



PUBLIC DISCLOSURE STATEMENT

**SPELL GROUP: IPEA HOLDINGS PTY LTD
(TRADING AS SPELL)**

**ORGANISATION CERTIFICATION
FY2022–23**

Australian Government
Climate Active
Public Disclosure Statement

SPELL



An Australian Government Initiative



NAME OF CERTIFIED ENTITY	IPEA Holdings Pty Ltd (Spell Designs Pty Ltd (AUS) and Spell Designs Inc. (USA), Spell Services Pty Ltd, Spell IP Pty Ltd), all operating under "Spell Group"
REPORTING PERIOD	Financial year 1 July 2022 – 30 June 2023
DECLARATION	<p><i>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.</i></p> <p><i>Angie Menghini</i></p> <p>Name of signatory: Angie Menghini Position of signatory: Sustainability Manager Date: 30 Oct 2023</p>



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

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Version August 2023.



1. CERTIFICATION SUMMARY

TOTAL EMISSIONS OFFSET	1181 tCO ₂ -e
OFFSETS USED	25% VCU's, 75% CERs
RENEWABLE ELECTRICITY	117% using the market-based method (in Australia)
CARBON ACCOUNT	Prepared by: Spell Designs Pty Ltd (Parent company IPEA Holdings Pty Ltd)
TECHNICAL ASSESSMENT	N/A for this reporting period Previous technical assessment: 8-9 November 2022 Greenlead Environmental Next technical assessment due: FY2025 report

Contents

1. Certification summary	3
2. Carbon neutral information	4
3. Emissions boundary	6
4. Emissions reductions	8
5. Emissions summary	10
6. Carbon offsets	12
7. Renewable Energy Certificate (REC) Summary	14
Appendix A: Additional Information	14
Appendix B: Electricity summary	15
Appendix C: Inside emissions boundary	18
Appendix D: Outside emissions boundary	19

2. CARBON NEUTRAL INFORMATION

Description of certification

This carbon neutral certification is for the global business operations of Spell Designs Pty Ltd (Australia, ABN 68605908496), Spell Designs Inc. (USA), Spell IP Pty Ltd, Spell Services Pty Ltd, which sit under ATO reporting entity IPEA Holdings Pty Ltd (ABN 94618071935), all of which sit under Spell Group and are trading as Spell.

The inventory has been prepared for the financial year from 1 July 2022 through 30 June 2023. The operational boundary of the carbon account has been defined based on the operational control approach. Our inventory has been developed in line with the Greenhouse Gas Protocol and Climate Active frameworks.

Organisation description

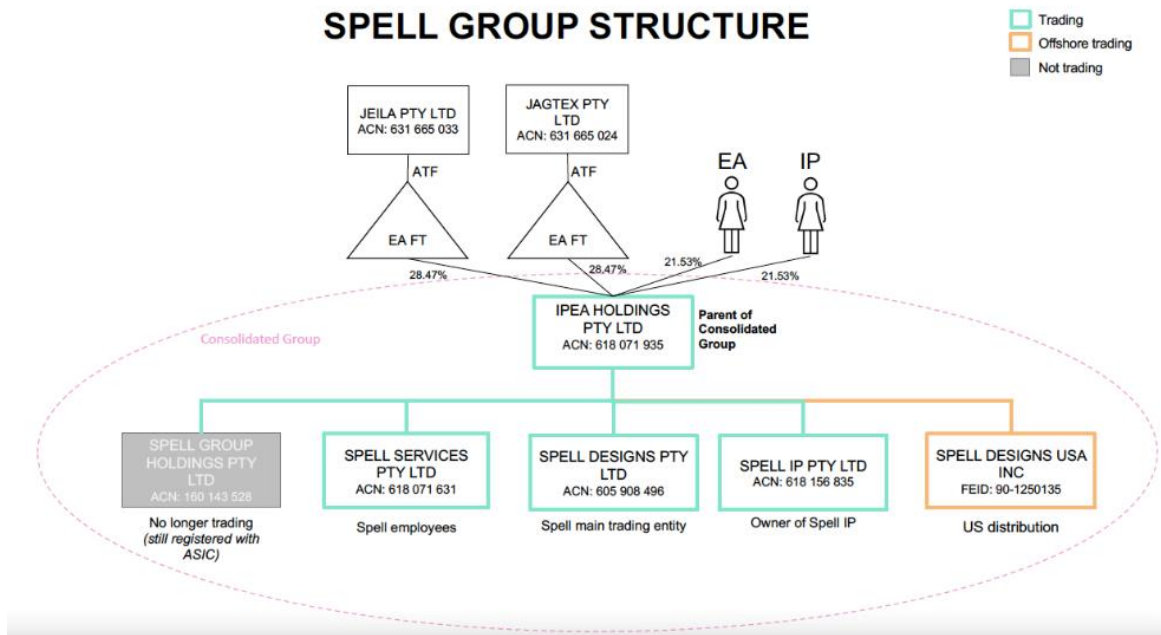
Spell is an Australian lifestyle brand that creates ready to wear clothing, footwear, accessories, and lifestyle pieces. Created beachside on Australia's east coast in Byron Bay, Spell was founded by two sisters.

