AND GHG EMISSION PERFORMANCE

In 2010, our global energy use and GHG emissions per metric tonne of food produced both continued to decrease—energy use by 1.6 percent and GHG emissions by .7 percent over 2009. Since 2005, our baseline year, our energy use and GHG emissions per metric tonne of food produced are down 7.5 percent and 9.8 percent, respectively. Given our continued progress, we expect to meet our 15 to 20 percent reduction goals for GHG and energy by 2015.

INITIATIVES AT OUR FACILITIES

Kellogg Company’s energy and GHG reductions since 2005 are the result of many energy-saving projects and initiatives, small and large, at our facilities worldwide. Our plant in Botany, Australia, for example, has reduced its energy usage by 7 percent since 2009, even as production at the plant increased 2 percent. The plant accomplished this by installing an energy management system aimed at improving the control and monitoring of key equipment, such as air compressors, boilers, chilled water units and cooling towers.

In another example, our cereal plant in Belleville, Ontario, reduced electricity use by 9 percent and gas use by 11 percent in 2010 by improving its manufacturing processes. For example, they installed new machines that create less excess “over spray” when spraying coating onto product. This new technology reduced by more than 100,000 pounds the amount of coating required to make 50 million pounds of product. This in turn saved electricity, since less of the coating needs to be made. The Belleville plant also implemented a more effective inspection method for oven doors. The new method better detects poor door seals so they can be repaired, thereby reducing heat wasted and gas used.

TRANSPORTATION-RELATED INITIATIVES

We continue to make progress reducing energy use and GHG emissions in our transportation fleet and logistics systems. In the U.S. in 2010, our 800-vehicle, Kellogg-operated

Kellogg Truck Fleet: CO₂ Emissions per Outbound Case (in pounds)



truck fleet used about 4.9 million gallons of diesel fuel. That equates to about 50,000 metric tonnes of GHG emissions, or approximately 5 percent of our total U.S. emissions.

The miles-per-gallon performance of this fleet, per case of food delivered, has improved 25 percent since 2006. (See chart above.) These gains are due primarily to reduced idle time and efficiencies in delivery route design.

Around the world, we’re finding more sustainable ways to transport our ingredients and our products. In Bremen, Germany, for example, where our plant lies on the banks of the River Weser, 40 percent of the corn and rice coming into the plant is now transported by barge rather than truck. This change, first implemented in July 2010, has both environmental and cost benefits: It is expected to decrease GHG emissions by 73 percent and save more than \$200,000 annually. We implemented the switch to barge transport after a rigorous analysis to ensure the change would not affect food quality or safety.

WATER

Worldwide, fresh water resources are under pressure due to a growing population and, increasingly, climate change. In-

deed, many experts believe that the effects of climate change will be felt most keenly in terms of water supply disruptions such as drought and flooding.

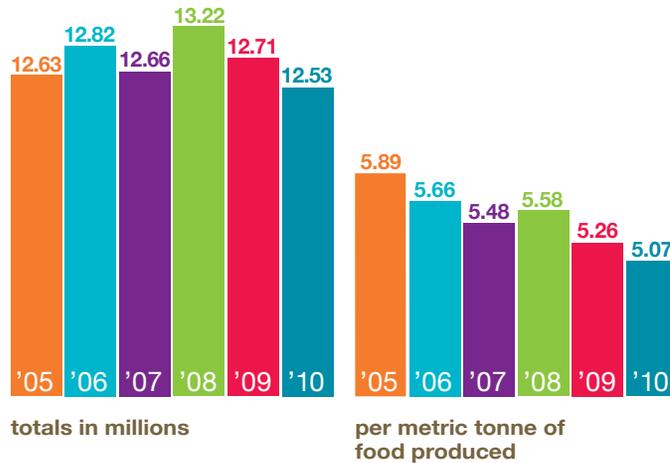
Kellogg Company's largest water impact occurs in our agricultural supply chain. In 2009 we conducted water footprint assessments for several of our cereals; these revealed that agriculture accounts for more than 95 percent of the water used during their lifecycles. The remaining volumes include water used in our manufacturing processes (e.g., for cleaning and cooling) and as an ingredient in our products.

In 2010, the CDP launched a new Water Disclosure program, and Kellogg was proud to be among the first companies in the world to submit information to it. Our submission report details our water use and the physical, financial and regulatory risks our company could face in the event of water scarcity and/or water-quality degradation.

