



## 2020 Kellogg Ingredient 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:**

#### **Research and Technology:**

- Provide ample engagement, project management, technical expertise, and solution development throughout end to end innovation with appropriate resources.
- Support new product launches with technical leadership for plant testing, qualification, troubleshooting, and first production; applicable for both new and existing components used in innovation products.
- Create solutions for the development of new and modified specifications; maintain and support implementation of specifications.
- Bring forward new product ideas and production capabilities, supporting Kellogg's business growth; contribute to a continuous pipeline of topline growth.
- 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.

#### **Procurement:**

- 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.

- Bring forward inventive ideas and efficiencies, resulting in price reduction, lead time reduction, and consignment opportunity, supporting Kellogg's cost optimization efforts; contribute to a continuous pipeline of cost reduction opportunities.
- Support feasibility of new product innovation with advantageous pricing, capacity/ availability and optionality.
- Collaborate with a partnership mindset, leveraging each other's strengths for win-win results; engage in new ways of working from idea generation activities to development strategies 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 continuous improvement/ 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.
- Share planned and conceptual operational goals, driving ideation and development of cost savings opportunities.

### **Purchase Price Support:**

- Support pricing set up minimally 4 weeks prior to first production, providing all deliverables within expected timelines.
- Submit pricing updates according to contract, in the correct Winn Shuttle format for receipt on or before the 15th of the month prior to changes being effective.
- 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.

### **Metrics Delivery:**

- Mitigate risk on quality, service, market, or relationship challenges with immediate communication and escalation, and prompt resolution of issues.
- Provide continuous improvement and monthly metrics reporting, including delivery performance (OTIF), sales and credits, defect rates (DPMO), and service visits in collaboration with Kellogg procurement and quality teams.
- Provide monthly performance briefs, with corrective action plans for material complaints.
- Deliver minimal to zero write-off expenses.



## **3) Operational Excellence:**

### **Procurement Operations:**

- Provide 98% or better on-time delivery and 100% quality, defect-free materials.

- Inform the procurement operations team of any situation with potential to cause a supply disruption, including quality concerns, with appropriate urgency and detail.
- Comply with all Kellogg material requirements, supporting Kellogg manufacturing schedules, marketing plans, customer requirements, and cost of goods.
- Maintain and submit to Kellogg business continuity plans; vigorously prevent material outages/ preserve supply continuity using SAP MRP information via Kellogg supplier portals.
- 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.
- Effectively and consistently communicate regarding all inbound 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.

**Transportation:**

- Utilize designated carriers of choice, based on established routing guides.
- 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.
- Provide visibility to freight charges for all shipments, including line haul rate, fuel charge, pallet costs, and any miscellaneous charges. Utilize proper EDI codes.
- Initiate combination of individual plant orders set to ship in close succession to minimize orders and freight charges. Communicate and align with appropriate Kellogg parties.
- 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:**

- Provide quality materials and services throughout the supply chain.
- Provide Kellogg Corporate Quality all requested documentation on ingredients using the Raw Material Information Screening (RMIS) forms/ packet to aid in development and revision of specifications.
- Acknowledge and comply with requirements within the revised General Standard Requirements for Manufacturing Facilities Second Edition (referred to as the Risk Based Manufacturing Standards, RBMS) document. Comply with required GFSI auditing standards.
- Release complete third party audit reports for all sites shipping ingredients to Kellogg facilities and designated external manufacturing sites on an annual basis.
- Notify the Kellogg Corporate Quality Ingredient Manager (QIM) of the following situations:
  - Imports alerts
  - 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 one to two times per year depending on ingredient risk (as defined by Kellogg Quality) and supplier GFSI status.
- Provide Kellogg Corporate Quality updated certifications (kosher, organic, Non-GM, gluten free, etc.) on an annual basis.

- Maintain and comply with established HACCP programs for each facility providing ingredients to Kellogg facilities and external manufacturing sites.
- Deliver ingredients with Certificates of Analysis indicating compliance to established Kellogg specifications. Submit results in Kellogg’s Electronic COA system, accessed via supplier portal.
- Participate in Laboratory Approval and Chemical Monitoring Programs, as requested, to evaluate specific food safety parameters of ingredients identified in the Kellogg HACCP program.
- Deliver goods in secured, sealed trailer, bulk truck or railcar with supporting documentation.
- Provide proactive leadership on quality, nutrition and product perception issues.

**Research and Technology - Operations and Facilities:**

- Properly label products with required documentation, including accurate purchase order number or IOS number, and ingredient number per PO.
- Deliver clean, damage free product, within specifications and otherwise in accordance with WKKI programs and policies.
- Support R&D initiatives with personnel where appropriate, recognizing the value of pilot plant work within the greater innovation/ cost improvement processes.
- Clearly label flash points on each container; do not supply glass containers, they will not be accepted.
- Supply all shipments on pallets that are clean and sound, and have a pack size no larger than 48x40 inches in length and width and 4 feet high. Non-qualifying pallets may be refused.
- Clearly mark packages to state ALLERGEN if they contain one.
- Clearly mark any requirements for cold or frozen storage on the outside of containers.

**WKKI – Purchasing:**

- Confirm purchase order receipts within 24 hours via email to [rqt.purchasing@kellogg.com](mailto:rqt.purchasing@kellogg.com). Review contracts and confirm orders (quantity, price, unit of measure, delivery date).
- Provide tracking information upon shipment via email to [rqt.purchasing@kellogg.com](mailto:rqt.purchasing@kellogg.com).
- Deliver accurate quantities, on time. Freight received after the due date is considered late.
- Include COA and MSDS with shipments and email the forms to [rqt.purchasing@kellogg.com](mailto:rqt.purchasing@kellogg.com).
- Submit invoices promptly that match POs exactly (including UOM) to avoid payment delay.
- Respond promptly to all pricing, delivery and invoice inquiries.



**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 (i.e. responsibly sourcing priority ingredients, farmer engagement projects – including Origins work and Kellogg Grower Surveys, 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](mailto: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.