



2020 Kellogg External Manufacturing Supplier Expectations

At Kellogg, we have ambitious plans for growth. We rely on over 20,000 incredible suppliers from around the world every day. Our supplier partners from ingredients, packaging, indirect services & external manufacturing each play a critical role in helping us to achieve our vision to enrich and delight the world through food and brands that matter.

While each supplier adds to the mix, five shared values are the main ingredients in our recipe for shared success. We track supplier performance against key indicators that align under each of the five shared values. This document outlines those indicators and serves as the foundation for measuring success and opportunity, culminating in our supplier measurement program output. Ratings of “Average” through “Best in Class” are reserved for those partners meeting or surpassing the expectations set forth below.

1) Innovation - Innovation is what stirs K Partners to go further—working closely to develop breakthrough products, services, processes and technology. We depend on our K Partners around the world for key insights and collaboration to help us stay ahead of the competition, move into new markets, and continue to achieve success through forward-thinking.

2) Financial Excellence - At Kellogg, we believe profitable growth should also be responsible growth. While striving to meet changing consumer demand, we work closely with our K Partners to seek the best ways to compete in a volatile marketplace. We look for suppliers who proactively communicate market trends, share a relentless drive for savings and continuous improvement, and think end to end to identify efficiencies along the way. Together, we combine lean thought and execution for financial excellence and long-term sustainability.

3) Operational Excellence - Flawless execution requires a supply chain that is agile, flexible and responsive. We continually collaborate with our K Partners to make transformational change in operations through adoption of world class processes. While exploring what more can be done, we remain grounded in the safety, quality, service and delivery that defines Kellogg dependability and our commitment to customers and consumers around the world.

4) Responsible Sourcing - We make food people love. Today, that means more than food that tastes great. People care about where their food comes from, the people who grow and make it, and that there’s enough for everyone. And so, we must create positive change through responsible and sustainable business practices. Our environmental and social sustainability efforts start in our own facilities and continue through partnership with our suppliers and across our supply chain to support farmers and workers, while conserving the natural resources on which we depend.

5) Supplier Diversity (KNA only) - Kellogg Company is committed to growing and developing sustainable relationships with diverse businesses. These small and diverse businesses include those that are majority-owned by people who are disabled, indigenous, lesbian, gay, bisexual, transgender, minorities, veterans, and women. Suppliers should endeavor to use companies with diverse ownership throughout their supply chain, giving disenfranchised groups additional consideration to support and cultivate a culture of diversity throughout our collective supply chain.

Supplier performance is measured against key performance indicators and expectations that are aligned with each of the five shared values, in addition to elements that are foundational to success throughout all areas of partnership.



Foundational Expectations:

- Respond promptly or within specified timelines to all Kellogg communication and requests.
- Supply complete and accurate data, information, and documentation. Include all pertinent information, whether or not specifically solicited by Kellogg.
- Provide quick feedback to any requirements that need clarity; make known any considerations or hurdles that might impact the ability to meet expectations.
- Respond and support Kellogg needs with appropriate urgency and detail. Deal with issues as they arise with specific action plans and appropriate resources.
- Include all designated and appropriate Kellogg resources on communications; ensure consistent and aligned messaging to Kellogg across the organization.
- Work and communicate proactively; mitigate disruptions, risk and avoid surprises.
- Manage multiple, simultaneous work streams on time, on budget, and to standard.
- Provide and maintain confidentiality on intellectual capital and confidential information.
- Successfully maintain healthy and effective relationships across the Kellogg ecosystem of plants, corporate personal and external partners (carriers, external manufacturers, etc.).
- Actively participate in initiatives, providing experienced, skilled resources.
- Leverage Supplier Relationship Management governance, including joint business planning and performance management meetings, to maximize continued, mutual value creation.
- Address opportunities identified through the supplier measurement process in a timely manner. Establish and complete corrective actions; update Kellogg on progress.
- Provide regular, open, and honest feedback to Kellogg on improvement opportunities.



