PUBLIC DISCLOSURE STATEMENT

KILTER PTY LTD (TRADING AS KILTER RURAL)

ORGANISATION CERTIFICATION
FY2022-23

Australian Government

Climate Active
Public Disclosure Statement

An Australian Government Initiative

NAME OF CERTIFIED ENTITY	Kilter Pty Ltd. Trading as Kilter Rural.
REPORTING PERIOD	Financial Year 1 July 2022 – 30 June 2023
DECLARATION	*To the best of my knowledge, the information provided in this public disclosure statement is true and correct and meets the requirements of the Climate Active Carbon Neutral Standard.* David Heislers
	David Heislers Landscape and Sustainability Analyst 1/12/2023

Australian Government
Department of Climate Change, Energy, the Environment and Water

1.CERTIFICATION SUMMARY

TOTAL EMISSIONS OFFSET	95.46 tCO_2-e
OFFSETS USED	100% ACCUs
RENEWABLE ELECTRICITY	N/A
CARBON ACCOUNT	Prepared by: Kilter Rural

Contents

2. CARBON NEUTRAL INFORMATION

Description of certification

This carbon neutral certification is for the business operations of the Kilter Corporate Group ('Kilter'), comprising Kilter Pty Ltd (ABN 64 111 305 349) and its subsidiary Kilter Investments Pty Ltd (ABN 31 152 558 113).

Organisation description

Kilter is a natural capital investment manager. For more than 15 years it has been delivering large-scale impact investments in Australian farmland and water to balance agricultural production with ecosystem protection.

This certification relates to the business or office operations of the Kilter Corporate Group in managing its investment portfolio. The certification boundary is based on an operational control approach. It encompasses emissions relating to the management operations chiefly managed from its offices located in Bendigo and Melbourne, Victoria (i.e. of the business entities and ABNs noted above).

Emissions directly associated with the investments managed by Kilter (a prime example is farmland operations of our agricultural funds) are excluded from the emissions boundary of this certification.

More specifically, the following investment entities are formally excluded from this certification:

Legal entity name	ABN	ACN
Kilter Water Fund	46 554 528 230	
Murray Darling Balanced Water Fund	66 181 443 016	
Australian Farmlands Fund	42 131 895 780	
Australian Farmlands Operating Fund	96 399 684 842	
Kilter Agriculture Fund	22 514 921 136	

3.EMISSIONS BOUNDARY

This is a small organisation certification, which uses the standard Climate Active small organisation emissions boundary.

Inside the emissions boundary

All emission sources listed in the emissions boundary are part of the carbon neutral claim.

Quantified emissions have been assessed as relevant and are quantified in the carbon inventory. This may include emissions that are not identified as arising due to the operations of the certified entity, however are **optionally included**.

Non-quantified emissions have been assessed as relevant and are captured within the emissions boundary, but are not measured (quantified) in the carbon inventory. All material emissions are accounted for through an uplift factor. Further detail is available at Appendix C.

Outside the emissions boundary

Excluded emissions are those that have been assessed as not relevant to an organisation's operations and are outside of its emissions boundary or are outside of the scope of the certification. These emissions are not part of the carbon neutral claim. Further detail is available at Appendix D.

Inside emissions boundary

Quantified

Stationary energy & fuels

Electricity

Accommodation

Carbon neutral products and services

Cleaning and chemicals

Food

ICT services and equipment

Professional services

Land and sea transport

Office equipment and supplies

Postage, courier and freight

Refrigerants

Transport (air)

Transport (land and sea)

Waste

Water

Non-quantified

N/A

Optionally included

N/A

Outside emission boundary

Excluded

Investment funds

4. EMISSIONS REDUCTIONS

Emissions reduction strategy

Overall Goal

The emissions of the Kilter Corporate Group ('Kilter') will be reduced from the base year by 30% in 10 years (2032).

- The base reporting year is the 2022 Financial Year, the first reporting year for the organisation under Climate Active.
- As a mid-term target, Kilter's emissions will be reduced by 15% by FY 2027.

