

Natural Capital Partners Communication on Progress to the United Nations Global Compact February 2018

Statement of continued support by Stephen Killeen, President & CEO

To our stakeholders:

I am pleased to confirm that Natural Capital Partners, as a UNGC Participant, reaffirms its support for 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 February 2017 to deepen 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,

A handwritten signature in purple ink, appearing to read "Stephen J. Killeen".

Stephen J. Killeen
President & CEO

2018 Communication on Progress

Introduction to Natural Capital Partners

Natural Capital Partners works with businesses to measure, manage and reduce their environmental impacts and deliver against their sustainability goals. Our primary service to clients is the creation and management of portfolios of market based instruments, including but not limited to carbon credits, renewable energy certificates, certificates of origin for renewable energy, water benefit certificates and woodland creation certificates. In addition, we help clients identify and support projects outside their direct operations that make qualified contributions to the UN Sustainable Development Goals or self-defined sustainability objectives. Clients use our products and services to meet strategic targets for their environmental performance. Mitigation and renewable energy projects financed by our clients can be found in 65 countries around the world.

Our more than 20 professionals located in the United States and Europe serve more than 300 clients across 34 countries. As a small (revenues of less than \$100 million) privately-held company 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 have influence.

How we manage our Global Compact Commitments

Natural Capital Partners became a signatory to the Global Compact in 2010 (formerly known as The CarbonNeutral Company). The company continues to work on incorporating its commitments under the Global Compact into our strategy, operations, and management procedures.

Our approach to assuring compliance with our commitments is based upon a qualitative assessment of risks in each of the ten areas of focus. Areas of highest risk relate to risk exposures within our supply chain – specifically mitigation projects in least developed and developing economies from which we source market-based instruments such as carbon credits, renewable energy certificates, water benefit certificates and others. In the past year (March 2017 to February 2018) this activity accounted for approximately 91% of our discretionary spend and covered more than 100 contracts in 43 countries of which seven are classified as least developed nations.

The remaining spend is in low risk categories including professional services, travel, and office accommodation – purchased from suppliers selected for their professionalism and 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 Ten Principles

Human Rights		Level of Risk	Operational Controls	Operational Tools	Priority Areas
1	Support and respect the protection of internationally proclaimed human rights.	Medium	Company policy & due diligence procedures	Country and project partner due diligence	Deepen 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	Deepen 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	Deepen 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	Maintain our CarbonNeutral® status ¹
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	Deepen supplier engagement & vetting

¹ Natural Capital Partners is a CarbonNeutral® Company certified to the requirements of the [CarbonNeutral Protocol](#). We calculate our greenhouse gas emission footprint and offset unavoidable emissions annually for the prior year within six months of the calendar year-end. For 2016, our carbon footprint was 152 tonnes of CO₂e. A combination of Renewable Energy Certificates and Renewable Energy Guarantees of Origin, in the US and Europe respectively, were retired to zero-rate our 14 tonnes of CO₂e Scope 2 emissions. The remaining Scope 1 and 3 emissions of 138 tonnes of CO₂e were offset by retiring a mixed portfolio of carbon credits generated under the Clean Development Mechanism (13%); Verified Carbon Standard (15%), Gold Standard (43%), and the American Carbon Registry (29%).

The main tools we use to manage our Global Compact commitments across the business are our Employee Handbook and our detailed sourcing due diligence procedures. The Employee Handbook includes policies that together cover the Ten Principles of the United Nations 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, its subsidiaries, as well as appointed affiliates and/or third-parties acting on behalf the Company from time to time; and,
- 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 Ten Principles, and which may be developed from time to time to improve our management of associated risks;
- take steps to require that third parties engaged on the Company's behalf conduct Natural Capital Partners business to ethical and professional standards consistent with the aims and objectives of the Global Compact; and,
- 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 progressed implementation of process improvements in the following areas:

- **Guiding Principles and Commitments:** Developed a document detailing how our company and activities tie in to the UNGC Principles and how we incorporate them into our systems and processes for use when engaging key supply-chain partners.
- **Supplier Code of Conduct and Screening process:** Further 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.

Annual reporting on non-compliance and ongoing improvements

Internal checks and controls have not identified material instances of non-compliance with our policies since our last Communication of Progress.

Our next Communication on Progress will be at the end of February 2019.