The submission states, for example, that decreases in water availability (due to local scarcity, inadequate infrastructure or regulatory withdrawal limits, among other factors) could potentially disrupt our manufacturing operations. In addition, water used for manufacturing must meet quality standards, which in some locations already requires the treatment of incoming water prior to use. This has direct cost and labor impacts, as well as the potential to limit production capacity. We have plans in place to address these kinds of business risks, through water conservation programs in line with our water-efficiency goal.

Our water-reduction performance—shown in the charts above right—is the result of myriad water-efficiency efforts at our facilities worldwide. Our cereal plant in South Africa, for example, achieved a 12 percent reduction in water use in 2010, compared to 2009. This progress was achieved by changing from wet to dry cleaning methods during their cleaning shutdowns.

Water Use (in cubic meters)



REDUCED WATER

In 2010, our water use per metric tonne of food produced decreased by 3.6 percent.



SINCE 2005

▼ **14.0%**

Since 2005, our water use per metric tonne of food produced decreased 14.0 percent.

KELLOGG CONDUCTS WATER RISK ASSESSMENT

In June 2010, we launched a global water risk assessment process using the World Business Council on Sustainable Development's Global Water Tool. The purpose of the assessment was to give us insight into where, when and how we face risks related to water availability and quality. The results from the assessment will help us identify and prioritize facility-specific, water-related business risks, monitor projected trends and evaluate regional conditions.

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 in order to prioritize further risk assessment efforts and engagement with suppliers.

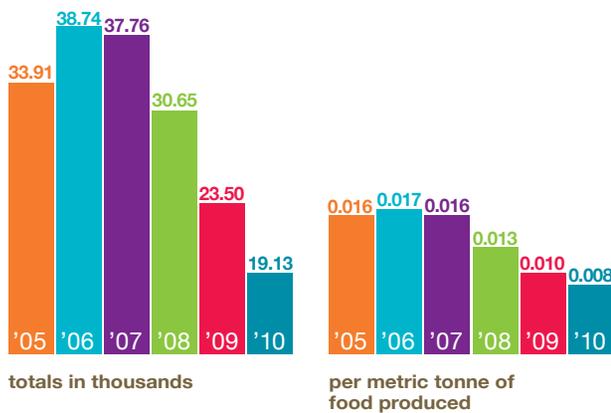
WASTE

At Kellogg, we continually seek ways to reduce waste. We're pleased to report that we've made excellent progress this past year in reducing our waste sent to landfill. (See chart below.)

By 2009, Kellogg had exceeded its original target of reducing waste to landfill (per metric tonne of food produced) by 20 percent. (From 2005 to 2009 we achieved a 36 percent actual reduction in waste sent to landfill, which equated to a 42 percent reduction per metric tonne of food produced.) We therefore set a new goal – to further reduce waste to landfill by an additional 20 percent from 2010 to 2015, using 2009 as our baseline. We are extremely proud to report that we have already exceeded that goal as well; we reduced waste sent to landfill by 20.3 percent (per metric tonne of food produced) since 2009. We continue to strive for zero waste to landfill, while continuing to reduce the amount of waste going to landfill from our operations.

We achieved this performance through a variety of projects and activities at each of our facilities.

Waste Sent to Landfill (in metric tonnes)



Our Taloja plant in India reduced its food and packaging waste in 2010 by 67 percent. We achieved this success by first collecting thorough baseline waste data and analyzing areas for improvement, and then implementing waste-reducing process enhancements throughout the plant. The effort had the added benefits of decreasing facility downtime by 40 percent (due to better preventative maintenance) and saving the company nearly \$1 million overall.

Our plant in Manchester, England, has decreased its waste sent to landfill by 88 percent in the past three years, largely by changing the onsite waste management contractor from a waste-disposal company to a waste-recycling company. This has ensured that as much waste as possible is segregated and sent for reuse, recycling and composting.

In the U.S., our plants in Omaha, Neb.; Battle Creek, Mich.; and Seelyville, Ind., achieved good results by installing additional balers so that items formerly thrown out can be easily totes away for recycling. Together these facilities achieved an average 59 percent reduction in waste to landfill over their 2009 totals. All told, seven North American plants achieved more than a 30 percent reduction in waste sent to landfill in 2010.

And in Mexico, our Querétaro, Linares and Toluca plants increased their recycling 51 percent after placing easily accessible recycling containers throughout the facilities. Also, the Querétaro plant now recycles batteries and electronic waste, and the Linares and Mexicali plants accept and recycle batteries that employees bring in from home.

SINCE 2005

▼ 51%

We've reduced our waste sent to landfill by 51 percent per metric tonne of food produced.



WASTE MANAGEMENT AT KELLOGG FACILITIES

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. Twenty-four Kellogg facilities in 12 different countries currently send less than 5 percent of the waste they generate to landfill.