Key Measurable Goals and Targets

Key measurable 30% reduction goals have been set for the top 5 emissions sources from the base year of Kilter's Climate Active Inventory. Each goal has related measurable and time-bound targets such as an annual average reduction goal, with these to be reviewed and monitored annually.

<u>Air transport (Scope 1)</u>

- A reduction in the number of annual flights equivalent to 3 tonnes of CO_2 over 10 years. The annual emissions reduction goal for this category is 0.3 tonnes of CO_2 annually.
- Measurable actions to achieve this goal include:
    - Reducing the number of flights taken by Kilter staff, instead encouraging the use of online meetings or trains when the flight route is shorter.
    - Partnering with Climate Active-certified airlines, such as Virgin Australia's 'Fly Carbon Neutral' product.

<u>Food (Scope 3)</u>

- A reduction in emissions from food-related sources equivalent to 3 tonnes of CO_2 over 10 years. With most of this reduction coming from food & catering expenses. The annual emissions reduction goal for this category is 0.3 tonnes of CO_2 annually.
- Measurable actions to achieve this goal include:
    - Many actions capable of reducing emissions in this area are related to practice changes and the source of the food, such as sourcing local produce. These changes would not be accounted for in the current Climate Active inventory given the factor is related only to expenses.
    - Seek out Climate Active-verified catering services and products.

<u>Land transport (Scope 1 & 3)</u>

- The majority of emissions from land transport relate to vehicle emissions produced from staff commutes and staff travel to the organisation's fund assets. Emissions from cars are to be reduced by roughly 8 tonnes of CO_2 over 10 years. An average annual reduction in emissions of 0.8 tonnes CO_2 each year is required.
- Measurable actions to achieve this goal include:

- Increase the use of public transport where available, such as regional train services.
- Consider the future purchase or lease of electric commute vehicles, especially in relation to scope 1 vehicles such as through novated leasing.
- Establish more effective carpool behaviour to reduce number of cars needed when multiple staff travel somewhere.
- Encourage fit-for-purpose downsizing of large vehicles, especially in in relation to scope 1 vehicles such as through novated leasing.

<u>Professional services (Scope 3)</u>

- Professional services include emissions related to expenses spent on accounting, legal, marketing and advertising services. Overall emissions across these categories needs to be reduced by 9.5 tonnes of CO_2 over 10 years.
- Given the nature of the business, expenses on professional services can significantly vary year-to-year. Therefore, emissions reduction goals will be assessed over a 3-year average reduction, the equivalent of 2.85 tonnes of CO_2 every 3 years.
- Measurable actions to achieve this goal include:
    - Many actions capable of reducing emissions in this area are related to practice changes and selecting lower-emissions professional service partners. These changes would not be accounted for in the current Climate Active inventory given the factor is related only to expenses.
    - Seek out Climate Active-verified professional service organisations.

<u>Working from home (Scope 3)</u>

- Emissions related to the overall increase in electricity usage from staff working from home (WFH). A 30% reduction in these emissions over 10 years would be the achieved by a reduction of 2.8 tonnes of CO_2, and so an average annual emissions reduction goal for 0.28 tonnes of CO_2.
- Measurable actions to achieve this goal include:
    - Many actions capable of reducing emissions in this area are related to the type of electricity used at home and other practice changes. These changes would not be accounted for in the current Climate Active inventory given the WFH calculator is a product of WFH hours and general assumptions of WFH practises.
    - The number of hours spent in the office will likely increase post-pandemic leading to a reduction in emissions from working from home.
    - Increases in commuting emissions must be considered when reducing the number of hours worked from home.

Index for Business Growth

The organisation is currently expanding and seeking to grow the value and diversity of assets under management. Given this growth trajectory, some of the above-stated goals may not be met due to business growth. If this occurs, the following guidelines will be applied:

- If emissions rise during a reporting period, the reporting period's emissions will be compared to an indexed emissions goal. The goal will be indexed by the relative increase in the business's management fee income (excluding performance fees) compared to the baseline year. For example, if income from management fees increase by an average of 20% between the reporting period and baseline year, emission goals will decrease by 20%.
- Regardless of the resulting indexed emissions value, there must be a clearly demonstrated intention to reduce emissions, on average, over time. If the above-stated measurable actions have not been attempted during the reporting year and the business has seen an increase in the respective emissions category, the index does not apply (unless the only measurable actions are solely related to the number of staff employed at the time).