Now in its 15th year of business, Spell is recognised in the industry as a trusted change-maker in the sustainable fashion movement. Committed to transparency, Spell reports annually on its environmental and social impact, and design responsibly with fibres that are circular, regenerative, or renewable.

This certification covers the global business operations of Spell under ATO parent reporting entity IPEA Holdings Pty Ltd (ABN 94618071935), all of which operate within Spell Group. Trading as Spell, Spell Designs Pty Ltd (ABN 68605908496), the Australian reporting entity and Spell Designs Inc., the USA reporting entity, Spell IP Pty Ltd (ABN 57618156835), Spell Services Pty Ltd (ABN 37 618 071 631) sit under IPEA Holdings Pty Ltd, the parent of consolidated group within the Spell Group structure.

The operational boundary of this organisation includes the following leased facilities:

- Headquarters: Unit 1, 14A Banksia Dr, Byron Bay NSW 2481
- Flagship store: 15 Browning Street, Byron Bay NSW 2481
- Warehouse: 9 Acacia Street, Byron Bay NSW 2481



3.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

Fugitive emissions
Electricity
Paper
Office supplies
Cleaning supplies
Stationary
ICT equipment & services
Food and beverage for staff, events and photoshoots
Municipal water
Product packaging
Upstream and downstream freight
Waste (landfill, compost, and recycling produced at Spell facilities)
Business travel (flights, accommodation, taxis, rideshare, hire cars, fuel)
Staff commuting
3PL warehouse space

Non-quantified

Office furniture (immaterial)
Gifts & flowers (immaterial)
Miscellaneous décor and styling items for events & photoshoots (immaterial)
Office groceries & condiments (immaterial)
Professional Services (material)

Outside emission boundary

Excluded

Product (materials, manufacturing, and freight between raw material processing to garment manufacturing)

4. EMISSIONS REDUCTIONS

Emissions reduction strategy

Whilst Spell has been assessing and calculating our carbon impact for four years now, the methodology has evolved and improved over the years to include a wider inventory with more accurate calculations. The calculation included in this carbon neutral certification (FY2022-23) is the first year following the development of Spell's base year (FY2021-22).

Measuring and offsetting our climate impact is extremely important, the most important aspect of a carbon strategy is having clear goals to reduce emissions.

Our emissions reduction strategy has been reviewed with management and relevant team members and we aim to review goals and progress year on year.

