SELECTOR'S CARBON EMISSIONS

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

2020 was a watershed year, as we are all aware. Scratch the surface and it becomes clear more people are questioning the status quo. This includes how we work, who we work for and why.

In the last year some more notable global leaders have stepped up. Apple announced its plans to become carbon neutral across its business, supply chain and product life cycle by 2040.

U.S. automotive giants GM and Ford announced plans to achieve carbon neutrality by 2040 and 2050 respectively.

Microsoft has set 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.

Locally, technology leaders REA Group and TechnologyOne both took bold steps in announcing they have become carbon neutral.

ESG progress should not be the domain of big players alone, as most businesses either start out or remain small. In the U.S., as the economy recovers, new business creation has been at its highest since records began in 2004. We see this as a positive platform for change.

SFML strongly believes small business has a significant role to play. We all need to act like leaders. As a result, SFML has endeavoured to recognise and offset our firm's carbon output since inception in 2003.

Our plan is to remain a carbon negative business going forward. This involves seeking ways to actively reduce our emissions where possible and selectively participate in the new emissions technologies required to reach the Global Paris Targets, which are recognised by the Task Force on Climate related Financial Disclosures.

Calculating Greenhouse Gas (GHG) emissions

As the calculation of GHG emissions requires assumptions, we have taken a conservative approach to our estimates. To ensure best practise, whilst adhering to the Greenhouse Gas Protocol standards, we engaged Australian carbon solutions provider, Carbon Neutral. SFML has estimated scope 1, 2 and 3 emissions. Note, an independent auditor has not reviewed these calculations.

Our GHG emissions output since inception was driven by six key contributors: electricity, office consumables, travel (domestic and international), food, waste, and transportation to and from work.

Breakdown of SFML emissions since 2003

The main contributors to our GHG emissions since inception were travel and electricity (85%). International travel made up 54.7% of total emissions. This is reflective of our corporate engagement program and the global nature of the businesses that make up our portfolios.

In calendar year (CY) 2020, our largest emissions contributor was electricity at 65.15%, reflecting the impact of COVID-19 government-imposed travel restrictions in Australia.

Below is a summary of our GHG estimates since inception. We have split out our "since inception" emissions estimate for 2003 to 2018 in Table 1. CY19 emissions, which was offset in June 2020 as previously disclosed, is set out in Table 2. Finally, our CY20 emissions are disclosed in Table 3.

Calendar year 2003 to 2018 and 2020 emissions were both certificated as of 3rd May 2021, by Carbon Neutral.

Table 1: Selector's CO_2 Emissions for CY 2003-2018

Category	CO_2 Emissions (t)
Air Travel	246.7
Electricity	65.5
Transportation	22.0
Office Consumables	19.5
Food	10.0
Waste	3.7
Total	**367.3**

Source: SFML. OFFSET Certificate Date – 3 May 2021

Table 2: Selector's CO_2 Emissions for CY19

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 OFFSET Certificate Date – 29 June 2020

Table 3: Selector's CO_2 Emissions for CY20

Category	CO_2 Emissions (t)
Electricity	12.6
Transportation	2.8
Food	2.1
Office Consumables	1.1
Waste	0.8
Total	**19.3**

Source: SFML OFFSET Certificate Date – 3 May 2021

Offsetting emissions

For the periods relating to 2003-2018 and 2020, we estimate SFML's CO_2 output to be 387t (rounded up to the nearest tonne). We offset a total of 430t to reach our goal of becoming carbon negative since inception. The additional 43 tonnes offset represents a 10% buffer as a margin for estimation error. In total, our journey to carbon negative has resulted in 530t of CO_2 been offset since inception.

These estimations have tried to capture all relevant scopes of emissions.

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.

The cost to offset the "since inception" combined emissions from 2003-2018 and 2020 emissions, totalling 430t of CO_2, was $8,514.00 (inclusive of GST). Selector has received a certificate from Carbon Neutral as proof of purchase of carbon credits.

SFML has previously disclosed the offset cost of our CY19 CO_2 emissions was $2,420 (inclusive of GST).

New technology

Long-term climate targets require the emergence of new emission technologies, which can both scale and achieve cost efficiency to enable widespread global adoption.

The process of planting and reforestation require scarce land resources that have competing interests. In addition, the process of measuring CO_2 captured through these programs has limitations. Accuracy cannot be guaranteed as we have discussed, and the carbon dioxide removed may not be permanent. Fires for instance will result in CO_2 rereleased into the atmosphere.

The offsets we have undertaken acknowledge these limitations and the ongoing journey we are on.

Looking to the future, we have undertaken a review of current and emerging technologies, which can capture CO_2 emissions more accurately and efficiently.

Founded in 2009, Swiss company Climeworks has developed a technology called direct air capture (DAC), which removes carbon dioxide from ambient air.

Climeworks' DAC and storage is a scalable solution that can pull vast amounts of CO_2 from the air in a permanent and measurable way. They have built 14 plants to date and have recently completed their biggest project "Orca" in Iceland.

