

Kellogg Company



CORPORATE PROFILE



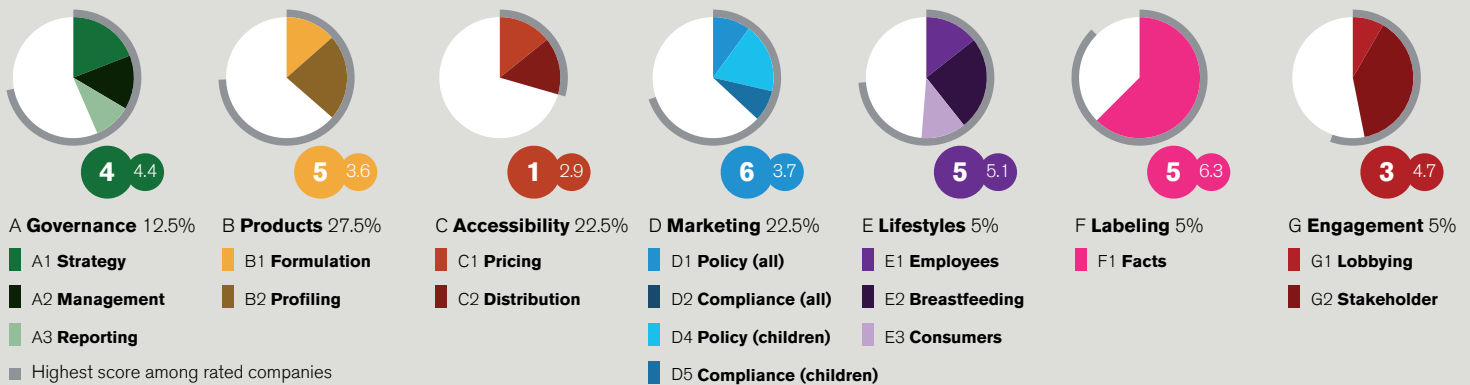
PRODUCT PROFILE

Company type	Publicly traded
Headquarters	U.S.
No. of U.S. employees	Not available
U.S. revenue range*	USD 5-10 billion

* Source: Euromonitor International, 2017.

Product Profile**	Revenue range	Mean HSR rating
Baked Goods	10-20%	2.2
Breakfast Cereals	30-40%	3.3
Processed Meat and Seafood	0-10%	3.9
Savory Snacks	30-40%	2.0
Sweet Biscuits, Snack Bars and Fruit Snacks	10-20%	1.8

Corporate Profile



Main areas of strength

- Kellogg ranks fifth on the U.S. Index Corporate Profile with a score of 3.8 out of 10 and is tied for fourth on the U.S. Index Product Profile with a score of 4.9 out of 10.
- The company published its Kellogg Nutrition Milestones document, which clarifies how the various aspects of its nutrition strategy relate to its central business strategy. The document provides specific and extensive information on the company's commercial programs, as well as on its participation in food insecurity programs and its support for public health and nutrition programs in the United States.
- Relative to other companies, Kellogg performs best on its approach to the affordability and accessibility of healthy products in the United States by expressing clear commitments to address these issues in its Milestones document. Despite leading on Category C, the company's low score illustrates a clear need for Kellogg and all other companies to increase their focus on priority populations whose access to healthy food is constrained by low income or geographic factors.
- Kellogg's approach to responsible marketing is codified in a policy that includes a wide range of commitments covering marketing to all consumers, as well as specific commitments regarding marketing to children.
- Through various programs and Kellogg's Healthy Beginnings website, the company provides nutrition education on a wide variety of relevant topics, including on the benefits of exclusive breastfeeding and of safe, timely and adequate complementary feeding. In addition, the company has a policy formalizing its commitment to supporting breastfeeding among its employees, including paid leave arrangements.
- Kellogg interacts extensively with U.S. stakeholders to inform and improve its nutrition strategy, as well as on public health and nutrition programs.