Our emissions reduction goals include:

- Reduce our scope 1 emissions by 50% by 2030 from a baseline year of FY22.
- Reduce our scope 2 emissions by 35% by 2030 (4.4% per year) from a baseline year of FY22.
- Reduce our scope 3 Upstream Transportation & Distribution emissions by transitioning from air freight to 50% sea freight by 2025 from a baseline year of FY22.
- Reduce our packaging emissions 25% by 2030 based on an FY22 baseline year by eliminating unnecessary packaging and switching to lower impact materials.
- Reduce staff commuting emissions 10% per person from a baseline year of FY22 by 2025 by incentivizing carpooling and offering working from home option 1-2 days per week.
- Reduce our emissions per meal 30% from a baseline year of FY22 at Spell hosted events by eliminating lamb, beef, chicken in meals by 2025.
- Reduce waste emissions 30% at our warehouse and store by transitioning to packaging that is recyclable 100% recyclable and from recycled or circular sources by 2030 from a baseline year of FY22.

Emissions reduction actions

This year was the first year following the conclusion of COVID-19 restrictions on travel. This presented a challenge in our reduction strategy as our team travelled more this year than our base year. This reality served as a strong reminder of how challenging it is to align business operations with reduction strategies. This year we worked towards our reduction goals:

- We increased the sea freight of our product from 17.9% in FY2021-22 to 48.7% sea freight in FY2022-23. This was a 30.8% increase in sea freight and decrease in air freight by weight and resulted in 23.5% overall reduction in our Upstream Transportation and Distribution within our Postage, courier & freight emissions category.
- We purchased 100% GreenPower for all three of our Australian facilities from our energy retailer Energy Locals. This resulted in 117% renewable energy based on the market-based approach.
- We participated in the United Nations Global Compact Climate Accelerator program with the aim to develop our reduction targets in line with Science Based Targets.
- Laid the foundation to begin utilizing 3D digital sampling to reduce resource demand and freight emissions resulting from transport of product between Spell and overseas suppliers throughout production.
- Purchasing 100% recycled paper, toilet paper for our 3 facilities.
- Composting our food waste at our HQ in our own worm compost garden.
- Sorting our waste to ensure what can be recycled is being recycled (cardboard, soft plastics, mixed recycling) and paying for private waste management services where council services are unavailable.
- Implemented a digital signing process and digital documents to reduce overall printing and paper usage, whilst tracking or HQ printing to assess year on year usage
- Lower B2C packaging:
 - Continued our roll-tie packaging (package-less packing, which includes the garment being rolled and tied with string to eliminate the garment bag) for garments that are durable enough to withstand the lack of protection in transit (eliminated 4573 garment bags from use, and avoided approximately 150 kgCO₂-e)
 - Transitioned away from bio-based PLA compostable garment bags to glassine garment poly bags to allow Spell warehouse, store, and customers without access to compost or green waste services the option to recycle garment bags rather than sending to landfill. This will result in a significant reduction in waste at our store moving forward.

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	1076.7	1130.6
Year 2:	2022–23	1123.9	1180.1

Significant changes in emissions

Emission source	Previous year emissions (t CO ₂ -e)	Current year emissions (t CO ₂ -e)	Reason for change
Air Freight (long haul)	652.1	479.0	As part of our emissions reduction goals, we worked to reduce our use of Air Freight for the Upstream transportation and distribution of our product and utilise Sea Freight instead. This year we increased our use of Sea Freight/Reduced our use of Air Freight by 30.8%. This resulted in a substantial decrease in Upstream Freight emissions.
Long economy class flights (>3,700km)	33.5	121.3	Due to COVID-19 travel restrictions, our previous reported financial year had restricted business travel, this year was business as usual, resulting in a large increase in international travel.