Emissions reduction actions

FY23 recorded a 11.6% decrease in emissions on the baseline (FY22) account. This will at least be partly by explained by temporal variability in supply chain activity (e.g. fewer purchased goods and services) and also this year the inclusion of newly reported Climate Active certified products.

In the development of this FY23 certified account the main strategic emphasis has been on engaging staff in Climate Active and the opportunity it offers for all to contribute to emissions reduction. For the first time a full staff survey was undertaken to assist in quantifying WFH emissions. A presentation and then discussion of a draft of this PDS was also presented to an all-staff meeting in October 2023.

While Kilter already operates a high level of awareness of environmental and sustainability issues and is a significant distance along the emissions efficiency and waste minimization curve, we are committed in FY24 to making tangible steps in systemically reducing emissions. This will range from deeper considerations in business procurement, supporting behavioral adaptions of staff and implementing cost-justifiable technological solutions (e.g. office lighting upgrade).

5. EMISSIONS SUMMARY

Emissions over time

Emissions since base year			
		Total tCO_2-e (without uplift)	Total tCO_2-e (with uplift)
Base Year /Year 1:	2021–22	102.88	108.20
Year 2:	2022–23	90.91	95.46

Significant changes in emissions

Total inventory emissions have overall reduced by 11.6% (11.97 tCO2-e) on the previous (and base) year[1]. This difference is similar to the savings made from Climate Active Services/Products (predominately carbon neutral flights) purchased in FY 2023. There were a number of other small though notable differences in the emissions data categories from the base year that overall balanced out.

The table below itemises a singular larger emission increase (>10% change of a >10% emissions contribution) from the base year relating to increased fuel emissions from altered staff-work commute profiles (+5.32 tCO2-e). There was an emission increase across the entire land (and sea) transport emissions category of 7.39 tCO2-e.

Emission source name	Previous year emissions (t CO_2-e)	Current year emissions (t CO_2-e)	Detailed reason for change
Diesel: Medium Car	4.75	10.06	Change in staff-vehicle profile especially re. ‘commute to work’

Notably a reduction of 11.93 tCO2-e was associated with lesser total expenditure on professional services (especially advertising and legal services) in FY 2023.

[1] without uplift

Use of Climate Active carbon neutral products, services, buildings or precincts

Certified brand name	Product/Service/Building/Precinct used
Powershop	Electricity
Virgin	Air flights – opt in offset
Qantas	Air flights – opt in offset
Opal Australian Paper	A4 copy paper

Emissions summary

The electricity summary is available in the Appendix B. Electricity emissions were calculated using a location-based approach.

Emission category	Sum of Scope 1 (t CO2-e)	Sum of Scope 2 (t CO2-e)	Sum of Scope 3 (t CO2-e)	Sum of Total Emissions (t CO2-e)
Accommodation and facilities	0.00	0.00	2.59	2.59
Climate Active carbon neutral products and services	0.00	0.00	0.00	0.00
Cleaning and chemicals	0.00	0.00	0.52	0.52
Electricity	0.00	4.29	0.35	4.64
Food	0.00	0.00	4.18	4.18
ICT services and equipment	0.00	0.00	8.13	8.13
Postage, courier and freight	0.00	0.00	0.13	0.13
Professional services	0.00	0.00	19.60	19.60
Refrigerants	1.07	0.00	0.00	1.07
Stationary energy	0.00	0.00	0.00	0.00
Transport (air)	0.00	0.00	2.73	2.73
Transport (land and sea)	0.00	0.00	34.85	34.85
Waste	0.00	0.00	0.96	0.96
Water	0.00	0.00	0.21	0.21
Working from home	0.00	0.00	9.94	9.94
Office equipment and supplies	0.00	0.00	1.37	1.37
Total	**1.07**	**4.29**	**85.55**	**90.91**

Uplift factors

An uplift factor is an upwards adjustment to the total carbon inventory to account for relevant emissions that cannot be reasonably quantified or estimated. This conservative accounting approach helps ensure the integrity of the carbon neutral claim.