SUSTAINABLE PACKAGING

At Kellogg, we define *sustainable packaging* as packaging that is designed to have the least possible impact on the environment at efficient costs, while delivering a safe, high-quality product to our consumers. Almost all Kellogg Company's cereal cartons are made of 100 percent recycled fiber, with at least 35 percent from consumer-recycled material. In fact, we are one of the largest users of recycled paperboard in the U.S. We estimate that packaging amounts to about 15 to 20 percent of our products' lifecycle carbon footprint.

In 2010, Kellogg was one of 10 founding members of AMERIPEN, a group of North American-based companies focused on shaping public policy relating to packaging-related environmental issues. AMERIPEN will seek to collaborate with existing industry organizations to leverage their expertise in analyzing the environmental and social effects of packaging and minimizing the environmental impact of packaging.



PACKAGING PROGRESS

In the U.S. between 2005 and 2009, Kellogg reduced our tons of total packaging by 25 percent. That's 288 million pounds of packaging removed from the waste stream.

SNACKS TEAM LEADS THE WAY IN PACKAGING IMPROVEMENTS

In 2009, Kellogg Company's Snacks team launched a project to reduce packaging material on certain products. Each time a group of products underwent a packaging change, the engineers were challenged to improve the packaging-to-product ratio. "Most of the time the engineers met this goal," said Paul P., vice president of global packaging innovation, technology and quality. "And in some cases they showed really substantial results."

Paul pointed to the successful 2010 redesign of a group of 16 products, all of them cartons of 100-calorie snack pouches. By redesigning the pouches, the cartons and the corrugated cases, Kellogg designers decreased the package-to-product ratio by 26 percent.

Such a reduction has benefits beyond the obvious natural resource and financial savings involved in using less packaging material. "These changes reduced the weight and size of the packaging, so more products can be loaded onto each truck for delivery," Paul explained. "We avoided about 200 truck trips in 2010 as a result of this one redesign. That of course also decreased our fossil fuel use and GHG emissions."

Other top-performing redesigns of snack foods in 2010 resulted in package-to-product ratio reductions of 18, 12 and 8 percent, respectively. Paul estimates that about 15 percent of Kellogg snack products underwent redesigns in 2010.

Asked what drove Kellogg to achieve these improvements, Paul noted two contributing factors. "We have a robust cost-saving program in place," he said. "That's certainly a part of it. But these kinds of improvements are also valued for their contributions to our overall corporate responsibility commitment."

Other business units in the company are also pursuing packaging reductions when they do product redesigns. The Snacks team has thus far shown the most success, in part due to its wide range of products and types of packaging.



Our Kashi business has reduced the weight of several of its packages by as much as 12.4 percent. Among the products that now include less packaging are *Kashi® GOLEAN Crunch!*® Honey Almond Flax and *GOLEAN Crisp!*™ Toasted Berry Crumble cereals, all *Kashi TLC®* crackers, as well as the entire line of *TLC®* Chewy Granola Bars and *TLC®* Fruit & Grain Bars.

Kashi has also been continuing its close partnership with RecycleBank, a company that provides consumers with incentives for recycling. For several months in 2010 and 2011, *Kashi® Organic Promise®* biscuit cereal boxes included an on-pack statement encouraging consumers to recycle the package in exchange for reward points that can be used to buy goods from Kashi and other RecycleBank business partners. Kashi has been partnering with RecycleBank since 2009.

SUSTAINABLE PACKAGING FRAMEWORK

Our sustainable packaging framework is used across the company to improve:

- Package-to-food ratio
- Percent recycled material content
- Percent materials that are commonly recoverable



SUSTAINABLE AGRICULTURE

Consumers are increasingly interested in where their food comes from and how it is grown. As a food company, these issues are important to us as well, and we are actively engaging with our agricultural suppliers on topics related to sustainability.

Our products' biggest environmental impacts occur during the growing and processing of our food ingredients, before they reach a Kellogg facility. So by working to promote sustainable agricultural methods in our supply chain, we can have a big impact. Specifically, we seek to:

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

Our sustainable agriculture efforts focus on the crops we use most—rice, corn and wheat—in addition to palm, though we are a very small user of palm oil (see next page). Increasingly, we are working directly with our suppliers and growers to communicate our sustainability expectations. In 2010, we held discussions with grain suppliers in Europe, Argentina, Southeast Asia and the U.S.

