

KELLOGG COMPANY OF GREAT BRITAIN, LIMITED

DIRECTORS' REPORT *(continued)*

FOR THE PERIOD ENDED 2 JANUARY 2021

STREAMLINED ENERGY AND CARBON REPORTING DISCLOSURE (SECR)

The Company is composed of two production plants that manufacture cereals. Their combined energy consumption and greenhouse gas (GHG) emissions for the 2020 financial year are:

Table 1: 2020 Energy Consumption and Carbon Emissions by Type

Emission Type	Energy [kWh]	GHG Emission [Tonne CO ₂ E] (1)
Scope 1 – Fuel use from direct combustion of natural gas and fossil fuels and travel in company owned vehicles	113,702,178	24,930
Scope 2 – Electricity	95,534,254	13,197 (Location based) 0 (Market based) (2)
Scope 3 – Business travel - Personal cars where the company is responsible for the fuel; air / train travel originating and / or finishing in the UK	1,710	0.42
All scopes – Including heat generation from CHP (3)	282,227,197	38,128 (Location based) 24,931 (Market based)
Production [Tonne]	193,950	
Total Intensity Ratio	14,55 kWh/Ton product	197 kg CO ₂ E/Tonne product (Location based) 129 kg CO ₂ E/Tonne product (Market based)

METHODOLOGY

The Company has two manufacturing plants located in Manchester and Wrexham, which are part of the UK Emissions Trading Scheme (UK ETS). As such, the Company is following the methodology to calculate scope 1 emissions mandated in the UK ETS Activity Level Data report methodology. The scope 1 emissions are externally verified by SGS yearly as a requirement of participating in the UK ETS and reports of the verification are submitted to the Environment Agency (EA) for approval. Subsequently the direct carbon emissions are offset via carbon credits as per the UK ETS requirements.

1 Greenhouse gas emissions are reported in Tonne of carbon dioxide equivalent (CO₂E).

2 Kellogg Europe started a long-term virtual power purchase agreement (VPPA) for the supply of carbon neutral electricity to all its Western Europe manufacturing plants, including Manchester and Wrexham.

3 The Manchester manufacturing plant has a Combined Heat and Power (CHP), third-party operated installation that provides steam in addition to electricity. The overall emissions are counted as scope 1 and the steam produced is reflected separate from the gas to power the CHP in energy use.

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The Manchester plant obtains its electricity partially by a gas-powered Combined Heat and Power (CHP) located on site but owned and operated by a third party. Contractually the emissions from that installation are reported by Manchester plant within its UK ETS reporting as above. The emissions from that operation are therefore for purposes of this disclosure considered scope 1.

The Company also generates scope 1 emissions from business travel in company owned vehicles. Currently there is no accurate recording of the type of vehicle used for each trip, so following the SECR guidance 2019, the energy use and emissions are calculated using the factors for average size unknown car.

The Company's emissions are associated with the use of electricity from the grid at the factories. To calculate the scope 2 emissions, the Company follows the SECR guidance using the UK government official location-based emission factors.

Kellogg globally has joined the RE100 and established science-based targets. Kellogg Group has publicly made 3 commitments to fight climate change:

1. Reduce 45% of scope 1 and 2 emissions by 2030 with baseline 2015;
2. Reduce 15% of scope 3 emissions by 2030 with baseline 2015; and
3. 100% renewable electricity by 2050;

As part of delivering the third commitment, Kellogg Europe (which includes the Company) entered into a long term Virtual Power Purchase Agreement (VPPA) in 2018, which derives a market-based emission factor of zero for electricity. This report includes both the location-based and market-based emissions.

The methodology to calculate the full scope 3 emissions, including emissions from raw materials and suppliers, is currently being developed and externally verified. Therefore, this report includes only the scope 3 emissions from business related travel using non company-owned vehicles and public transport. The mileage travelled in each type of transport is provided by the travel company that provides transport bookings for business purposes. The report will be updated with scope 3 emissions from other sources once the methodology and calculations have been validated.

Two main components have been included in the travel emissions calculations:

- Car travel in personal vehicles where the company is responsible for paying for the fuel either via fuel invoices or mileage reimbursement; and
- Air travel.

As with travel in company owned vehicles, currently there is no record of type of vehicle used for each trip, therefore the energy use and emissions are calculated using the factors for average size unknown car.