

Natural Capital Partners' Communication on Progress (2017) to the United Nations Global Compact

Statement of continued support by the Chief Executive Officer (CEO)

To our stakeholders:

I am pleased to confirm that Natural Capital Partners reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this Communication on Progress, we describe our work since our last submission in May 2016 to improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

Sincerely yours,

Stephen J. Killeen
Chairman & CEO

2017 Communication on Progress

Introduction to Natural Capital Partners

Natural Capital Partners (formerly known as The CarbonNeutral Company) works with corporates to meet their emission reduction goals through the creation and management of a portfolio of market based instruments, including but not limited to carbon credits, renewable energy certificates, guarantees of origin for renewable energy, water benefit certificates and forest creation.

Clients use our products and services to meet strategic targets for their environmental performance. The mitigation projects financed by our clients can be found in 49 countries around the world, and they are able to deliver benefits across a majority of the UN Sustainable Development Goals.

Our staff of twenty-five is based in the United States, Europe and Africa and serves over 300 clients across 33 countries. As a small company (defined as revenues of less than \$50 million), we are focused on delivering value-adding services to world-class businesses taking a lead in managing environmental issues for competitive business advantage, and to build social, environmental and economic value in the communities in which they operate.

How we manage our Global Compact Commitments

Since first becoming a signatory to the Global Compact in 2010, Natural Capital Partners continues to incorporate its commitments to the Global Compact into its strategy, operations, and management procedures.

In addition to embedding our commitment to the UN Global Compact into our business practices and our culture, we also undertake an in-depth qualitative assessment of our risk of compliance in each of the Global Compact's ten principles. Our areas of greatest risk relate to our exposure within our supply chain – specifically projects located in the least developed and developing economies which is our primary source of market-based instruments (such as carbon credits, renewable energy certificates, water benefit certificates). In 2016 this sourcing activity accounted for approximately 80% of our discretionary operating budget and involved 75 contracts in 26 countries of which nine are least developed nations.

The remaining 20% of our discretionary operating budget is in low risk categories such as professional services, travel and office accommodation -- purchased in accordance with our Supplier Questionnaire which assesses our suppliers' professionalism, ability to deliver on commitments and their commitment to sustainable development.

The table below summarises our risks assessment, related risk controls and areas of planned risk management improvement.

Table: Risk Assessment and Responses across 10 principles

Human Rights		Level of Risk	Operational Controls	Operational tools	Planned improvements
1	Support and respect the protection of internationally proclaimed human rights.	Medium	Company policy & due diligence procedures	Country due diligence	Strengthen project partner vetting
2	Make sure that they are not complicit in human rights abuses.	Medium	Company policy & due diligence procedures	Project partner due diligence	Strengthen project partner vetting
Labour					
3	Uphold the freedom of association & effective recognition of the right to collective bargaining.	Low	Company policy & due diligence procedures	Supplier due diligence	none
4	Eliminate of all forms of forced and compulsory labour.	Low	Company policy & due diligence procedures	Supplier due diligence	none
5	Work for the effective abolition of child labour.	Medium	Company policy & due diligence procedures	Project partner due diligence	Strengthen project partner vetting
6	Eliminate discrimination in respect of employment and occupation.	Low	Company policy & due diligence procedures	no specific controls	None
Environment					
7	Support a precautionary approach to environmental challenges.	Low	Core purpose of our business is the delivery of positive environmental impact	Use of best-in-class third-party standards	None
8	Undertake initiatives to promote greater environmental responsibility.	Low		Product and service sales	Develop new products & services
9	Encourage the development and diffusion of environmentally friendly technologies.	Low		Supply partner activities	Develop new products & services
Anti-corruption					
10	Work against corruption in all its forms, including extortion and bribery.	Medium	Staff Handbook policy & procedures	Financial management & controls	Deeper supplier engagement & vetting

The main tools we use to manage our Global Compact commitments are our Staff Handbook, our detailed proprietary sourcing due diligence procedures and our Supplier Questionnaire. The Staff Handbook includes policies that together cover the ten principles of the UN Global Compact, including specifically:

- Dignity at work and harassment

- Disability in employment
- Diversity
- Equal opportunity
- Age discrimination
- Anti-bribery
- UN Global Compact

Natural Capital Partners' commitment to the ten principles of the United Nations Global Compact:

- Applies to all personnel, namely directors, officers and employees of Natural Capital Partners, all of its subsidiaries, as well as appointed affiliates and/or third-parties acting on behalf the Company from time to time
- Relates to business activities with any individuals, private commercial organisations, sub-national, national and international governmental or public sector bodies, and any other organisations with which the Company interacts directly or indirectly in the course of its business-related activities.

All Company personnel are responsible individually and collectively for our commitments under the United Nations Global Compact. Specifically, personnel must:

- Not by act or omission knowingly breach the spirit and purpose of the Global Compact
- Follow the mandated Company procedures designed to ensure adherence with the 10 principles, and which may be developed from time to time to improve our management of associated risks
- Take steps to require that any third party engaged on the Company's behalf conducts The CarbonNeutral Company's business to ethical and professional standards consistent with the aims and objectives of the Global Compact
- Promptly report to the Company any known or suspected instances or circumstances where the Company's personnel, or those doing business on the Company's behalf, may be acting counter to the spirit and purpose of the Global Compact.

Performance Improvement and Compliance

During the past year we have:

1. Deepened our engagement with project partners on our supplier sustainability standards and,
2. Enhanced and further developed our proprietary due diligence procedures and controls.

These two areas remain the focus of our performance improvements.

For project partners, the company began implementation of process improvements in the following areas:

- **Guiding Principles and Commitments:** This document explains how our company and activities tie in to the UN Global Compact Principles, how we incorporate them into our systems and processes.
- **Supplier Code of Conduct and Screening process:** Aligned our supplier screening process and formal Code of Conduct with the principle requirements of the UN Global Compact.
- **Project Screening Template:** Updated our standard project screening template with specific UN Global Compact requirements and links to third-party data sets that help evaluate host country performance against key requirements.

For suppliers of general business services, the company implemented an additional sustainability requirement, which uses a Supplier Questionnaire to evaluate whether key suppliers meet our criteria for delivering goods and services in a sustainable way and operating their business in alignment with Natural Capital Partners' values and CSR commitments. Specifically, key suppliers are assessed as to whether:

- goods and services have no material negative impact to the environment
- the supplier's corporate social responsibility policies align with Natural Capital Partners' policy requirements and those of the UN Global Compact.

Annual reporting on non-compliance and ongoing improvements

Internal checks and controls have not identified material instances of non-compliance with our policies in 2016.

Our next Communication on Progress is planned for February 2018
