

KELLOGG COMPANY  
BOARD OF DIRECTORS

## **AUDIT COMMITTEE**

### **CHARTER**

**February 17, 2006**

#### **Purpose**

The Audit Committee shall assist the Board in monitoring (1) the integrity of the financial statements of the Company, (2) the independent auditor's qualifications and independence, (3) the performance of the Company's internal audit function and independent auditors, and (4) the compliance by the Company with legal and regulatory requirements.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor.

#### **Committee Membership and Function**

The Audit Committee shall consist of no fewer than three members. The members of the Audit Committee shall meet the independence, financial literacy and experience requirements of the New York Stock Exchange, with the Board to affirmatively determine that the members are independent, and disclose that determination, to the extent required.

At least one member of the Audit Committee shall possess accounting or related financial management experience or education sufficient in the judgment of the Board to qualify as an "audit committee financial expert" under the Securities Exchange Act of 1934, as amended. Audit Committee members shall not simultaneously serve on this Committee and the audit committees of more than two other public companies without receiving the prior approval of the Board of Directors. Members of the Audit Committee may only receive director fees and other benefits permitted under the requirements of the New York Stock Exchange and the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

The Audit Committee will meet as often as it determines appropriate, but would be expected to meet not less frequently than quarterly.

## **Committee Authority and Responsibilities**

The Audit Committee shall have the sole authority to appoint or replace the independent auditor. The Audit Committee shall be directly responsible for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall directly report to the Audit Committee.

The Audit Committee shall, except as indicated below, pre-approve all audit, internal control-related and all permitted non-audit services (including the fees and terms thereof) by the independent auditors (and their affiliates), and shall disclose such services in the Company's SEC filings to the extent required. The Chairman of the Audit Committee is also delegated the authority to pre-approve such services and pre-approve or approve up to \$500,000 for such services. The Chairman shall present such approvals at the next full Audit Committee meeting. The Audit Committee shall consult with management but shall not otherwise delegate these responsibilities.

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain, determine the fees and other retention terms and terminate independent legal, accounting or other advisors, with the Company to provide appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for purposes of rendering or issuing an audit report and to any advisors retained by the Audit Committee.

The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee. The Audit Committee shall periodically meet with management, the internal auditors and the independent auditor in separate executive sessions. The Audit Committee may also, to the extent it deems necessary or appropriate, meet with the Company's investment bankers or financial analysts who follow the Company.

The Audit Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

The Audit Committee, to the extent it deems necessary or appropriate, shall:

### **Financial Statement and Disclosure Matters**

1. Review and discuss with management and the independent auditor the annual audited financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.
2. Review and discuss with management and the independent auditor the Company's quarterly financial statements prior to the filing of its Form 10-Q, including the disclosures made in management's discussion and analysis and

the results of the independent auditor's reviews of the quarterly financial statements.

3. Discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies, and any accounting adjustments that were noted or proposed but were passed (as immaterial or otherwise).
4. Review and discuss quarterly reports from the independent auditor on (a) all critical accounting policies and practices to be used; (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, the ramifications of the use of such alternative disclosures and treatments (as well as the treatment preferred by the independent auditor) and all material correcting adjustments identified by the independent auditor; (c) other material written communications between the independent auditor and management, such as any management letter (and the Company's response) or schedule of unadjusted differences; and (d) any problems, difficulties or differences encountered in the course of the audit work, including any disagreements with management or restrictions on the scope of the auditor's activities or on access to requested information.
5. Discuss with management the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made).
6. Discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
7. Review and discuss with management (including the head of Internal Audit) and the independent auditor, the Company's internal controls report and the independent auditor's attestation of the report prior to the filing of the Company's Form 10-K.
8. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
9. Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61, 89 and 90 relating to the conduct of the audit, including difficulties encountered in the course of the audit work,

including any restrictions on the scope of activities or access to requested information, the auditor's assessment of the overall quality of financial reporting, unadjusted differences, and any significant disagreements with management.

10. Review disclosures made to the Audit Committee by the Company's CEO and CFO during the certification process for the SEC Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.
11. Prepare the report required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement, to the extent required.

### **Oversight of the Company's relationship with the Independent Auditor**

12. Review and evaluate the lead partner of the independent auditor.
13. Review annually a written report from the independent auditor describing all relationships between the independent auditor (and its affiliates) and the Company (and its subsidiaries).
14. Obtain and review a report from the independent auditor at least annually regarding (a) the independent auditor's internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, (c) any steps taken to deal with any such issues, and (d) all relationships between the independent auditor and the Company. Evaluate the qualifications, performance and independence of the independent auditor, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence, and taking into account the opinions of management and the internal auditor. The Audit Committee shall present its conclusions with respect to the independent auditor to the Board.
15. Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law. Consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent auditing firm on a regular basis.
16. Establish clear policies for the Company's hiring of employees or former employees of the independent auditor who participated in any capacity in the audit of the Company, which shall comply with all regulatory requirements.

17. Discuss with the national office of the independent auditor issues on which they were consulted by the Company's audit team and matters of audit quality and consistency.
18. Meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit.
19. Review with the independent auditors, the Company's internal auditor, and financial and accounting personnel, the adequacy and effectiveness of the accounting and financial controls of the Company, and elicit any recommendations for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures are desirable.

### **Oversight of the Company's Internal Audit Function**

20. Ensure that the Company maintains an internal audit function.
21. Review and separately discuss with management and the independent auditor the internal audit function of the Company including the independence and authority of its reporting obligations, the proposed audit plans for the coming year, the budget and qualifications of internal auditors and the coordination of such plans with the independent auditors.
22. Receive a summary of completed internal audits and audit results, and a progress report on the proposed internal audit plan, with explanations for any deviations from the original plan and any other significant reports to management and management's response.
23. Review internal audit personnel and succession planning within the Company, including the appointment and replacement of senior and other internal audit personnel.

### **Compliance Oversight Responsibilities**

24. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting and auditing matters.
25. Obtain from the independent auditor assurance that Section 10A(b) of the Securities Exchange Act of 1934, as amended, has not been implicated.
26. Review with the Company's General Counsel legal matters that may have a material impact on the financial statements, the Company's compliance policies and any material reports or inquiries received from regulators or governmental agencies.

27. Review with management and the independent auditors any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.
28. Review with management and advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's Global Code of Ethics.

### **Administrative Matters**

The members of this Committee shall be appointed by the Board of Directors on the recommendation of the Nominating and Governance Committee and may be removed or replaced by the Board. The Chairperson of this Committee shall also be appointed by the Board of Directors on the recommendation of the Nominating and Governance Committee.

A majority of the members of this Committee shall constitute a quorum for the transaction of business, and the act of the majority of Committee members present at a meeting where a quorum is present shall be the act of this Committee, unless a different vote is required by express provision of law, the Bylaws or the Certificate of Incorporation. Unless otherwise provided by the Bylaws or the Certificate of Incorporation: (i) any action required or permitted to be taken at any meeting of this Committee may be taken without a meeting if all of the members consent thereto (a) in writing or (b) by electronic transmission and such writings or transmissions are filed with the minutes, of this Committee; and (ii) members of this Committee may participate in a meeting by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation shall constitute presence at such a meeting.

This Committee may form and delegate authority to subcommittees or members as provided in this Charter or when otherwise appropriate. Except as expressly provided in this Charter, the Bylaws or the Certificate of Incorporation, this Committee may fix its own rules of procedure.

This Committee will report to the Board at the next regularly scheduled Board meeting after one or more Committee meetings, will otherwise regularly report to the Board and will annually conduct a performance review of its activities.

2/17/06