

SELECTOR'S CARBON EMISSIONS

We believe business needs to be proactive in reducing carbon emissions. The good news is that companies are beginning to respond, as Environmental Social and Governance (ESG) factors, climate change included, become a mainstream business consideration.

In the last year some notable global leaders have stepped up. Amazon announced its goal of becoming carbon neutral by 2040, Salesforce introduced a carbon accounting platform within their sustainable product offering and BP pledged to become carbon neutral by 2050. However, tech giant Microsoft takes the cake on arguably the most ambitious goal, pledging to *actively reduce* carbon emissions in the atmosphere. By 2030 the company vows to become carbon negative and by 2050 aims to offset all direct emissions produced since the company's founding in 1975.

Closer to home, the major banks have led the charge. Both NAB and ANZ are well-versed in this space, having been carbon neutral since 2010. All 4 majors have also committed to the Renewable 100% (RE100) initiative, pledging to fully source electricity from renewable energy.

Small business also needs to play a role and talk can be cheap. At Selector, despite the relatively small environmental footprint created by a team of 7, we have endeavoured to recognise our firm's carbon output, the significance of it and the options for offsetting our annual emissions. The initiative has been a valuable learning experience and is being used as a building block for understanding the emissions of companies within our investment universe.

In calendar year 2019, Australia had an average emission output of 21 tonnes of CO₂ per person. This data was sourced from the National Greenhouse Gas Accounts. While this is not a correct direct comparative to our emissions per team member, which sits at 14 tonnes, it is a good reference point.

Calculating Greenhouse Gas (GHG) emissions

As the calculation of GHG emissions requires a degree of guesswork, we decided to take a conservative view with our estimates. To ensure best practise, whilst adhering to the Greenhouse Gas Protocol standards, we engaged Australian carbon solutions provider, Carbon Neutral. Note, an independent auditor has not reviewed these calculations.

Our GHG emissions output was driven by five key contributors; electricity, paper for printing, travel (domestic and international), waste and transportation to and from work.

Breakdown of our emissions

The main contributors to our GHG emissions were travel and electricity (94.6%). International travel made up 76.1% of total emissions and is reflective of our investment strategy to actively meet management and improve our understanding of the businesses we own.

It is worth noting that we have also factored in indirect emissions for travel in our estimates. Indirect emissions include the greenhouse gases produced when loading and unloading baggage, the emissions associated with the extraction, refinement and transportation of aviation fuel and the nitrous oxides and water vapours emitted at high altitude. We used Carbon Neutral's calculating tool to source the relevant factors associated with indirect emission.

Carbon Neutral uses the UK DBEIS methodology to calculate the indirect emissions from business air travel. This methodology applies a Radiative Forcing calculation, which is simply an emissions multiplier added onto the distance travelled, to reflect the broader environment impacts of air travel. Effectively, by including these indirect emissions, our air travel emissions more than doubled.

Below is a summary of our GHG estimates for calendar year 2019.

Table 1: Selector's CO₂ Emissions for 2019

Category	CO ₂ Emissions (t)
Air Travel	79.1
Electricity	15.5
Transportation	3.0
Waste	1.4
Paper	0.5
Total	99.5

Source: SFML

Offsetting emissions

For calendar year 2019, we estimated the firm's CO₂ output to be 100 tonnes (rounded up to the nearest tonne).

Initially, Selector had the goal of being directly involved in the carbon offsetting process. However, given the scale of the project, which would have required Selector to plant around 1,500 trees, we have instead chosen to purchase carbon credits. A carbon credit acts as a permit to offset one tonne of carbon. Companies such as Carbon Neutral issue credits to fund their projects that seek to reduce, capture, or prevent emissions emitted into the atmosphere.

We partnered with Carbon Neutral to support their Yarra Yarra Biodiversity Corridor initiative. This Australian Native Reforestation project aims to restore habitat loss and deforestation in the Northern Wheatbelt of Western Australia. Carbon Neutral is certified by The Gold Standard, which ensures projects achieve genuine outcomes that deliver with as much impact as possible.

Overall, the cost to offset our emissions for 2019 was \$2,420 (inclusive of GST). Selector has received a certificate from The Gold Standard as proof of purchase of carbon credits. **SFM**