Priority areas for improvement

- Kellogg was estimated in the Product Profile to generate 22% of 2016 sales from healthy products (defined as a Health Star Rating (HSR) of 3.5 or more) and 6% of its 2016 sales from products that meet World Health Organization (WHO) Euro criteria for marketing to children. Kellogg does not disclose the percentage of products it considers healthy in the United States, but it does disclose that 18% of its products meet Children's Food and Beverage Advertising Initiative (CFBAI) standards. The Product Profile found that 8% of its products were suitable to be marketed to children. Kellogg should step up its efforts to reformulate products to make them healthier.
- Kellogg should define and disclose a clear definition of healthy products, aligned with national and international guidance. A full Nutrient Profiling System (NPS) should be the basis of that definition, guiding the company's reformulation efforts. Kellogg should define a comprehensive set of reformulation targets, covering all U.S. products and all relevant nutrients, such as salt/sodium, added sugars, saturated fat and fruits and vegetables.
- Kellogg describes its strategy as being focused on building a progressive health portfolio, but it does not disclose a comprehensive set of concrete objectives to show how it will achieve this goal. It should do so and report formally on its U.S. approach and progress.
- Kellogg should focus its affordability and accessibility initiatives more explicitly on healthy products and clarify how it addresses priority populations in the United States.
- The company should start auditing its compliance regarding marketing to all consumers and further extend its commitments on marketing to children in and near schools and other places where children gather. Further, to address concerns about 'copy-cat' products, Kellogg should ensure that all products sold under the Smart Snacks in School regulation meet the same nutrition standards everywhere, including those products that are sold through other channels with a similar 'look and feel'.
- Kellogg does not make a commitment to only lobby in support of measures to support public health. The company should, at a minimum, make a commitment to not lobby against measures to support public health and disclose more information about its lobbying activities.

** The mean HSR is calculated per category and multiplied by the percentage of 2016 sales per category. These figures are totalled and doubled to give a maximum Product Profile score of 10.



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Category analysis - Nutrition

A Governance

- Kellogg published its 'Nutrition Milestones' document in September 2017, which describes how its purpose 'Nourishing families so they can flourish and thrive' relates to its Growth 2020 business strategy and its nutrition strategy. Kellogg's commitment to build a progressive health portfolio is global and applies to the United States, exemplified by the U.S. examples described in the document.
- The company mentions it has a role to play in tackling challenges such as food insecurity and obesity in middle- and low-income communities globally, explicitly including the United States, making a specific reference to underserved populations.
- Kellogg does not disclose what percentage of its sales in the United States is generated by healthy products. The company is recommended to increase its transparency in this regard and to ensure that the percentage increases year-on-year to prove that it is delivering on its commitment to build a 'progressive health portfolio.'
- Kellogg has a comprehensive and global nutrition strategy that applies to the United States, disclosed in the Milestones document. A limited set of objectives related to its strategy are described, including concrete product reformulation objectives by 2020. However, objectives related to other aspects of ATNI methodology are omitted or not concrete enough. To strengthen its nutrition strategy, the company should develop a broader range of measurable objectives and report on progress in the United States. In addition, the company should set up a standard internal audit and annual management review of its nutritional strategy, as no evidence was found that this is currently in place.
- Kellogg describes accountability and day-to-day responsibility arrangements for the execution of the nutrition strategy globally, but does not provide clarity on country-level arrangements in the United States. The company should appoint and disclose senior or executive managers responsible for delivering U.S.-specific nutrition objectives.
- Related to its non-commercial activities, Kellogg focuses strategically on hidden hunger, micronutrient deficiencies and school age children in the United States. It states that foods provided to programs that address these issues are aligned to nutritional guidelines in the United States and aim to increase micronutrient uptake of vitamins and minerals needed in children.
- The company provides extensive reporting on its U.S. strategy to tackling nutrition issues in its Milestones document. It is currently not clear whether this document will be updated regularly. The company does not provide a clear outlook on future plans and targets and should increase its reporting on preventing and addressing obesity and diet-related chronic diseases in the United States.
- The reporting in the Milestones document has not been verified externally. Kellogg should implement external verification of its nutrition data throughout its formal reports.