For example, we collaborated with Louisiana State University (LSU) and the Louisiana Rice Mill to conduct a one-day pilot “master grower program” for 30 rice growers in February 2011. During the program, we discussed the importance of sustainability to Kellogg, use of the Keystone Fieldprint Calculator tool and the effect of agricultural practices on ecosystems and biodiversity. As a follow-up activity, the growers will meet again in June to tour one grower's farm, as well as the LSU experiment station and the Louisiana Rice Mill facility. We expect to expand this program in 2012 and beyond.

We are also working with the International Rice Institute to better understand the impacts of climate change on rice and rice's impacts on climate.

While these companywide efforts are important, large-scale, systemic improvements in agriculture's environmental impacts will only be possible if all stakeholders in the food production system work together to seek solutions. We are thus also participating in several collaborative efforts to promote sustainable practices in production agriculture.

We are a member and funder of Field to Market: The Keystone Alliance for Sustainable Agriculture. This multi-stakeholder group—organized and facilitated by the nonprofit Keystone Center—is committed to achieving long-term continuous improvement in sustainable agriculture production. Field to Market members include growers, agribusinesses, food companies and conservation organizations. Some of the participating companies, including Kellogg, have funded development of a Fieldprint Calculator—an online tool that enables farmers to evaluate their natural resource use, compare it to industry averages and ultimately increase the efficiency of their operations. We actively promote the use of the Fieldprint Calculator in our interactions with agricultural suppliers and growers.

In 2010, for example, in partnership with Keystone and Bunge (a global agribusiness and food company and a major Kellogg supplier), we engaged directly with corn growers in Nebraska who provide corn for our facility in that state. We met with growers from 22 farms, representing 40,000 acres of corn, to help them assess the sustainability of their agricultural practices.

We are also a member of the European and Australian chapters of the Sustainable Agriculture Initiative (SAI) Platform. This food industry effort aims to share knowledge, raise awareness and support the implementation of sustainable agriculture practices broadly. In 2010 and early 2011, Kellogg sponsored SAI industry projects on water-use efficiency in India and the development of measures and indicators for agricultural practices at the farm level. In Europe, Kellogg is active in SAI in both the arable crop and water working groups. In Australia, Kellogg sponsored the first SAI conference, held in March 2011.

OUR COMMITMENT ON SUSTAINABLE PALM OIL

Palm oil is used in a wide array of consumer goods, including foods, soaps, cosmetics and more. Kellogg Company uses approximately 0.1 percent of the global supply of palm oil annually, and it is a small percentage of our total ingredients. As a socially responsible company, however, concerns about the sustainable production of palm oil are clearly on our radar screen. While the Roundtable on Sustainable Palm Oil (RSPO) continues to work toward the development of a consistent and sufficient supply of segregated, sustainably grown palm oil, such a supply is currently not available in the U.S. or our other markets outside of Europe. (In Europe, some segregated, sustainably grown palm oil is available, but not in the form we need for our products.)



Once a segregated supply is available that is financially and logistically feasible, we will move to sustainable palm oil. In the meantime, Kellogg announced in early 2011 that we are helping growers fund the transition to sustainable palm oil by increasing our purchase of Green Palm certificates to now cover 100 percent of our global palm oil use.

“By supporting sustainable production in this way, Kellogg is demonstrating just the sort of responsible action that we want others to take,” said Jason W. Clay, Ph.D., senior vice president of the World Wildlife Fund. “As the first in the U.S. food industry to take this step, they’re setting an example for others to follow.”

We are also 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 blended palm oil suppliers to continue to increase the percentage of sustainable palm oil in the supplies they purchase, as the available supply increases.
- Through our Global Supplier Code of Conduct, requiring our vendor partners to commit to reducing their impact on the environment.

Finally, as discussed previously, the Consumer Goods Forum pledged in late 2010 to mobilize their collective resources to help achieve zero net deforestation by 2020. Kellogg is a member of the Consumer Goods Forum and supports this commitment.



KELLOGG COMPANY'S EUROPEAN BREAKFAST CLUB HOSTS TWO MULTI-STAKEHOLDER POLICY DISCUSSIONS IN 2010

Our company's "European Breakfast Club" convened two multi-stakeholder roundtable discussions in 2010. Both brought together policy makers, NGO representatives, industry executives and others to discuss key issues of public importance.

In January 2010, the Breakfast Club hosted a discussion of sustainable food production and consumption. The conversation was moderated by Richard Perkins, a Senior Policy Adviser with World Wildlife Fund. In November, Breakfast Club participants talked about how to drive more sustainable patterns of consumption among consumers.

We launched the European Breakfast Club in 2008 to encourage regular dialogue and interaction between Kellogg and people within the broad EU policy community.