1) Innovation:

Project Execution:

- Provide ample engagement, project management, technical expertise, and solution development throughout end to end innovation (PDRs, PWRs, SCRs) with appropriate resources. Provide an accurate assessment of capabilities and capacity up-front.
- Jointly work with Kellogg on the development of project costs, start-up assumptions, and new product performance expectations. Provide recommendations on preferred specifications (sizes, styles, materials, etc.). Highlight challenges with Kellogg selections.
- Support new product launches with technical leadership for plant testing, qualification, troubleshooting, and first production.
- Actively engage with project teams. Deliver status reports as requested, including daily case production, and weekly overweight, waste, and line efficiency results. Embrace on-going ownership of production after project launch, but seek team support when needed.
- Maintain and support the implementation of all new and modified specifications. Review specifications and provide feedback as needed.

Pipeline Development:

- Share leading edge technology advancements and development plans; uncover breakthrough opportunities that connect with Kellogg innovation strategy to position Kellogg as innovation leader in all markets, segments where we compete.
- Provide visibility to and analysis on longer-term industry insights, research and trends; share lessons learned and best practices from depth of experience.

- Bring forward new product ideas and production capabilities, supporting Kellogg's business growth; contribute to a continuous pipeline of topline growth.
- Share inventive ideas and efficiencies, resulting in price or lead time reduction, etc. supporting cost optimization efforts; contribute to a continuous pipeline of cost reduction opportunities.
- Discover and propose solutions for market timing advantage and business continuity; embed competitive advantage for the partnership into long term strategic plans.
- Share enterprise-wide strategic goals, with an eye toward the development of innovative components, applications, and methods and superior quality.
- Support feasibility of product innovation with advantageous pricing, capacity and optionality.
- Collaborate with a partnership mindset; leverage each other's strengths for win-win results. Engage in new ways of working from idea generation activity to process enhancements.
- Partner on the design of project specific requirements, terms, and legal agreements.



2) Financial Excellence:

Strategic Procurement:

- Identify and streamline processes and practices that unnecessarily add complexity and slow us down. Invest or present potential for co-investment opportunities.
- Deliver beneficial financial impact to Kellogg through a combination of topline growth and cost reduction activities. Comprehensively evaluate end to end supply chain opportunities.
- Participate in any Kellogg ideation events for top and bottom line growth.
- Engage in RFP activity with complete, accurate, aggressive proposals, showing clear benefit from the partnership, with financials being one critical component.
- Provide timely pricing forecasts and supporting data upon request.
- Comply with Kellogg contractual financial obligations and policies. i.e. maintain agreed upon payment terms, annually submit a valid certificate of insurance, listing Kellogg Company as an additional insured with agreed upon coverage, minimally \$5.0mm coverage per incident.
- Transparently provide conversion costs, minimally including breakdown of fixed and variable costs, selling, general, & administrative (SG&A), capital Depreciation, inventory, and margin.
- Provide actual waste and overweight data as requested for Kellogg review.
- Align with Kellogg category manager on short run and overtime charges prior to production.

Purchase Price Support:

- Accurately complete standard Kellogg price sheets in collaboration with Kellogg resources to support pricing set up minimally 4 weeks prior to first production.
- Submit pricing updates to External Manufacturing Operations, according to the monthly submission calendar, understanding submissions will be effective according to contract obligations for price updates. Align with Kellogg on ad hoc adjustments before execution.
- Provide accurate and complete information on all invoices.
- Use available supplier portals effectively for clarity on and resolution of invoicing challenges. Utilize the portal and/or web forms as directed for credit and rebills.



3) Operational Excellence:

Operational Compliance:

- Achieve weekly service requirement of 98% to 108% with 100% quality, defect-free goods. Communicate root causes and corrective actions weekly for any results below 98% service.
- Deliver a 97% or better customer case fill rate in conjunction with the Kellogg team.
- Comply with all Kellogg production requirements, supporting Kellogg manufacturing schedules, marketing plans, customer requirements, and cost of goods.

- Support and meet revised timelines driven by Kellogg changes (sales, marketing, manufacturing, or other functional needs). Ensure a high level of engagement for immediate understanding of changing requirements and impact to deliverables.
- Maintain and submit to Kellogg business continuity plans; vigorously prevent item outages/ preserve supply continuity. Inform External Manufacturing operations of any situations with potential to cause supply disruption (production, deployment, quality/ food safety concerns, etc.) with appropriate urgency and detail.
- Effectively and consistently communicate regarding all supply activity for essential continuity of supply assurance.
- Adhere to commitments around standard lead-times and accommodate less than lead time requests with a partnership mindset.
- Provide a single point of contact (relationship manager) to interface as counterpart to the Kellogg Procurement Category Manager.