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

N/A

Emissions summary

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

Emission category	Scope 1 emissions (t CO ₂ -e)	Scope 2 emissions (t CO ₂ -e)	Scope 3 emissions (t CO ₂ -e)	Total emissions (t CO ₂ -e)
Accommodation and facilities	0.00	0.00	27.67	27.67
Cleaning and chemicals	0.00	0.00	0.20	0.20
Electricity	0.00	0.00	1.33	1.33
Food	0.00	0.00	2.44	2.44
ICT services and equipment	0.00	0.00	3.90	3.90
Office equipment & supplies	0.00	0.00	53.67	53.67
Postage, courier and freight	0.00	0.00	714.23	714.23
Products	0.00	0.00	4.63	4.63
Professional services	0.00	0.00	0.00	0.00
Refrigerants	20.67	0.00	0.00	20.67
Transport (air)	0.00	0.00	155.94	155.94
Transport (land and sea)	0.00	0.00	103.42	103.42
Waste	0.00	0.00	35.27	35.27
Water	0.00	0.00	0.52	0.52
Total	20.67	0.00	1103.24	1123.91

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
5% uplift factor for non-quantified Professional Services	56.2
Total of all uplift factors	56.2
Total emissions footprint to offset <i>(total emissions from summary table + total of all uplift factors)</i>	1180.1

6. CARBON OFFSETS

Offsets retirement approach

This certification has taken an arrears offsetting approach. The total emissions to offset are 1181 t CO₂-e. The total number of eligible offsets used in this report is 1285. Of the total eligible offsets used, 1285 were previously banked and 0 were newly purchased and retired. 104 are remaining and have been banked for future use.

Co-benefits

Spell offset our emissions by purchasing carbon credits through Tasman Environmental Markets.

Rainforest Rescue: Rainforest protection projects primarily located in Peru

Projects across Peru protect large, intact areas of rainforest that would otherwise be cleared, preventing the release of millions of tonnes of greenhouse gas emissions each year. Protecting the forests secures the carbon stored within the organic matter. Additionally, these projects secure vital habitat for a multitude of endemic and endangered species of plants and animals.

Winds of Change: International renewable energy projects primarily located in India

Wind farms provide clean energy to the grid which would otherwise be generated by coal-fired power stations. The introduction of wind energy to the grid not only avoids emissions and reduces air pollution, but also improves electricity availability in some regions.

Eligible offsets retirement summary

Offsets cancelled for Climate Active certification											
Project description	Type of offset units	Registry	Date retired	Serial number (and hyperlink to registry transaction record)	Vintage	Stapled quantity	Eligible quantity (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 (%)
Cordillera Azul National Park REDD Project	VCU	Verra	24 Mar 2022	5570-246459485-246460088-VCU-024-MER-PE-14-985-08082013-07082014-1	2014	-	604	283	26	295	25%
Grid Connected Wind Energy Generation at Andhra Pradesh	CER	ANREU	24 Mar 2022	241,027,418 -241,029,229	CP2	-	1812	848	78	886	75%
Total offsets retired this report and used in this report										1181	
Total offsets retired this report and banked for future reports									104		

Type of offset units	Quantity (used for this reporting period claim)	Percentage of total
Certified Emissions Reductions (CERs)	886	25%
Verified Carbon Units (VCUs)	295	75%

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 market-based approach. The tables below do not include electricity consumed outside Australia.

Market Based Approach Summary			
Market Based Approach	Activity Data (kWh)	Emissions (kg CO ₂ -e)	Renewable Percentage of total
Behind the meter consumption of electricity generated	4,104	0	9%
Total non-grid electricity	4,104	0	9%
LGC Purchased and retired (kWh) (including PPAs)	0	0	0%
GreenPower	39,298	0	91%
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)	7,388	0	17%
Residual Electricity	-7,388	-7,056	0%
Total renewable electricity (grid + non grid)	50,790	0	117%
Total grid electricity	39,298	0	108%
Total electricity (grid + non grid)	43,402	0	117%
Percentage of residual electricity consumption under operational control	100%		
Residual electricity consumption under operational control	-7,388	-7,056	
Scope 2	-6,525	-6,231	
Scope 3 (includes T&D emissions from consumption under operational control)	-864	-825	
Residual electricity consumption not under operational control	0	0	
Scope 3	0	0	