B Products

- Kellogg states product development and reformulation efforts are part of its 2020 Growth Strategy. The company commits to invest in R&D to improve the nutritional quality of its products in the United States but did not define a target to increase its spending or efforts in the future, which it should do.
- The company aligns its reformulation efforts with U.S. Dietary Guidelines and states that its healthy standard is based on these guidelines, although it does not provide further specification. To be more transparent, Kellogg should provide a clear definition of what products are considered healthy.
- Kellogg does not publish the percentage of healthy products in its U.S. portfolio according to its own criteria. In the Product Profile, only 22% of 2016 U.S. sales were estimated to be derived from healthy products (which comprise 20% of the product portfolio), based on an HSR of 3.5 or more. These results indicate that the company should considerably scale up its efforts to improve the healthiness of its products.
- The company discloses that 18% of U.S. products meet the CFBAI criteria for

marketing to children. The Product Profile estimated that, based on WHO Euro criteria, 8% of products meet this criteria (and were estimated to generate 6% of its 2016 sales).

- Kellogg does not commit to apply a consistent set of nutrition standards to products sold under the Smart Snacks in School regulation and to equivalent products with a similar look and feel, sold through other channels. It should step up its commitment to support the health of school-age children and to address concerns about 'copy-cat' products by doing so.
- Kellogg sets some 2020 targets to reformulate its products and publishes these most extensively in its Milestones document as part of its Global Breakfast Foods Beliefs and Snack Foods Beliefs. For example, by 2020, 90% of cereals will have 10 grams of sugar per 30-gram serving. Similar limits are defined for cereals, convenient nutrition and cracker products. Further, relative reduction targets for sugar and sodium are defined for some product categories.
- The company makes a commitment to "Include positive nutrients or ingredients in every snack food in the convenient nutrition category." This is not recognized as a relevant commitment according to the ATNI methodology, which requires specific targets to increase fruits, vegetables, nuts, legumes or whole grains.
- Kellogg should define a complete set of reformulation targets, covering all of its products and all of the relevant 'positive' and 'negative nutrients.' In addition, the company should increase its transparency by publishing its U.S. performance and progress against all targets.
- Kellogg applies a limited set of nutritional criteria, the 'Kellogg Global Nutrient Criteria' which was defined more than ten years ago, and reports to apply it as a precursor to an NPS, driving product reformulation. The company should review these criteria and implement a full NPS based on stringent, internationally recognized criteria, covering all products.

C Accessibility

- Despite scoring 2.9 out of 10 in this Category, Kellogg leads the ranking on affordability and accessibility of healthy foods, mainly by expressing a broad commitment for the U.S. market. This illustrates the poor performance across all companies in the U.S. Index on this Category.
- In its Milestones document, the company describes a clear commitment to address the affordability and accessibility of healthy foods, including for priority populations, described as low-income U.S. households. Furthermore, it describes in detail how it aims to reach underserved populations in the United States with specific pricing and channel strategies. Nevertheless, Kellogg did not define any concrete targets in these areas.
- Kellogg does not have a clear definition of healthy products and therefore it does not describe clearly how it links its affordability and accessibility strategy to healthy products specifically. It does provide some examples related to increasing the affordability of healthy snacks and to providing coupons to stimulate fresh food consumption, such as milk and fruits, through price discounts. It is important that Kellogg improves its approach by defining and disclosing a definition of healthy foods, and incorporating this as the central focus for its affordability and accessibility strategy, to ensure low income consumers can improve the quality of their diets.
- Kellogg should adopt and disclose a formal policy on improving the affordability and accessibility of healthy foods, with concrete targets to achieve in the United States, e.g. on narrowing the price differential on healthy versus less healthy products, for reaching a specific number of consumers with affordable healthy products, or targets with particular reference to priority populations whose access to healthy food is constrained by low income or geographic factors. Although Kellogg discloses that its Chief Growth Officer is responsible for its affordability strategy, the company should disclose accountability and day-to-day responsibility arrangements in relation to a formal policy that is specific to the United States.
- Regarding the company's donations to social service programs, Kellogg commits to only donate products to school breakfast programs that are aligned

with U.S. Department of Agriculture Dietary Guidelines for Americans and therefore considered healthy. The company's programs include partnerships with Action for Healthy Kids, the Food Research and Action Center and Share Our Strength's No Kid Hungry campaign. Kellogg does not track which percentage of donated foods is healthy, but it should do so.

