

**Natural Capital Partners'
Communication on Progress
to the United Nations Global Compact
February 2019**

Statement of Continued Support by Stephen Killeen, President & CEO

To our stakeholders:

I am pleased to confirm that Natural Capital Partners, as a United Nations Global Compact (UNGC) Participant, reaffirms its support for the Ten Principles of the UNGC 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 2018 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

2019 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 environmental instruments, including but not limited to carbon credits, energy attribute certificates, water benefit certificates and woodland creation certificates.

We are a small privately-held business of 25 professionals located in the United States and Europe generating revenues of less than \$100m per year. We have 22 years of experience helping 300+ world-class businesses across 33 countries which are 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.

In 2018, Natural Capital Partners' clients supported 64 climate mitigation projects in 26 countries; and, 61 renewable energy projects in 30 countries. 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.

How we manage our Global Compact Commitments

Natural Capital Partners (formerly known as 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 as defined by the Global Compact. Areas of highest risk relate to risk exposures within our supply chain – specifically climate mitigation and adaptation projects in the least developed and developing economies from which we source market-based instruments such as carbon credits, energy attribute certificates, water benefit certificates and others. In the past year (March 2018 to February 2019) this activity accounted for approximately 86% of our discretionary spend and covered more than 393 contracts in 55 countries of which 10 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.

Table 1, below, summarises our risks assessment, related risk controls and areas of planned risk management improvement.

Table 1: 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	Supplier Code of Conduct; country and project partner due diligence	Deepen project partner vetting; continue to implement new Supplier Code of Conduct
2	Make sure that they are not complicit in human rights abuses.	Medium	Company policy & due diligence procedures		
Labour					
3	Uphold the freedom of association & effective recognition of the right to collective bargaining.	Low	Company policy & due diligence procedures	Supplier Code of Conduct & due diligence	Deepen project partner and supplier vetting; continue to implement our Supplier Code of Conduct
4	Eliminate all forms of forced and compulsory labour.	Low	Company policy & due diligence procedures		
5	Work for the effective abolition of child labour.	Medium	Company policy & due diligence procedures		
6	Eliminate discrimination in respect of employment and occupation.	Low	Company policy & due diligence procedures		
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
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	Employee Handbook policy & procedures	Financial management & controls	Deepen supplier engagement & vetting

With respect to Principle 8, 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 Calendar Year 2017, our carbon footprint was 154 tonnes of CO₂e. A combination of

Renewable Energy Certificates (RECs) and renewable energy Guarantees of Origin, in the United States and Europe respectively, were retired to zero-rate our 10 tonnes of CO₂e Scope 2 emissions. The remaining Scope 1 and 3 emissions of 144 tonnes of CO₂e were offset by retiring a mixed portfolio of carbon credits generated under the Clean Development Mechanism (17%); Verified Carbon Standard (33%), Gold Standard (33%), and the American Carbon Registry (17%).

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 with the continued implementation of our Supplier Code of Conduct.
2. Enhanced and further developed our proprietary due diligence procedures and controls.

These two areas remain the focus of our performance improvements.

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 2020.
