

Controlling Corporation

KELLOGG AUSTRALIA HOLDINGS PTY LTD ACN: 102 893 952

Period to which this report relates

Start

End

Part 1 – Information on assessments completed to date

Table 1.1 – Description of the way in which the Corporate Group (or part of it) has carried out its assessments

Kellogg (Aust.) Pty. Ltd. operates three manufacturing facilities in Australia, two Ready to Eat Cereal plants (Botany and Frenchs Forest, NSW) and a snacks facility on the NSW Central Coast. Office headquarters are located in Pagewood, NSW with offices also located in Queensland, Victoria, South Australia and Western Australia.

In September 2008 Kellogg (Aust) Pty Ltd acquired Speciality Cereals Pty Ltd including the manufacturing facility located in the northern Sydney suburb of Frenchs Forest.

In late 2009 (completed early 2010), Kellogg (Aust.) Pty. Ltd., (ACN: 004 110 105), conducted an energy assessment of its Frenchs Forest facility. The technical review was carried out in accordance with Level 3 of Australian Standard 3598:2000. It identified opportunities for improvement in energy efficiency and developed a cost savings analysis for each. As part of the requirements of the technical review a site energy balance was performed to determine major uses of energy in the plant and assess consumption patterns and quantities.

The Energy Efficiency Assessment conducted at the Botany plant in 2006 accounted for 92% of the total energy use for the Kellogg group. When combined with the assessment of Charmhaven (conducted in 2008) and Frenchs Forest, Kellogg (Aust) Pty Ltd has now assessed 99% of the organisation's energy use.

Energy savings initiatives implemented at the **Botany** site have resulted in a drop in energy usage when normalised over production tonnage. Compared to 2009 there has been a reduction in both gas and electricity usage. In particular the Energy Management System, aimed at improving the control and monitoring of key equipment such as air compressors, boilers, chilled water units and cooling towers, resulted in annualised savings estimated at 2300 tonnes of greenhouse gas emissions and 21900GJ of energy.

The **Charmhaven** site has made good progress in implementing the opportunities identified:

Power Factor Correction (PFC): During the energy assessment a review of annual peak demand indicated the associated power factor dropped to 0.82, (82%) and was found to range from 0.78 (78%) to 0.88 (88%). This showed that there was a definite opportunity to improve the power factor. The installation of upgraded power factor correction equipment took place in June 2009. Since that time the plant has maintained a PFC of 99% significantly reducing peak demand.

Upgrade to Air Handling Unit: The plant installed an outside supply air inlet to utilise outside air to cool the building when weather conditions allow. Additionally the plant installed an economy cycle on the air handling unit. The economy cycle is estimated to operate 30% of the time. This has resulted in significant electricity savings by reducing the AHU and compressor load.

Upgrade to Boilers: A new boiler was installed in early 2010. The new boiler is energy efficient with improved controls.

Collectively these initiatives, combined with daily and weekly review of energy usage, have improved energy efficiency at the site with energy usage trending down over 2010.

Table 1.2 – Energy use assessed

Group member and/or business unit and/or key activity and/or site that has had an assessment completed by the end of this reporting period.	Period over which assessment was undertaken ¹	Energy use per annum in GJ ² in the current reporting year July 2009- June 2010
Botany	September - October 2006	457,394
Charmhaven	March - April 2008	24,797
Frenchs Forest	December 2009 - January 2010	16,625
Total energy assessed		498,816
Total energy use of the group in the current reporting year		501,793
Total energy assessed expressed as a percentage of total current energy use		99%

1. This should be the start and finish date (month and year) for the assessment (planned assessment dates were nominated in Table 3.1 of the approved ARS).
2. Energy Bandwidth may only be used if approved in the Assessment and Reporting Schedule.



Part 1 – Information on assessments completed to date (continued)

Table 1.3 – Accuracy of energy use data		
Entity	% achieved	Reasons for not achieving data accuracy to within $\pm 5\%$
N/A		

Part 2 - Energy Efficiency Opportunities that have been identified and evaluated

Part 2A - New Assessments completed during the reporting period

Name of Group member or business unit or key activity or site: _____ Frenchs Forest _____

Energy use of the entity during the current reporting period

2009-10	16625	GJ
---------	-------	----

Table 2.1 – Opportunities assessed to an accuracy of $\pm 30\%$ or better

Status of opportunities identified		Number of opportunities	Estimated energy savings per annum by payback period (GJ)			Total estimated energy savings per annum (GJ)
			0 – < 2 years	2 – \leq 4 years	> 4 years	
Outcomes of assessment*	Total Identified	19	576	290	2053	2919
Business Response*	Under Investigation	9	247	24	955	1226
	To be Implemented	3	73		680	753
	Implementation Commenced	1	73			73
	Implemented	0				
	Not to be Implemented	6	183	266	418	867

Part 2 - Energy Efficiency Opportunities that have been identified and evaluated

Part 2B - Update of assessments originally reported in previous reporting periods

Name of Group member or business unit or key activity or site: _____ Botany _____

Energy use of the entity during the current reporting period

457,394	GJ
---------	----

Table 2.3 - Opportunities assessed to an accuracy of $\pm 30\%$ or better

Status of opportunities identified		Number of opportunities	Estimated energy savings per annum by payback period (GJ)			Total estimated energy savings per annum (GJ)
			0 – < 2 years	2 – \leq 4 years	> 4 years	
Outcomes of assessment*	Total Identified	34	18053	39273	5431	62757
Business Response*	Under Investigation	5	7700	9785	220	17705
	To be Implemented					
	Implementation Commenced	1			*	*
	Implemented	14	8018	8568	2346	18932
	Not to be Implemented	14	2335	20920	2865	26120

* Motor System Efficiency Program: This program involves progressively replacing old motors with new energy efficient models; savings are difficult to quantify.