D Marketing

- The Kellogg Worldwide Marketing & Communications Guidelines (KWMCG) document, fully published and in effect since 2008, describes guidelines that apply to the U.S. market for marketing to all consumers, with specific commitments for marketing to children. The company should update the coverage of media channels regarding marketing to all consumers.
- The company makes commitments that cover the International Chamber of Commerce (ICC) Code for Advertising and Marketing Communication Practice without an explicit reference to the ICC. The company does not monitor its responsible marketing policy compliance in the United States regarding marketing to all consumers but should commission independent third-party auditing.
- Kellogg did not provide evidence of an explicit commitment to developing and delivering marketing strategies for healthy products tailored to reaching priority populations in the United States. It does show evidence of taking steps to understand and reach consumers with low incomes. The company should extend its focus on priority populations in marketing programs and disclose its approach.
- The KWMCG includes specific commitments on responsible marketing to children. In addition, the company pledges to follow the two main sets of industry self-regulation commitments by being a CFBAI member and supporting the Children's Advertising Review Unit (CARU) Guidelines, administered by the U.S. Council of Better Business Bureaus (CBBB). Kellogg makes a strong set of commitments on responsible marketing to children. It could improve its commitments to not use, without exception, its own fantasy and animated characters with a strong appeal to children, and to not show children engaging in other activities while eating.
- The company does not market any products to children under six on the media covered by its commitment and when they make up 35% or more of the audience. It markets only healthy products, according to its own definitions, to children aged seven to 12. Kellogg could lower its audience threshold to <25% for industry-leading practice.
- Kellogg commits to refraining from marketing activities in elementary schools and to only offering 'educational materials' when in agreement with schools/parents. However, the company should extend this commitment to places near elementary schools, in or near middle or high schools and to other places popular with children. It describes some types of marketing specifically, e.g. on signs, scoreboards or posters, or on school equipment, but it should extend these to include a wider range, including corporate incentive programs, fundraisers and others. Further, industry-leading practice extends responsible marketing commitments to beyond the age of 12.
- Kellogg's compliance regarding responsible marketing to children is audited annually through the CBBB as part of the CFBAI commitments. The company does not publish its individual compliance level of the CFBAI audit but should do so.
- The company does not disclose a commitment to take corrective action in case of non-compliance. Kellogg has had complaints upheld by CARU in the last three years, which underlines the importance of making a corrective action commitment.

E Lifestyles

- The Milestones document discloses a commitment to support employee health and well-being globally. The company has the 'Feeling Gr-r-reat' health management program in place for all its U.S. employees, focused on fitness, wellness and disease prevention. The results of the program are evaluated internally, including biometric evaluations. The company should improve by tracking participation and by extending the program to all employees and family members. It should also articulate expected health and business outcomes of

its programs and implement independent evaluations with full disclosure of the outcomes.