KELLOGG SPAIN RELOCATES TO ECO-FRIENDLY WORKSPACE

In 2010, the 120-person Kellogg team in Spain relocated to a new style of office that represents a significant departure in layout and design. In the new space—designed in part by employees—all work areas are shared, with separate areas for quiet working, collaborative teamwork, and phone calls, among other activities. The office space has many eco-friendly features, including fixtures and furniture made from recyclable materials and low-powered lights that switch off automatically when not needed. The Spain team also pledged to turn off all computers at night and adopted a “no paper policy” aimed at reducing the volume of printing in the office.

EMPLOYEE INITIATIVES

Kellogg Company’s employee GoGreen teams continue to sponsor events and activities that, along with our corporate-wide initiatives, help our company progress toward the environmental goals outlined in this report. In addition, our GoGreen teams:

- Encourage employee learning and communication about environmental sustainability.
- Educate employees about why environmental sustainability is important to our business.
- Help employees understand how environmental issues are connected to their communities.
- Motivate employees to become change agents by decreasing their impact on the environment through the seemingly small choices they make every day.

In 2010, our GoGreen Steering Committee—which includes representatives from every Kellogg region—developed and implemented consistent messaging for use by the individual GoGreen teams around the world. The Steering Committee intends this communications work will help to expand the number of GoGreen teams throughout the organization.

CHALLENGES WE FACE

One of the challenges we (and all companies) face is understanding how the global issues of climate change, water scarcity, sustainable agriculture and biodiversity all intersect and interact, and what sort of effects those interactions will have on our company in the long term. We continue to learn more about these issues and work to minimize our environmental impacts.

We are pleased with our progress to date driving waste and water reductions in our manufacturing facilities. And we continue to make significant efforts to decrease energy use and GHG emissions as well. Keeping pace with regulatory changes affecting energy use and carbon will continue to present challenges for us to address.

WHERE WE ARE GOING

In the coming year, we will continue to work closely with our growers and suppliers on sustainable agriculture issues, to help drive improvements all along our supply chain. In the area of employee initiatives, we expect to see increased participation in our GoGreen teams. We also aim to drive further improvements in the sustainability of our packaging. And we look forward to making—and reporting next year—continued progress toward our environmental goals.



COMMUNITY



Kellogg Company's legacy of community support dates back to our founder, who contributed to a host of charitable causes, particularly ones benefitting children. More than 100 years later, we continue to recognize that it's important for our company to support our communities and assist those in need. We focus our community efforts on areas where we believe we can make the biggest impact.

Charitable contributions are funded through the Kellogg Company and Kellogg's Corporate Citizenship Fund, with guidance from our Board of Directors and its 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**

In 2010, we focused on strategic charitable investments that mirror our objectives as a global food company. We also worked to make fewer, but more targeted, donations that have greater impact and broader reach. For example, we:

- Donated \$32 million in cash and products to charitable organizations worldwide.
- Continued to donate food to food banks and programs around the world.
- Contributed to breakfast programs that provided millions of morning meals to schoolchildren around the globe.
- Supported a downtown revitalization project in our headquarters city of Battle Creek, Mich.
- Provided cash and/or product donations to assist with disaster relief efforts in Japan, Haiti, Chile, Australia and other regions.

The major topics discussed in this section include:

- **STRATEGIC PHILANTHROPY**
- **BREAKFAST PROGRAMS**
- **PHYSICAL FITNESS**
- **COMMUNITY DEVELOPMENT**
- **DISASTER RELIEF**
- **CHALLENGES WE FACE**
- **WHERE WE ARE GOING**



STRATEGIC PHILANTHROPY

At Kellogg, we view nutrition, wellness and well being as intertwined, and we seek to support charitable initiatives that promote a healthier world. For that reason, we focus our strategic philanthropy programs on nutrition and malnutrition, physical fitness, and community development. We also support initiatives that expand opportunities for people of diverse backgrounds. (Diversity programs are discussed in the Workplace section of this report.)

In 2010, we contributed more than \$13 million in cash, including brand philanthropy, and \$19 million in products to nonprofits and charitable organizations around the world.

Our goal is to donate the equivalent of 2 to 2.5 percent of pre-tax, annual profits to worthy social causes. This includes cash donations equal to half a percent of pre-tax profits and in-kind product donations equal to 1.5 to 2 percent of pre-tax profits.

In addition, individual brands may support charitable initiatives that are of interest to consumers. Typically, a brand will make a financial contribution during a specified time period for an identified cause.



HUNGER RELIEF

Each year, Kellogg donates millions of dollars worth of products to Feeding America, the leading hunger-relief organization in the United States. Over the last five years, we have contributed more than 115 million pounds of food to the organization. In Europe, we donate products to food banks in the United Kingdom, Germany, Spain, France and Holland.