Inventory Control:

- Ensure accurate and consistent inventory processes to support optimal customer order fill.
- Report all production and shipment transactions through Kellogg systems and processes.
- Reported every shipment as it departs the facility.
- Reconcile inventory weekly with the Kellogg Inventory Control Analyst for all Kellogg product and packaging on each Monday by noon, local time.
- Help resolve invoicing, goods receipts and shipping discrepancies. As requested, provide Kellogg Inventory Control product traceability by SKU and LOT as outlined by Kellogg Quality.
- Manage inventory in appropriate age rotation, consuming/ shipping the oldest product first.

Component Supply Chain:

- Monitor ingredient and packaging balances and usage information for materials that are procured from Kellogg owned contracts.
- Support component sourcing optimization efforts; communicate desire to switch suppliers.
- Obtain Kellogg Procurement approval before use of any new supplier for Kellogg products.
- Utilize Kellogg numbers (“R” and “K” numbers) for materials communications.
- Adhere to standard lead times on POs; confirm lead times annually with all providers.
- Comply with packaging copy changes provided by Procurement Operations; ensure correct use of all packaging components as communicated.
- Proactively manage any material changes to minimize material write-offs as they occur.
- Report accurate inventories on current and obsolete materials. Submit obsolete material write offs promptly using appropriate Kellogg processes. Destruct materials as directed and approved by Kellogg; provide proof of destruction (POD).

Transportation:

- Utilize designated carriers of choice, based on established routing guides. Align with Transplace resources prior to using an alternative carrier.
- Maintain a secure yard and allow drop trailers as necessary to minimize detention charges.
- Complete inbound unloading and outbound loading within 2 hours of the scheduled appointment times to avoid detention charges. Provide appropriate management of pallet transfers through Chep portfolio or the Kellogg portal, if Chep pallets are required.
- Complete trailer inspections prior to loading; ensure trailers are clean and free of foreign objects, holes, and conditions that may expose loads to the elements or damage contents during loading or in transit. Keep trailer inspections on file with freight bills. Apply an appropriate seal on all trailers by shipper staff. Print seal numbers on the freight bills.
- Ensure on-time transportation/ delivery to all parties; provide advance notification of order information (tenders) to carriers, a minimum of 48 hours before delivery.

- Deliver goods in secured, sealed trailer, bulk truck, or railcar with supporting documentation.
- Demonstrate a focus on continuous improvement, providing additional carrier base, cost savings, backhaul opportunities and increased coverage capabilities.
- Communicate immediately when carrier issues occur and bring alternative solutions.
- Ensure all shipments comply with the Federal Motor Carrier Safety Administration (FMCSA) cargo securement rules (Jan. 1, 2004), pertaining to the immobilization of cargo by structures, dunnage, dunnage bags, shoring bars, and/ or tiedowns. (Kellogg USA only)

Quality:

- Acknowledge and comply with requirements in the revised General Standard Requirements for Manufacturing Facilities Second Edition (referred to as the Risk Based Manufacturing Standards, RBMS) document, as well as the Kellogg Risk Based Ancillary Standards for Contract Manufacturers and Co-Packers. Maintain other requirements per contract(s).
- Release complete third party audit reports for all sites shipping Kellogg Company goods.
- Notify the Kellogg Corporate Quality Program Manager (QPM) of the following situations:
 - FDA inspection or FDA/ government warning letter or other enforcement action
 - Product recall or significant quality/ food safety incident(s) within 24 hours
 - Environmental zone 1 and finished food pathogen testing results that are presumptive or confirmed positive
 - Full list of notifiable events as outlined in the RBMS document, Notifications section
- Support Kellogg performed audits and visits, frequency depending on risk (as defined by Kellogg Quality) and GFSI status. Provide compliance data for processing, quality programs, sanitation, 3rd party audits, regulatory audits, handling, storage and shipping upon request and during Kellogg performed quality audits. Comply with required GFSI auditing standards.
- Annually provide Kellogg Quality updated certifications (kosher, organic, Non-GM, etc.).
- Maintain and comply with established HACCP programs for all sites shipping Kellogg goods.
- Perform regular Quality Action Reviews (QAR's), Product Evaluations (PES), and other quality inspections/ tests as requested; ensure product matches image and packaging specifications.
- Drive continuous quality improvement, corrective actions, and documentation in response to consumer complaints and food quality data.
- Deliver goods in secured, sealed trailer, bulk truck or railcar with supporting documentation.