- Kellogg commits to supporting breastfeeding mothers and has a policy in place that is specific to the United States. In addition, a parental leave policy is in place that offers paid parental leave to both parents, including adoptive parents. Combined with leave arrangements around childbirth, this leads to a total paid leave for mothers of up to three months, which may be extended in specific circumstances. The company should extend paid maternity leave for all mothers, to at least meet the recommended minimum of 14-weeks of paid leave by the International Labour Organization (ILO).
- The company offers facilities to support nursing mothers in its U.S. locations, including refrigeration for storing expressed milk. The company publishes a brief commentary about its support for breastfeeding mothers in the Diversity & Inclusion section on its website.
- Kellogg commits to supporting healthy eating/nutrition education programs that are aligned to national dietary guidelines. It provides descriptions of the programs it supports in the United States, some of which it applies brand-level sponsorship to. This includes the Hall of Stripes program that promotes active lifestyles, set up with the expertise of the Little League Hall of Fame. Other programs are set up in partnership with No Kid Hungry, the American Academy of Pediatrics and others. Kellogg could further improve by developing a policy which excludes brand-level sponsorship of healthy eating/nutrition programs, active lifestyle programs and food insecurity/food access programs. It should describe requirements for programs it funds, related to a sound evidence base, expert advice on designing the program and stakeholder input.
- The company defines broad health outcomes, such as related to increase physical activity. Kellogg should define specific health outcomes participants in public health and nutrition programs should benefit from. Independent evaluations should be commissioned, and goals and performance should be disclosed.
- Kellogg is commended for funding educational programs that educate about a comprehensive range of nutrition and active lifestyle related topics. For example, Kellogg provides extensive information via its www.healthybeginnings.com website, focused on mothers. It provides extensive information on the benefits of exclusive breastfeeding, complementary feeding of infants and young children, and general nutritional education. Although not focused on priority populations exclusively, both initiatives are considered relevant to provide relevant education to these groups.

F Labeling

- The company provides numeric information Front-Of-Pack (FOP), listing calories and Guideline Dietary Amounts (GDAs) for one or more of seven nutrients. Currently, three quarters of its products in the United States provide this FOP information. The company could improve by communicating the nutritional value of its products by using interpretive FOP labels that are easy to understand for all consumers by using graphics, symbols or colors.
- Kellogg provides full nutrition panel information online for all of its U.S. products through the Grocery Manufacturers Association (GMA) SmartLabel tool.
- Kellogg discloses on its website and in its Milestones document how it will implement added sugar labeling and other label changes in advance of the U.S. Food and Drug Administration (FDA) update of the Nutrition Facts Panel, which includes a requirement for labeling of added sugars and will go into effect on January 1, 2020. Although this aspect of the assessment is not scored and provided for information purposes only, all companies should implement the update to the Nutrition Facts Panel as soon as possible for all relevant products

G Engagement

- Kellogg discloses limited information about its U.S. lobbying activities beyond legal requirements. It publishes its Code of Ethics, but the document (or any other policy) does not contain a commitment to only engage with governments, political parties, policymakers and policymaking bodies in support of measures to prevent and address obesity and diet-related chronic diseases. The company should make this commitment.

- Beyond required disclosure of financial contributions to associations or other organizations that lobby on its behalf, Kellogg does not disclose potential governance conflicts of interest and board seats at influential organizations. The company should disclose this information and its positions used in lobbying, as these relate to nutrition. Further, it should provide a commentary on its lobbying activities in the United States to prevent and address obesity and diet-related chronic diseases.
- Kellogg commits to engage with U.S. stakeholders in designing its nutrition strategy and shows evidence of a comprehensive, well-structured approach with investors, customers, suppliers, non-governmental organizations, community members, policymakers and others. The company discloses this commitment in its Milestones document and provides additional information in its 2016-2017 Corporate Social Responsibility report.
- Kellogg could further improve by providing more details on its interaction with stakeholders to inform its commercial nutrition strategy, describing how input has been used to adapt policies and to change business practices. Its description of engagement on non-commercial public health and nutrition programs is more elaborate. For example, it engages with Action for Healthy Kids, Feeding America and other non-profit organizations on school breakfast programs that expand federally funded school breakfast programs as part of Kellogg's Breakfasts for Better Days program.

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Product Profile*

Portfolio-level results

Average HSR score (sales-weighted; out of 5 maximum)	Healty products (HSR)				Products suitable to market to children (WHO Euro)				% total U.S. F&B sales included
	No. assessed	% sales generated from healthy	No. healthy	% of healthy products	No. assessed	% sales generated from suitable	No. suitable	% of suitable products	
2.4	691	22%	138	20%	691	6%	53	8%	99%

▪ Kellogg’s average sales-weighted mean HSR is 2.4, and 2.6 when not weighted by sales, generating a Product Profile score of 4.9 out of 10, and a shared rank of fourth. The results are based on analysis of 99% of its 2016 sales from categories eligible for inclusion.

