

Kellogg Management Services (Europe) Limited

SECTION 172 STATEMENT

The directors are fully aware of their duty under section 172 (1) of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. The directors consider that, during the year to 28 December 2019, they have had regard (amongst other matters) to:

- a. the likely consequences of any decision in the long term;
- b. the interest of the company's employees;
- c. the need to foster the company's business relationships with suppliers, customers and others;
- d. the impact of the company's operations on the community and the environment;
- e. the desirability of the company maintaining a reputation for high standards of business conduct; and
- f. the need to act fairly as between members of the company.

Further details in relation to each of these matters is set out below.

Context

As a subsidiary of the Kellogg Group, the directors are assisted in these matters by the overarching group governance structures, procedures and policies, to which all group companies and employees must adhere. The directors also benefit from the expertise of certain group functions such as human resources, legal, procurement, internal audit and health and safety which operate with regard to various stakeholders and the success of all group companies.

The likely consequences of any decision in the long term - Taking a Long-Term approach

The directors are aware of the changing external landscape and the needs of its different stakeholder groups.

Where conflicts arise between the short term and long-term consequences of a decision these consequences are weighed carefully. Whilst precedence is given to long term benefits, the directors will consider whether these are outweighed by short term impacts in reaching their conclusions.

Employee Engagement

There is senior HR representation on the board of the Company. The welfare and development of the Company's employees is of highest importance to the directors, guided by Kellogg Company's internal K Values which sets out how all Company employees should behave.

The directors are confident that the Company as part of the Kellogg group has extensive processes in place to ensure the voice of employees is heard and acted upon where necessary. These include an employee forum. There is significant investment in employee engagement and communication through the use of regular employee huddles and the use of Yammer, a social networking tool designed to openly connect and engage across the business.

Significant emphasis is placed on creating an environment where all employees feel they can belong. The Company offers access to several Employee Resource Groups to enable participation of specific groups including women, LGBT+ employees and colleagues from BAME communities.

The Company is a signatory to the United Nation's backed Unstereotype Alliance which seeks to eradicate harmful stereotyping in advertising and media content.

Kellogg Company Equal Opportunities, Anti-Harassment and Bullying Policies are set out in a Company Handbook and a report into inclusion and diversity work is published annually.

Stakeholder Engagement

Business Relationships

The directors continually seek to maintain and develop strong and mutually beneficial relationships with the Company's suppliers and customers.

There are European wide processes and functions which assist the director in this regard. For example, the Company engages with its suppliers via European procurement teams as well as through other group functions such as legal, compliance and Health and Safety.

The Company builds partnerships with its suppliers ensuring they are responsible and capable of delivering our business needs.

Finance and Procurement teams review the financial stability and suitability of our suppliers in line with our policies and ethical standards. Regular supplier account management meetings take place to review performance.

The directors are committed to complying with all applicable local laws and regulations including in relation to modern slavery, human trafficking and anti-bribery and corruption. Contractual provisions are updated to ensure that external counterparties are obliged to adhere to all applicable laws and regulations.

All dealings with suppliers are governed by the Kellogg Company's Code of Ethics which seeks to set out the joint responsibilities of both the Company and those who supply it.

Community and Environment

As Kellogg is one of Britain's most long-standing food companies, the directors understand their responsibility to help people make healthier choices and play a role in supporting and nurturing communities.

The Company's main corporate social responsibility efforts are focussed on helping to tackle food insecurity, through its support of school breakfast clubs and food banks.

The directors also recognise the impact of what Kellogg produces on the lives of people. That is why the directors have assisted the Kellogg Group to pursue a policy of working to improve the nutritional composition of its food including a 40% sugar reduction in one of Kellogg's most famous children's food in the UK – Coco Pops.

The directors are also aware of their responsibility to the planet and ensure that the Company adheres to extensive policies set at Kellogg group level to reduce its environmental impact in the areas of carbon, water, energy, road miles and freight, food waste, plastics and sustainable sourcing.

Kellogg Company is the signatory to several global multi-stakeholder pledges to address the environmental impact of its operations, including a pledge to ensure all its packaging is either reusable, recyclable or compostable by 2025. Progress against these targets is published on an annual basis in a Global CSR report.

Guarding corporate reputation

The directors are aware of Kellogg's reputation in the market place and their responsibility to ensure its good health.

Annually the Company participates in two different externally validated surveys to understand its reputation with two major stakeholder groups: consumers and employees.

This analysis helps directors understand the needs and expectations of stakeholders and independently assess the reputational impact of the various actions and decisions that the Company takes.

Alongside this, the Kellogg UK business has a full reputation management process in place to assist directors in the long-term protection and management of the Company's reputation.

High standards of business conduct

The directors strive to operate the business to the highest level of conduct. All staff are required to adhere to the Kellogg Company's Diversity and Inclusion Policy and its Anti-Harassment and Bullying Policy. Kellogg Company has an Office of Ethics and Compliance which acts as a guardian of the Company's policies and conducts regular ethics training for employees.

The Company's employees have full and free access to a whistleblowing service operated by Kellogg Company.

The directors also benefit from the work of group's Internal Audit function which performs routine audits

which will review the overall control framework and the Company's compliance with Kellogg policies and procedures.

The need to act fairly as between members of the company.

The directors treat all external stakeholders collaboratively and fairly, and duly expect a level of conduct from them which aligns to the Company's values.

Kellogg Marketing and Sales Company (UK) Ltd

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- a. the likely consequences of any decision in the long term;
- b. the interest of the company's employees;
- c. the need to foster the company's business relationships with suppliers, customers and others;
- d. the impact of the company's operations on the community and the environment;
- e. the desirability of the company maintaining a reputation for high standards of business conduct; and
- f. the need to act fairly as between members of the company.