We also recently began donating products that were damaged during transit. These products, which we are providing to food banks, meet our exacting food-safety and quality-control standards, although the packaging is unfit for retail sales. Instead of sending the damaged products to landfills, we are sending them to food banks around the U.S., Mexico, and the U.K. We continue to look for ways to donate good, nutritious products.



Our founder, W.K. Kellogg, instilled in our culture the importance of investing in communities. His commitment led him to establish the W.K. Kellogg Foundation in 1930. Over the last 80 years, the Foundation, which ranks among the world's largest private foundations, has made grants totaling more than \$5.5 billion to a wide variety of projects around the world. The Foundation 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.

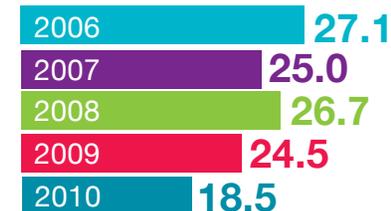
Our company and the Foundation share similar philanthropic missions, and the success of the two entities is very much linked. Although legally separate, the W.K. Kellogg Foundation is Kellogg Company's largest shareholder. When the company succeeds, it benefits the Foundation, which, in turn benefits charitable programs and the people those programs support.

More than 20 percent of all the company's dividends are distributed to the Foundation. In 2010, Kellogg paid more than \$130 million in dividends to the Foundation.

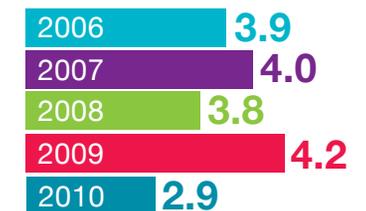
Cash Contributions¹



In-Kind Contributions²



Brand Philanthropy



totals in millions

¹ These charts show revised data for cash and in-kind contributions for 2009. Our 2009 totals reported last year (\$9.3 million for cash donations and \$22.6 million for in-kind contributions) did not include all charitable contributions from our international operations.

² These products are valued at cost of goods sold.

GLOBAL FOODBANKING NETWORK

One of our primary partners for hunger relief is the Global FoodBanking Network (GFN), which creates, supplies and strengthens food banks and food bank networks around the world.

Kellogg Company helped found the GFN in 2006. Since then, the network has witnessed rapid growth, with food banks in 18 countries now supplying hungry individuals with nutritious food.

For example, thanks to the efforts of the GFN, Mexico now has more than 60 food banks serving more than 1 million people. In South Africa, four national food banks are supplying more than 1,100 local food organizations and programs. And food banking is taking root in India and is continuing to develop in Indonesia and throughout Central and South America. Kellogg has supplied food, cash donations, technical assistance and leadership to this growing movement.



BREAKFAST PROGRAMS

Researchers have repeatedly demonstrated that children who eat breakfast have more energy—and an increased learning capacity—than those who do not. (For examples of research, please visit <http://kelloggsvideos.com>.)

We support science that evaluates the impacts of breakfast on health. And, we offer financial assistance to organizations that help get breakfasts to children who do not receive morning meals at home.

Kellogg's Corporate Citizenship Fund has provided another grant of \$350,000 to Action for Healthy Kids to help increase breakfast participation during the 2010-11 academic year at 91 schools in 20 states.

We are especially proud of our recent work with Action for Healthy Kids. This nonprofit is using part of a \$400,000 Kellogg's Corporate Citizenship Fund grant to boost student participation rates in school breakfast programs. In the U.S., fewer than half of the 19.4 million children who are eligible for free or reduced-price breakfast programs take part. A pilot component of the Kellogg grant helped about 20,000 students in 41 schools across the U.S.—for a total of approximately 3 million breakfasts in the 2009-10 academic year.

BREAKFAST CLUBS

In many countries, government-sponsored breakfast programs do not exist. To help fill the void, Kellogg has been supporting the development and promotion of “breakfast clubs” that provide meals to children. In the U.K., where we began our programs more than a decade ago, the breakfast clubs supported by Kellogg serve more than 1.5 million morning meals annually. In 2010, we established 90 new clubs



CEREAL PROMOTION BENEFITS ACTION FOR HEALTHY KIDS

In early 2011, Kellogg launched a new, six-month program to increase awareness of the importance of breakfast and benefit Action for Healthy Kids. “Share Your Breakfast” asks consumers to post photographs of their breakfasts to www.ShareYourBreakfast.com. For each submission of a photo or description of a breakfast, Kellogg will help increase participation in school breakfast programs through Action for Healthy Kids. The goal is to help share 1 million breakfasts during the 2011-2012 school year.