Reason for uplift factor	tCO_2-e
Mandatory 5% uplift for small organisations	4.55
Total of all uplift factors	4.55
Total emissions footprint to offset *(total emissions from summary table + total of all uplift factors)*	**95.46**

6. CARBON OFFSETS

Offsets retirement approach

This certification has taken an in-arrears offsetting approach. The total emission to offset is 95.46 t CO_2-e. The total number of eligible offsets used in this report is 96. Of the total eligible offsets used, 0 were previously banked and 96 were newly purchased and retired. 4 are remaining and have been banked for future use.

Co-benefits

100% of offsets Kilter purchased for the FY 2023 reporting period are certified Australian Carbon Credit Units (ACCUs). By purchasing and retiring 100% ACCUs, Kilter has contributed to investment in the local carbon market, helping contribute to Australia's national emissions reduction goals. The ACCUs are sourced from the Sunset Ranch Native Forest Protection Project in western NSW. This project has protected native forest from deforestation for previously intended grazing. Co-benefits from this project include the contribution to the Sustainable Development Goal 15, Life on Land. In particular, this project contributes to 15.2, 15.3 and 15.5, assisting in the restoration of degraded soils and natural habitat which have been affected by deforestation, drought and intensive land-use.

Eligible offsets retirement summary

Offsets retired for Climate Active Carbon Neutral Certification											
Project description	**Type of offset units**	**Registry**	**Date retired**	**Serial number (and hyperlink to registry transaction record)**	**Vintage**	**Stapled quantity**	**Eligible quantity retired (tCO_2-e)**	**Eligible quantity used for previous reporting periods**	**Eligible quantity banked for future reporting periods**	**Eligible quantity used for this reporting period**	**Percentage of total (%)**
Sunset Ranch Native Forest Protection Project	ACCU	ANREU	18 Oct 2023	8,354,152,113 - 8,354,152,212	2022-23		100	0	4	96	100%
Total eligible offsets retired and used for this report										96	
Total eligible offsets retired this report and banked for use in future reports									4		

Type of offset units	Eligible quantity (used for this reporting period)	Percentage of total
Australian Carbon Credit Units (ACCUs)	96	100%

ANREU transaction screenshot:

Transaction Details

Transaction details appear below.

Transaction ID	AU30250
Current Status	Completed (4)
Status Date	18/10/2023 11:58:09 (AEDT) 18/10/2023 00:58:09 (GMT)
Transaction Type	Cancellation (4)
Transaction Initiator	Heislers, David Scott
Transaction Approver	Heislers, David Scott
Comment	To meet Climate Active certification requirements (FY23 carbon neutrality for Kilter Pty Ltd)

Transferring Account

Account Number	AU-1331
Account Name	Kilter Pty Ltd
Account Holder	Kilter Pty Ltd

Acquiring Account

Account Number	AU-1068
Account Name	Australia Voluntary Cancellation Account
Account Holder	Commonwealth of Australia

Transaction Blocks

Party	Type	Transaction Type	Original CP	Current CP	ERF Project ID	NGER Facility ID	NGER Facility Name	Safeguard	Kyoto Project #	Vintage	Expiry Date	Serial Range	Quantity
AU	KACCU	Voluntary ACCU Cancellation			EOP100278					2022-23		8,354,152,113 - 8,354,152,212	100

Transaction Status History

Status Date	Status Code
18/10/2023 11:58:09 (AEDT) 18/10/2023 00:58:09 (GMT)	Completed (4)
18/10/2023 11:58:09 (AEDT) 18/10/2023 00:58:09 (GMT)	Proposed (1)
18/10/2023 11:58:09 (AEDT) 18/10/2023 00:58:09 (GMT)	Account Holder Approved (97)
18/10/2023 11:52:39 (AEDT) 18/10/2023 00:52:39 (GMT)	Awaiting Account Holder Approval (95)

7. RENEWABLE ENERGY CERTIFICATE (REC) SUMMARY

Renewable Energy Certificate (REC) summary

N/A.

APPENDIX A: ADDITIONAL INFORMATION

N/A.