Further details in relation to each of these matters is set out below.

Context

As a subsidiary of the Kellogg Group, the directors are assisted in these matters by the overarching group governance structures, procedures and policies, to which all group companies and employees must adhere. The directors also benefit from the expertise of certain group functions such as human resources, legal, procurement, internal audit and health and safety which operate with regard to various stakeholders and the success of all group companies.

The likely consequences of any decision in the long term - Taking a Long-Term approach

The directors are aware of the changing external landscape and the needs of its different stakeholder groups. Insights from these different stakeholder groups are considered by the directors and are taken into account in the Company's business planning process and are reflected in the Company's annual business plan.

Where conflicts arise between the short term and long-term consequences of a decision these consequences are weighed carefully. Whilst precedence is given to long term benefits, the directors will consider whether these are outweighed by short term impacts in reaching their conclusions.

Employee Engagement

There is senior HR representation on the board of the Company. The welfare and development of the Company's employees is of highest importance to the directors, guided by Kellogg Company's internal K Values which sets out how all Company employees should behave.

The directors are confident that the Company as part of the Kellogg group has extensive processes in place to ensure the voice of employees is heard and acted upon where necessary. These include an employee forum. There is significant investment in employee engagement and communication through the use of regular employee huddles and the use of Yammer, a social networking tool designed to openly connect and engage across the business.

Significant emphasis is placed on creating an environment where all employees feel they can belong. The Company offers access to several Employee Resource Groups to enable participation of specific groups including women, LGBT+ employees and colleagues from BAME communities.

The Company is a signatory to the United Nation's backed Unstereotype Alliance which seeks to eradicate harmful stereotyping in advertising and media content.

Kellogg Company Equal Opportunities, Anti-Harassment and Bullying Policies are set out in a Company Handbook and a report into inclusion and diversity work is published annually.

Stakeholder Engagement Business Relationships

The directors continually seek to maintain and develop strong and mutually beneficial relationships with the Company's suppliers and customers.

There are European wide processes and functions which assist the director in this regard. For example, the Company engages with its suppliers via European procurement teams as well as through other group functions such as legal, compliance and Health and Safety.

The Company builds partnerships with its suppliers ensuring they are responsible and capable of delivering our business needs.

Finance and Procurement teams review the financial stability and suitability of our suppliers in line with our policies and ethical standards. Regular supplier account management meetings take place to review performance.

The directors are committed to complying with all applicable local laws and regulations including in relation to modern slavery, human trafficking and anti-bribery and corruption. Contractual provisions are updated to ensure that external counterparties are obliged to adhere to all applicable laws and regulations.

All dealings with suppliers are governed by the Kellogg Company's Code of Ethics which seeks to set out the joint responsibilities of both the Company and those who supply it.

Community and Environment

As Kellogg is one of Britain's most long-standing food companies, the directors understand their responsibility to help people make healthier choices and play a role in supporting and nurturing communities.

The Company's main corporate social responsibility efforts are focussed on helping to tackle food insecurity, through its support of school breakfast clubs and food banks.

The directors also recognise the impact of what Kellogg produces on the lives of people. That is why the directors have assisted the Kellogg Group to pursue a policy of working to improve the nutritional composition of its food including a 40% sugar reduction in one of Kellogg's most famous children's food in the UK – Coco Pops.

The directors are also aware of their responsibility to the planet and ensure that the Company adheres to extensive policies set at Kellogg group level to reduce its environmental impact in the areas of carbon, water, energy, road miles and freight, food waste, plastics and sustainable sourcing.

Kellogg Company is the signatory to several global multi-stakeholder pledges to address the environmental impact of its operations, including a pledge to ensure all its packaging is either reusable, recyclable or compostable by 2025. Progress against these targets is published on an annual basis in a Global CSR report.

Guarding corporate reputation

The directors are aware of Kellogg's reputation in the market place and their responsibility to ensure its good health.

Annually the Company participates in two different externally validated surveys to understand its reputation with two major stakeholder groups: consumers and employees.

This analysis helps directors understand the needs and expectations of stakeholders and independently assess the reputational impact of the various actions and decisions that the Company takes.

The insights from these surveys are fed into Kellogg's European wide annual business planning cycle.

Alongside this, the Kellogg UK business has a full reputation management process in place to assist directors in the long-term protection and management of the Company's reputation.

High standards of business conduct

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The Company's employees have full and free access to a whistleblowing service operated by Kellogg Company.

The directors also benefit from the work of group's Internal Audit function which performs routine audits which will review the overall control framework and the Company's compliance with Kellogg policies and procedures.

The need to act fairly as between members of the company.

The directors treat all external stakeholders collaboratively and fairly, and duly expect a level of conduct from them which aligns to the Company's values.

Kellogg Company of Great Britain Ltd

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Community and Environment

Environmental Health & Safety and Quality & Food Safety are top priorities for the Company and therefore the Director of EHS & QFS is on the board. As Kellogg is one of Britain's most long-standing food companies, the directors understand their responsibility to help people make healthier choices and play a role in supporting and nurturing communities.

The Company's main corporate social responsibility efforts are focussed on helping to tackle food insecurity, through its support of school breakfast clubs and food banks.

The directors also recognise the impact of what Kellogg produces on the lives of people. That is why the directors have assisted the Kellogg Group to pursue a policy of working to improve the nutritional composition of its food including a 40% sugar reduction in one of Kellogg's most famous children's food in the UK – Coco Pops.

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