Total renewables (grid and non-grid)	117.02%
Mandatory	17.02%
Voluntary	90.55%
Behind the meter	9.45%
Residual scope 2 emissions (t CO₂-e)	-6.23
Residual scope 3 emissions (t CO₂-e)	-0.82
Scope 2 emissions liability (adjusted for already offset carbon neutral electricity) (t CO₂-e)	0.00
Scope 3 emissions liability (adjusted for already offset carbon neutral electricity) (t CO₂-e)	0.00
Total emissions liability (t CO₂-e)	0.00

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	
		(kWh)	Scope 2 Emissions (kg CO2-e)	Scope 3 Emissions (kg CO2-e)	(kWh)	Scope 3 Emissions (kg CO2-e)
Percentage of grid electricity consumption under operational control	100%					
NSW	39,298	39,298	28,688	2,358	0	0
Grid electricity (scope 2 and 3)	39,298	39,298	28,688	2,358	0	0
NSW	4,104	4,104	0	0		
Non-grid electricity (behind the meter)	4,104	4,104	0	0		
Total electricity (grid + non grid)	43,402					

Residual scope 2 emissions (t CO2-e)	28.69
Residual scope 3 emissions (t CO2-e)	2.36
Scope 2 emissions liability (adjusted for already offset carbon neutral electricity) (t CO2-e)	28.69
Scope 3 emissions liability (adjusted for already offset carbon neutral electricity) (t CO2-e)	2.36
Total emissions liability (t CO2-e)	31.05

Operations in Climate Active buildings and precincts

Operations in Climate Active buildings and precincts	Electricity consumed in Climate Active certified building/precinct (kWh)	Emissions (kg CO2-e)
N/A	0	0
<i>Climate Active carbon neutral electricity is not renewable electricity. These electricity emissions have been offset by another Climate Active member through their building or precinct 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 building/precinct under the market-based method is outlined as such in the market-based summary table.</i>		

Climate Active carbon neutral electricity products

Climate Active carbon neutral product used	Electricity claimed from Climate Active electricity products (kWh)	Emissions (kg CO2-e)
N/A	0	0
<i>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.</i>		

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
Professional Services	Not cost-effective (5% uplift applied)
Office Furniture	Immaterial
Gifts & Flowers	Immaterial
Miscellaneous décor & styling items for events & photoshoots	Immaterial
Office groceries & condiments	Immaterial

Data management plan for non-quantified sources

The data management plan below outlines how more rigorous quantification can be achieved for material (greater than 1%) non-quantified emission sources.

Our purchased Professional Services we have determined are material but are non-quantified. We have added a 5% uplift factor to account for these scope 3 services.

Due to the wide variety of professional services that are used throughout Spell's operations, it was determined not to be cost effective to collate the spendings from invoices across the business, therefore an estimate was attained from budgets and expenditure records, and a 5% uplift factor was determined to be sufficient. By FY25 we will include a more precise data collection method based on financial reporting.

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.

Excluded emissions sources summary

Emission sources tested for relevance	Size	Influence	Risk	Stakeholders	Outsourcing	Justification
Product (materials, manufacturing, and freight between manufacturing Tiers 2-6)	Y	N	N	N	N	<p>Size: As a fashion brand with one HQ, warehouse and store under operational control, product emission size is substantially larger than total emissions from electricity, stationary energy and fuel emissions.</p> <p>Influence: We have limited influence on Tiers 1-6 in our operations the emissions from this source.</p> <p>Risk: There are no relevant laws or regulations that apply to limit emissions specifically from this source.</p> <p>Stakeholders: Key stakeholders, including the public, are unlikely to consider this a relevant source of emissions under our <i>Organisation</i> emissions boundary and it would be more accurate to include product LCAs under Product certification in the future.</p> <p>Outsourcing: We have not previously undertaken this activity within our emissions boundary and comparable organisations do not typically undertake this activity within their boundary.</p>



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