Dave Endicott

Principal
Ogilvie Elementary School
Ogilvie, Minnesota



“ Our county has the highest rate of unemployment and foreclosures in Minnesota, and severe poverty is an issue for many of our students. As educators, we recognize the fundamental link between good nutrition—especially breakfast—and strong academic performance. Yet, many of the pupils at Ogilvie were coming to school on empty stomachs.

That’s why we were thrilled to receive a \$1,500 grant from Action for Healthy Kids. With that money, we did something very simple, yet incredibly powerful: We purchased carts for our staff to deliver breakfasts directly to students in their classrooms.

Thanks to this program, 75 percent of Ogilvie students now eat a nutritious breakfast during their ‘morning meeting’ time before classes begin—a 90 percent increase over the previous year. The breakfasts themselves are paid for by the federal government.

Programs like these demonstrate that even modest amounts of financial assistance can yield big benefits for some of our country’s neediest children. ”

and hosted our first-ever national Breakfast Club Summit to share best practices for launching, running and sustaining a breakfast club.

We have also helped to launch breakfast clubs in Australia, Belgium, Germany, Sweden and New Zealand, and we’re currently working to establish programs in Spain and Ireland. In all of our clubs, we focus our support on the neediest communities and partner with local groups to make the programs successful.

PHYSICAL FITNESS

One of our primary philanthropic aims is to encourage physical fitness in the communities in which we operate. Some of our key programs in 2010 included the following:

- *Fundación Rafa Márquez* – The Rafa Márquez Foundation, started by the popular soccer star who plays for the Mexican national team and for the New York Red Bulls, promotes nutrition, sports and education for children in impoverished neighborhoods. Kellogg contributed \$155,000 to help build a Rafa Márquez Center in Zamora, Michoacán, Mexico. In addition, employees at our Queré-

taro headquarters in Mexico donated \$26,500 to provide scholarships for 165 children identified by the Foundation. Kellogg matched the donations with an additional \$26,500.

- *Health of the Nation* – In South Africa, for the second consecutive year, Kellogg sponsored “Health of the Nation,” a sports challenge that encouraged physically active lifestyles in disadvantaged communities. The events, which totaled 50 hours over two months, also included educational projects at participating schools.
- *Danish School Sports Foundation* – In 2010, we continued a week-long campaign in Denmark called “Set the School in Motion,” encouraging schools to provide 60 minutes of physical activity for students during school hours. More than 200 schools across Denmark participated.
- *Swedish Swimming Association* – In Sweden, we have been working with the Swedish Swimming Association to support a swimming competition for 4th grade students to inspire them to exercise and eat right. In 2010, more than 3,600 swimmers and 13,500 students overall participated in the program.



COMMUNITY DEVELOPMENT

We look for ways to support the communities where our employees live and work. Some recent examples include the following:

- *Kellogg's Corn Flakes® Field of Dreams Makeover* – In Ireland, we followed the success of a 2009 U.S. initiative with a competition to renovate playing fields for children who participate in sports through community clubs and schools. The winning club received a playing field makeover worth \$175,000; three runners-up shared about \$54,000 worth of professional grounds keeping. More than 500 clubs from across Ireland entered the competition.
- *School Gardens* – In Australia, the newly established Kellogg's Australia Charitable Foundation contributed \$188,000 to the Stephanie Alexander Kitchen Garden Foundation to help schools build gardens and to support a curriculum around gardening and cooking. Going forward, the Foundation will focus on three primary areas: health, nutrition and fitness; improving children's access to breakfast; and supporting local communities.
- *Sustainable Agriculture* – In Mexico, Kellogg contributed \$15,000 to the Mexico Tierra de Amaranto, an institution that works to combat malnutrition in rural areas by promoting and encouraging the production of amaranth, a healthy and sustainably produced grain that is high in protein, fiber and iron.

BATTLE CREEK REDEVELOPMENT

In recent years, Kellogg has been supporting a downtown revitalization effort in our headquarters city of Battle Creek, Mich., making capital investments and donating real estate. Since 2008 we have:

- Expanded our global nutrition research facility.
- Moved 600 employees from the city's outskirts to a 132,000-square-foot office space our company renovated downtown.
- Donated a building for potential use as a math and science education center for local schools.
- Partnered with local government leaders to bring other food-industry businesses and jobs to the city.

UNITED WAY'S "SPIRIT OF AMERICA" AWARD

In early 2010, Kellogg was selected for the United Way Worldwide's highest national honor—the "Spirit of America" award—for our company's philanthropic contributions in the U.S. and internationally. The prestigious award, which is given to one company annually, recognizes our comprehensive commitment to strengthening our communities in corporate philanthropy, community investment and volunteerism.