4) Responsible Sourcing:

As a company, and as individuals, we are passionate about enriching and delighting the world through foods and brands that matter. We understand that people care about how the foods they eat are grown and produced. With our [2030 Better Days commitments](#), we commit to sustainability through natural resource conservation and responsibly sourcing our ingredients, packaging and services. We look forward to partnering with our suppliers to deliver on these goals. Our expectations and requirements, below, ensure that suppliers are fully informed of Kellogg policies and KPIs across four areas of responsible sourcing:

Awareness:

- Adhere to the [Global Supplier Code of Conduct](#), (“Supplier Code”), including all standards and business practices found within, along with any updates to the document, regardless of content previously communicated .
- Ensure that the individual(s) accountable for compliance with the Supplier Code is familiar with and ensures compliance with the spirit and letter of the Supplier Code among all employees (includes permanent and temporary laborers and migrant workers), agents, subcontractors and supply chain resources. Kellogg reserves the right to terminate any agreement or business relationship in which a supplier does not comply with this Supplier

Code. The Kellogg [Human Rights Position Statement](#) and [Policy Statement Prohibiting Involuntary Labor](#) further clarifies and reinforces our company’s commitment to protecting and advancing the cause of human rights throughout our supply chain.

Compliance:

- Register and link with Kellogg on the Sedex platform and complete 95%+ of the associated Self-Assessment Questionnaire for every facility that supplies Kellogg and/ or Kellogg external manufacturing partners, allowing Kellogg to demonstrate and track compliance.
- Conduct or provide an up to date third-party social audit for every facility that supplies Kellogg and/ or Kellogg external manufacturing partners, as requested by Kellogg. Audit requests are decided by risk, commodity, service, geography of location and other factors.
- Complete CDP Supply Chain surveys upon request including disclosure of Scope 1 and 2 emissions data and allocated emissions to Kellogg.

Management:

- Share greenhouse gas emissions information annually, preferably through public disclosure with allocated emissions to Kellogg, through the CDP Supply Chain questionnaire: <https://www.cdp.net/supplychain>
- Support Kellogg’s goal to reduce greenhouse gas emissions in our supply chain 50% by 2050.

Leadership:

- Actively participate in partnership and collaborative action with Kellogg to support collective goals to eliminate the social and environmental issues present within our supply chains. (ex. responsibly sourcing priority ingredients, farmer engagement projects, packaging sustainability efforts, supply chain social audits).
- Comply with all requests and requirements that may evolve within our Responsible Sourcing program. Support Kellogg in demonstrating leadership in this area.



5) Supplier Diversity (Kellogg North America only)

- Report supplier “Tier Two” diversity spend in the Kellogg online system. If you have not already received a log in and password for our online supplier diversity Tier Two reporting system, please contact us at supplierdiversity@kellogg.com. This reporting site provides instruction, defines diverse suppliers, clarifies the difference between direct and indirect spend, and provides report submission dates.
- Spend a minimum of 1% of total sales to Kellogg with certified diverse suppliers and report the resultant expenditures to us on a quarterly basis by the due dates as outlined, utilizing the Tier Two reporting system referenced above.

2020 Supplier Diversity Ratings Guide

Catastrophic	Well Below Average	Below Average	Average	Above Average	Well Above Average	Best in Class
Has not reported into current Kellogg format, has not reported on a quarterly basis and has not included 1% spend with certified diverse suppliers.	Has attained one of the following: reports into current Kellogg reporting format, has attained 1% spend with certified diverse suppliers or has reported on time all four quarters.	Has attained two of the following: reports into current Kellogg reporting format, has attained 1% spend with certified diverse suppliers or has reported on time all four quarters.	Reports into current Kellogg reporting format on time each quarter and attains 1% spend with certified diversity suppliers. (Supplier name & current certification must be provided.)	Meets all criteria for Average rating and has participated in a minimum of one supplier diversity event per year.	Meets all criteria for Above Average rating and is a corporate member of a certifying body. (Examples include NGLCC, NMSDC, NVBDC, USBLN, USPAACC, WBENC)	Meets all criteria for Well Above Average rating and employs a titled Supplier Diversity Professional.