Climeworks raised CHF100m in 2020 from private investors, including Microsoft. This is the largest ever investment into direct air capture. This sum enables the company to further scale and optimise its technology and make it accessible to more stakeholders.

On a small scale, the technology is comparatively expensive. Offset costs US$100 per 92Kg of CO_2 emissions. Climeworks has a scale-up roadmap in place and a longer-term cost target of US$100 per tonne of CO_2.

Using DAC technology, Climeworks' captured CO_2 can either be recycled and used as a raw material, or completely removed and stored away permanently.

The modular CO_2 collectors, powered solely by renewable energy or energy-from-waste, can be stacked to build DAC machines of any size. Grey emissions are below 10%, which means that out of 100t of DAC

machine captured air, at least 90t are permanently removed and only up to 10t are re-emitted.

Selector has subscribed to an annual offset target of 1.1t through Climeworks. Along with Microsoft, we are one of more than 6,000 subscribers.
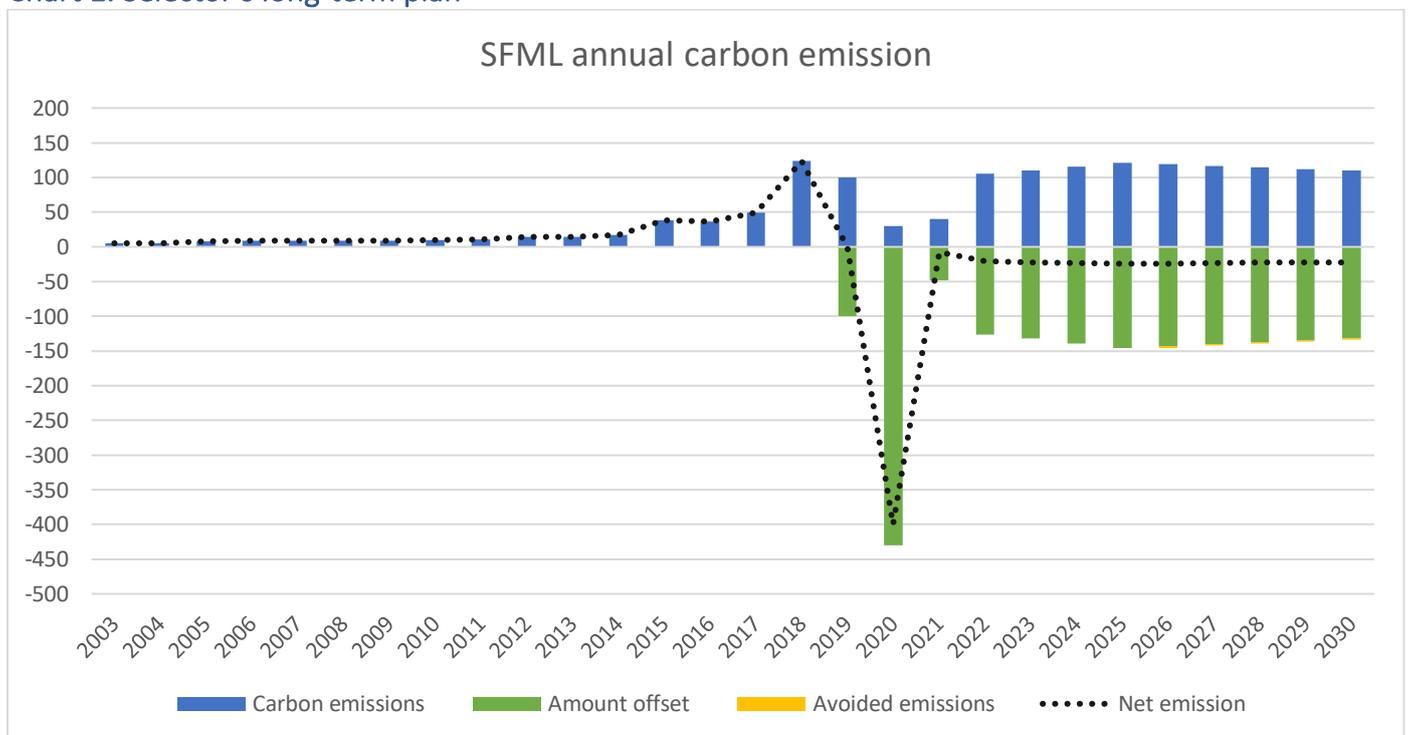
Selector's long-term plan

New technology is key to realising Global Paris climate targets. As a small business, we aim to be a leader in supporting solutions which we believe are best in class.

Our plan is simple. It is based on a consistent common-sense effort to tackle climate change, with a long-term approach.

Today we are carbon negative since inception. To maintain this position, going forward we plan to offset between 110-120% of our annual estimated CO_2 emissions. We plan to do this through a mixture of initiatives that we believe in.

Chart 1 represents our long-term plan out to 2030. Note that estimations have been used to forecast our CO_2 emission output in future periods. *SFM*

Chart 1: Selector's long-term plan

Source: SFML