Part 2B - Update of assessments originally reported in previous reporting periods

Name of Group member or business unit or key activity or site: _____ Charmhaven _____

Energy use of the entity during the current reporting period

24797	GJ
-------	----

Table 2.3 - Opportunities assessed to an accuracy of $\pm 30\%$ or better

Status of opportunities identified		Number of opportunities	Estimated energy savings per annum by payback period (GJ)			Total estimated energy savings per annum (GJ)
			0 – < 2 years	2 – ≤ 4 years	> 4 years	
Outcomes of assessment*	Total Identified	14	178	843	4735	5756
Business Response*	Under Investigation	3			863	863
	To be Implemented	0				
	Implementation Commenced	4	178	529	178	885
	Implemented	5		314	1139	1453
	Not to be Implemented	2			2555	2555

Part 2 - Energy Efficiency Opportunities that have been identified and evaluated

Part 2C - Details of at least three significant opportunities found through EEO assessments

Table 2.5 – Description of 3 significant opportunities

Opportunity 1

Frenchs Forest: Lighting

The energy assessment conducted in early 2010 identified a number of areas in the plant where savings could be made if lighting was modified. The areas include loading bays, manufacturing and packing hall, offices and canteen. A saving in electricity amounting to 257GJ per year is expected if all the changes can be made. It is planned to conduct a site wide assessment of lighting in early 2011 to establish whether it is feasible to make the changes suggested. The site has undergone much change since acquisition and this needs to be factored into any lighting modifications.

Opportunity 2

Frenchs Forest: Energy Awareness Sessions

The plant has identified energy awareness amongst the Operations team as an area of opportunity. Formal training and awareness sessions are planned for all personnel and it is planned to form a Utilities Optimisation team to focus on energy (and water) use. The plant has started to track energy usage regularly, reviewing data daily, weekly and monthly within the plant to drive awareness. The plant has appointed an Environmental Coordinator to lead efforts in this area.

Opportunity 3

Frenchs Forest: Replacement of Air Compressor

The air compressor was not identified during the audit as an opportunity however subsequent to the audit the plant identified that the unit was operating inefficiently. After internal review it was decided that the best approach was to replace the unit completely rather than continuing to repair. The new unit, which will be installed by year end 2010, is predicted to be 38% more efficient and this will result in annualized savings of 540 GJ.

Part 3 - Voluntary Contextual Information

Table 3.1 – Contextual Information

In early April Kellogg published its second Corporate Responsibility Report providing a review of progress against the objectives outlined in our initial report and provided examples of the initiatives we have undertaken in the key areas of its Corporate Responsibility strategy – Marketplace, Workplace, Community and Environment.

The report can be viewed at the following website:

www.kelloggcompany.com/CR

The Kellogg Company reported good progress against the targets of 15-20% reduction in water and energy usage, waste to landfill and greenhouse gas emissions, against a 2005 baseline.

Specifically the Australian business has committed to, and is making steady progress towards achieving reductions in the areas nominated, working with both internal and external stakeholders to drive improvement. These goals have been cascaded throughout the Supply chain organisation.

In 2010 Kellogg worked to formally integrate environmental considerations into product innovation process for the development of new products. This includes factoring energy usage considerations into the assessments.

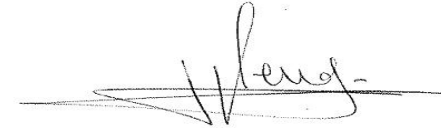
During 2009 briefing sessions on Kellogg's environmental commitments were held at induction programs for new employees and team meetings for various functional areas including Marketing and Research and Technology. In December 2009 environmental training of all operators was undertaken with a further refresher session scheduled for September 2010.

In June 2010 Kellogg published a revised set of Global Environmental policies and standards aimed at ensuring that we are achieving global consistency with respect to environmental stewardship. All sites have commenced reviewing and upgrading their programs and procedures to ensure compliance.

Part 4 - Declaration

Table 4.1 - Declaration of accuracy and compliance (mandatory information)

The information included in this report has been reviewed and noted by the board of directors and is to the best of my knowledge, correct and in accordance with the *Energy Efficiency Opportunities Act 2006* and *Energy Efficiency Opportunities Regulations 2006*.



Jean-Yves Heude
Managing Director
Kellogg (Aust.) Pty Ltd

Date: 20th December, 2010