Between 2006 and 2010, Kellogg donated \$64 million in cash and \$122 million in food products to various nonprofit organizations. This included our unprecedented 2009 donation of an entire day's worth of cereal production—approximately 55 million servings of cereal—to Feeding America. In addition to our food donations, United Way also commended our contributions toward the revitalization of downtown Battle Creek.

We have supported United Way for many years through corporate contributions and dollar-for-dollar matches of employee and retiree pledges. Our U.S. 2010 campaign total was \$6.7 million —up from \$5.9 million in 2009—with 1,800 employees participating in "Days of Caring" service projects in their communities, such as building homes, serving meals at shelters and distributing food to families.

Selection for the Spirit of America award is extremely competitive. Companies are judged by corporate peers, labor representatives and local United Way chapters according to a host of criteria, including corporate commitment to improving lives in local communities.



DISASTER RELIEF

In 2010 and early 2011, Kellogg responded to a number of natural disaster relief efforts with product donations and cash contributions. Many of our relief efforts centered around earthquakes, with our largest contributions for Japan and Haiti.

In March 2011, we announced a \$500,000 donation to the American Red Cross to support disaster relief efforts in Japan following the massive earthquake and tsunami. The contribution included equal amounts of cash and product to support the efforts of the Japanese Red Cross Society.

The previous year, Kellogg, along with our employees and retirees, provided nearly \$400,000 to the American Red Cross to benefit Haiti, following the devastating earthquake there in January 2010. Much of this was from Kellogg's Corporate Citizenship Fund; the remainder was from employee and retiree gifts that were matched with company donations.

Before that earthquake struck, Kellogg had partnered with the international relief organization Food for the Poor for humanitarian relief efforts. When the disaster hit, we already had products in place and a partner to assist with additional donations.

In March 2010, we announced a \$100,000 grant to support relief efforts in Chile, which suffered an 8.8 magnitude earthquake on February 27, followed by hundreds of aftershocks. One month later, we contributed \$25,000 following a significant earthquake in Mexicali, Mexico, where we have a manufacturing plant.

CHALLENGES WE FACE

How does a company measure its community impacts? That's a difficult question that we continue to evaluate. We want to make sure that the dollars we contribute are dollars well spent—and that they are meeting their intended objectives.

We are always looking for better ways to evaluate the programs we sponsor and to assess the best uses for our charitable contributions. In challenging economic times, when global needs are greater than ever, we want to make sure we are maximizing our impact.

FLOODING IN KENTUCKY

In July 2010—for the second year in a row—floods ravaged the U.S. community of Pikeville, Ky., where we have a production facility.

We responded with financial support and product donations to assist our employees and their neighbors who were impacted by flooding. All Pikeville plant employees and families were safe, although several suffered extensive damage to their homes. Kellogg helped to arrange safe lodging for displaced workers and their families.

Kellogg's Corporate Citizenship Fund contributed \$15,000 to the local American Red Cross chapter to support flood relief efforts in eastern Kentucky. We also provided three pallet loads of products to local emergency shelters.

WHERE WE ARE GOING

Looking ahead, we will continue to focus our efforts on those programs that meet our goals as a food company, in particular nutrition, health and physical fitness. We have worked hard to find successful and innovative partners, such as Action for Healthy Kids and the Global FoodBanking Network, which meet our own company objectives and help serve critical needs within our communities. We will continue to seek out such partnerships in all of our global markets.

Over the past year we have put in place systems and partnerships to effectively make and manage charitable contributions in each of our core markets. We do this through a combination of direct grants through Kellogg's Corporate Citizenship Fund and through strong intermediary partners (such as the Community Foundation of Greater Manchester in Europe and The Resource Foundation in Latin America). We will continue to look for additional partners that can bring local knowledge and expertise to our efforts.

FLOODING IN AUSTRALIA

Heavy flooding in early 2011 devastated parts of eastern Australia. Kellogg donated \$250,000 and about 500,000 servings of cereal and snack foods to food banks in the Queensland region.

FOOD SCIENCE MENTORS

Employees at our W.K. Kellogg Institute for Food and Nutrition Research have been serving as mentors to students in the Battle Creek Area Math and Science Center. The "New Technologist Pipeline Project" aims to inspire middle and high school students to pursue careers in science and technology.

In 2010, three Battle Creek teams of students mentored by Kellogg employees earned finalist slots in a national innovation competition that challenges students to solve real-world problems through science, technology and entrepreneurship. One of the teams that our employees mentored won the national award.