▪ 20% of the products assessed (138) were found to meet the HSR healthy threshold of 3.5 and were estimated to generate 22% of 2016 sales.
 ▪ 8% of the products assessed (53) were found to be suitable for marketing to children and were estimated to generate 6% of 2016 sales.

Category results

Category	Baked Goods	Breakfast Cereals	Processed Meat and Seafood	Savory Snacks	Sweet Biscuits, Snack Bars and Fruit Snacks
Mean HSR	2.2	3.3	3.9	2	1.8
% products healthy	9%	48%	95%	8%	4%
% products suitable to market to children	1%	11%	90%	0%	0%

The Kellogg’s category which had the highest mean HSR is processed meat and seafood (3.9), above the 3.5 healthy threshold. Its breakfast cereals category obtained a mean HSR of 3.3. The other three categories scored more poorly: Baked goods (2.2) and savory snacks (2), while the sweet biscuits, snack bars and fruit snacks category were rated only 1.8 out of 5. While the vast majority of products in the processed meat and seafood category were found to be healthy (95%) and suitable for marketing to

children (90%), Less than 10% of products in the baked goods, savory snacks and sweet biscuits, snack bars and fruit snacks achieved an HSR of 3.5 or more. As a result, none in the latter two categories were found to be suitable for marketing to children, and 1% of baked goods were suitable. In the breakfast cereals category, just under half of the products are found to be healthy (48%) and only 11% are suitable for marketing to

* The mean HSR is calculated per category and multiplied by the percentage of 2016 sales per category. These figures are totalled and doubled to give a maximum Product Profile score of 10.

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Relative nutritional quality of Kellogg's products by category

Mean HSR	Baked Goods	Breakfast Cereals	Processed Meat and Seafood	Savory Snacks	Sweet Biscuits, Snack Bars and Fruit Snacks
Kellogg	2.2	3.3	3.9	2	1.8
General Mills	1.4	2.7			2.2
ConAgra			2.4	2.1	
Kraft Heinz			3.9	4	
Mars				0.5	
PepsiCo				2.7	

Kellogg has a diverse portfolio and competes with several other companies, particularly in the processed meat and seafood as well as savory snacks categories. In the first category, its products achieve the highest nutritional quality with a mean HSR of 3.9, together with those of Kraft Heinz. Its savory snacks fall below the mid-range of nutritional quality with an HSR of 2, versus the highest rating of 2.7 achieved by PepsiCo's products and the lowest 0.5 rating by Mars' products.

For the remaining three categories, Kellogg competes only with General Mills. In the breakfast cereals category (its second-best scoring category overall), Kellogg achieves a substantially higher mean HSR than that of its competitor, whose products obtain an average score of 2.7. Its baked goods also achieve a higher mean HSR than those of General Mills, with a score of 2.2. However, its sweet biscuits, snack bars and fruit snacks (1.8) have a lower mean HSR than those of General Mills (2.2).

Conclusion

As Kellogg does not disclose the percentage of products it considers meet its healthy standard in the United States, it is not possible to compare its results with those from the Product Profile. Kellogg should improve its transparency in this area, beginning by disclosing a clear definition of healthy products. The company reports that 18% of its products meet CFBAI standards, yet the Product Profile found that only 8% were suitable for marketing to children.

Kellogg should step up its efforts to reformulate its products to improve their overall nutritional quality, paying special attention to those products consumed by children. Kellogg applies a limited set of nutritional criteria that need to be reviewed. Kellogg should implement a full NPS that includes a wide range of nutrients, and to set clear and specific targets, to guide the company's reformulation efforts.

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Note

The George Institute for Global Health (TGI) is responsible for the data collection for the Product Profile assessment, using data from available databases that was supplemented with data provided by companies to ATNF. TGI is also responsible for the analysis of the data related to the Product Profile and the TGI Product Profile final report, the results of which have been incorporated by ATNF into the Global Access to Nutrition 2018 report and the U.S. Spotlight Index report.

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