APPENDIX B: ELECTRICITY SUMMARY

There are two international best-practice methods for calculating electricity emissions – the location-based method and the market-based method. Reporting electricity emissions under both methods is called dual reporting.

Dual reporting of electricity emissions is useful, as it provides different perspectives of the emissions associated with a business's electricity usage.

Location-based method:

The location-based method provides a picture of a business's electricity emissions in the context of its location, and the emissions intensity of the electricity grid it relies on. It reflects the average emissions intensity of the electricity grid in the location (State) in which energy consumption occurs. The location-based method does not allow for any claims of renewable electricity from grid-imported electricity usage.

Market-based method:

The market-based method provides a picture of a business's electricity emissions in the context of its renewable energy investments. It reflects the emissions intensity of different electricity products, markets and investments. It uses a residual mix factor (RMF) to allow for unique claims on the zero emissions attribute of renewables without double-counting.

For this certification, electricity emissions have been set by using the **location-based approach**.

Market Based Approach Summary

Market Based Approach	Activity Data (kWh)	Emissions (kg CO2-e)	Renewable % of total
Behind the meter consumption of electricity generated	0	0	0%
Total non-grid electricity	**0**	**0**	**0%**
LGC Purchased and retired (kWh) (including PPAs)	0	0	0%
GreenPower	0	0	0%
Climate Active precinct/building (voluntary renewables)	0	0	0%
Precinct/Building (LRET)	0	0	0%
Precinct/Building jurisdictional renewables (LGCs surrendered)	0	0	0%
Electricity products (voluntary renewables)	0	0	0%
Electricity products (LRET)	0	0	0%
Electricity products jurisdictional renewables (LGCs surrendered)	0	0	0%
Jurisdictional renewables (LGCs surrendered)	0	0	0%
Jurisdictional renewables (LRET) (applied to ACT grid electricity)	0	0	0%
Large Scale Renewable Energy Target (applied to grid electricity only)	949	0	4%
Residual Electricity	24,134	23,048	0%
Total renewable electricity (grid + non grid)	**949**	**0**	**4%**
Total grid electricity	**25,083**	**23,048**	**4%**
Total electricity (grid + non grid)	**25,083**	**23,048**	**4%**
Percentage of residual electricity consumption under operational control	100%		
Residual electricity consumption under operational control	**24,134**	**23,048**	
Scope 2	21,313	20,354	
Scope 3 (includes T&D emissions from consumption under operational control)	2,821	2,694	
Residual electricity consumption not under operational control	**0**	**0**	
Scope 3	0	0	

Total renewables (grid and non-grid)	**3.78%**
Mandatory	**3.78%**
Voluntary	**0.00%**
Behind the meter	**0.00%**
Residual scope 2 emissions (t CO_2-e)	**20.35**
Residual scope 3 emissions (t CO_2-e)	**2.69**
Scope 2 emissions liability (adjusted for already offset carbon neutral electricity) (t CO_2-e)	**3.46**
Scope 3 emissions liability (adjusted for already offset carbon neutral electricity) (t CO_2-e)	**0.46**
Total emissions liability (t CO_2-e)	**3.92**

Figures may not sum due to rounding. Renewable percentage can be above 100%

Location Based Approach Summary

Location Based Approach	Activity Data (kWh) total	Under operational control			Not under operational control	
Percentage of grid electricity consumption under operational control	**100%**	**(kWh)**	**Scope 2 Emissions (kg CO2-e)**	**Scope 3 Emissions (kg CO2-e)**	**(kWh)**	**Scope 3 Emissions (kg CO2-e)**
ACT	0	0	0	0	0	0
NSW	0	0	0	0	0	0
SA	0	0	0	0	0	0
VIC	25,083	25,083	21,321	1,756	0	0
QLD	0	0	0	0	0	0
NT	0	0	0	0	0	0
WA	0	0	0	0	0	0
TAS	0	0	0	0	0	0
Grid electricity (scope 2 and 3)	**25,083**	**25,083**	**21,321**	**1,756**	**0**	**0**
ACT	0	0	0	0		
NSW	0	0	0	0		
SA	0	0	0	0		
VIC	0	0	0	0		
QLD	0	0	0	0		
NT	0	0	0	0		
WA	0	0	0	0		
TAS	0	0	0	0		
Non-grid electricity (behind the meter)	**0**	**0**	**0**	**0**		
Total electricity (grid + non grid)	**25,083**					

