



Communication on Progress 2015

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

To our stakeholders:

I am pleased to confirm that The CarbonNeutral Company 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 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,

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

Stephen J. Killeen
President & CEO

2015 Communication on Progress

Introduction to The CarbonNeutral Company

The CarbonNeutral Company helps businesses measure, manage and reduce their environmental impacts. Our primary service to clients is the 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.

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 44 countries around the world, and they are able to deliver benefits across twelve sustainable impact categories.



Our staff of more than thirty individuals based in the United States and Europe serves over 300 clients across 34 countries. As a small company (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

The CarbonNeutral Company became a signatory to the Global Compact in 2010. 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 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 similar. In the past year (2014/15) this sourcing activity accounted for around 80% of our discretionary spend and covered contracts in 24 countries of which 22 are developing or 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 10 principles

Human Rights		Level of Risk	Prescribed Response	Operational controls	Planned improvements
1	Support and respect the protection of internationally proclaimed human rights.	Medium	Company policy & due diligence procedures	Country due diligence	None
2	Make sure that they are not complicit in human rights abuses.	Medium	Company policy & due diligence procedures	Supplier due diligence	Deeper supplier engagement & 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	Deeper supplier engagement & vetting
4	Eliminate all forms of forced and compulsory labour.	Low	Company policy & due diligence procedures	Supplier due diligence	Deeper supplier engagement & vetting
5	Work for the effective abolition of child labour.	Medium	Company policy & due diligence procedures	Supplier due diligence	Deeper supplier engagement & vetting
6	Eliminate discrimination in respect of employment and occupation.	Low	Company policy & due diligence procedures	no specific controls	None

Environment		Level of Risk	Prescribed Response	Operational controls	Planned improvements
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	Deeper project profiling & vetting
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 across the business are the Staff Handbook and our detailed sourcing due diligence procedures. The Staff Handbook includes policies that together cover the ten Global Compact principles, including specifically:

- Dignity at work and harassment
- Disability in employment
- Diversity
- Equal opportunity
- Age discrimination
- Anti-bribery
- UN Global Compact

The CarbonNeutral Company's commitment to the ten principles of the United Nations Global Compact:

- Applies to all personnel, namely directors, officers and employees of the CarbonNeutral Company, 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; 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 and Compliance

During the past year we deepened our engagement with project partners on our supplier sustainability standards and further developed our proprietary due diligence procedures and controls. These two areas will remain the focus of our improvement activity through 2015/16.

Internal checks and controls did not identify material instances of non-compliance with our policies. While we received notification of suspected corrupt practice in one project located in a least developed country, it was subsequently dismissed after a thorough in-country investigation.