Residual scope 2 emissions (t CO_2-e)	**21.32**
Residual scope 3 emissions (t CO^2-e)	**1.76**
Scope 2 emissions liability (adjusted for already offset carbon neutral electricity) (t CO_2-e)	**4.29**
Scope 3 emissions liability (adjusted for already offset carbon neutral electricity) (t CO_2-e)	**0.35**
Total emissions liability	**4.65**

Climate Active carbon neutral electricity products

Climate Active carbon neutral product used	Electricity claimed from Climate Active electricity products (kWh)	Emissions (kg CO_2-e)
Powershop's Carbon Neutral Electricity Product	**20,034**	**0**

Climate Active carbon neutral electricity is not renewable electricity. These electricity emissions have been offset by another Climate Active member through their electricity product certification. This electricity consumption is also included in the market based and location-based summary tables. Any electricity that has been sourced as renewable electricity by the electricity product under the market-based method is outlined as such in the market based summary table.

APPENDIX C: INSIDE EMISSIONS BOUNDARY

Non-quantified emission sources

The following emissions sources have been assessed as relevant, are captured within the emissions boundary, but are not measured (quantified) in the carbon inventory. They have been non-quantified due to one of the following reasons:

1. **Immaterial** <1% for individual items and no more than 5% collectively
2. **Cost effective** Quantification is not cost effective relative to the size of the emission but uplift applied.
3. **Data unavailable** Data is unavailable but uplift applied. A data management plan must be put in place to provide data within 5 years.
4. **Maintenance** Initial emissions non-quantified but repairs and replacements quantified.

Relevant non-quantified emission sources	Justification reason
No emission sources within the emission boundary are non-quantified	n/a

Data management plan for non-quantified sources

There are no non-quantified sources in the emission boundary that require a data management plan.

APPENDIX D: OUTSIDE EMISSIONS BOUNDARY

Excluded emission sources

The below emission sources have been assessed as not relevant to this organisation's operations and are outside of its emissions boundary. These emissions are not part of the carbon neutral claim. Emission sources considered for relevance must be included within the certification boundary if they meet two of the five relevance criteria. Those which only meet one condition of the relevance test can be excluded from the certification boundary.

Emissions tested for relevance are detailed below against each of the following criteria:

1. **Size** The emissions from a particular source are likely to be large relative to the organisation's electricity, stationary energy and fuel emissions.

2. **Influence** The responsible entity has the potential to influence the reduction of emissions from a particular source.

3. **Risk** The emissions from a particular source contribute to the organisation's greenhouse gas risk exposure.

4. **Stakeholders** Key stakeholders deem the emissions from a particular source are relevant.

5. **Outsourcing** The emissions are from outsourced activities previously undertaken within the organisation's boundary, or from outsourced activities typically undertaken within the boundary for comparable organisations.

Kilter's investments are excluded as they have been assessed as not relevant according to the relevance test. The emissions from investments such as the Australian Farmland Funds (AFF) are likely to be very large relative to our electricity, stationary energy, and fuel emissions. Investments such as AFF have been defined as outside of the Organisation's boundary based on the operational control approach. Kilter do not use any stationary energy and fuels within the Organisation.

Excluded emissions sources summary

Emission sources tested for relevance	Size	Influence	Risk	Stakeholders	Outsourcing	Justification
Investment funds	Y	N	N	N	N	**Size:** Direct (farmland) emissions related to the agricultural investments managed by Kilter will be large relative to the total emissions of the Kilter Corporate Group. **Influence:** Not applicable as investment funds are transparently defined as being outside of Kilter's certification boundary based on the operational control approach. **Risk:** Low as funds operate in rural and agriculture sectors where there are no current laws or regulations necessitating emission limits. **Stakeholders:** With a clearly defined certification boundary, key stakeholders - including the public - are unlikely to consider this a relevant source of emissions for our business. **Outsourcing:** We have not previously undertaken this activity within our emissions boundary.

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