

How We Select Our Carbon Credits

A quick guide to offset standards, documentation and Climate Friendly's due diligence process

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1.0

Introduction



Climate Friendly sources only the highest quality carbon credits from accredited and new renewable energy and energy efficiency projects.

To ensure all our credits represent genuine emissions reductions from projects that require carbon finance to proceed and that support sustainable development we:

1. Source credits only from the highest quality internationally recognised standards
2. Conduct primary due diligence to ensure the project complies with the relevant standard
3. Conduct additional due diligence screening of projects against our principles to ensure the credits:
 - Address the root cause of Climate Change
 - Permanent and irreversibly reduce greenhouse gas emissions
 - Are 'additional' to business as usual
 - Are independently verified against high quality international standards
 - Are not allowance-based, or used to comply with national emissions reduction legislation
 - Contribute to sustainable development
 - Are synchronous (closely matched to the time our customers emissions occur)
 - Are exclusive to Climate Friendly

2.0

Purpose



The purpose of this document is to provide our customers with an overview of how we select our projects to ensure we source only the highest quality, third party assured, carbon credits.

It covers:

1. An outline of the different carbon credit standards our projects comply with
2. An overview of the accreditation process and associated project documentation for each standard
3. An overview of Climate Friendly's principles for screening projects.

3.0

Carbon Credit Standards

Climate Friendly currently offers voluntary carbon offsets under the Gold Standard and Voluntary Carbon Standard. As these standards are comparable to the CDM, we have also included an overview of this compliance standard:

The Gold Standard

Premium quality carbon credits



Gold Standard (GS)

The Gold Standard is a robust carbon offset standard which emphasizes the social and environmental benefits of carbon offset projects. It has a comprehensive stakeholder engagement process and is applicable for both voluntary and CDM credits

Voluntary Carbon Standard (VCS)

The Voluntary Carbon Standard provides a robust, global standard for voluntary offset projects. It ensures the carbon offsets that businesses and consumers buy can be trusted to have real environmental benefits. It is applicable for voluntary credits.

Clean Development Mechanism (CDM)

Clean Development Mechanism is a robust carbon offset standard and is part of the legally binding Kyoto Protocol and its related accords. CDM enables industrialised countries to achieve their emissions reductions targets by purchasing certified emission reductions from developing countries.

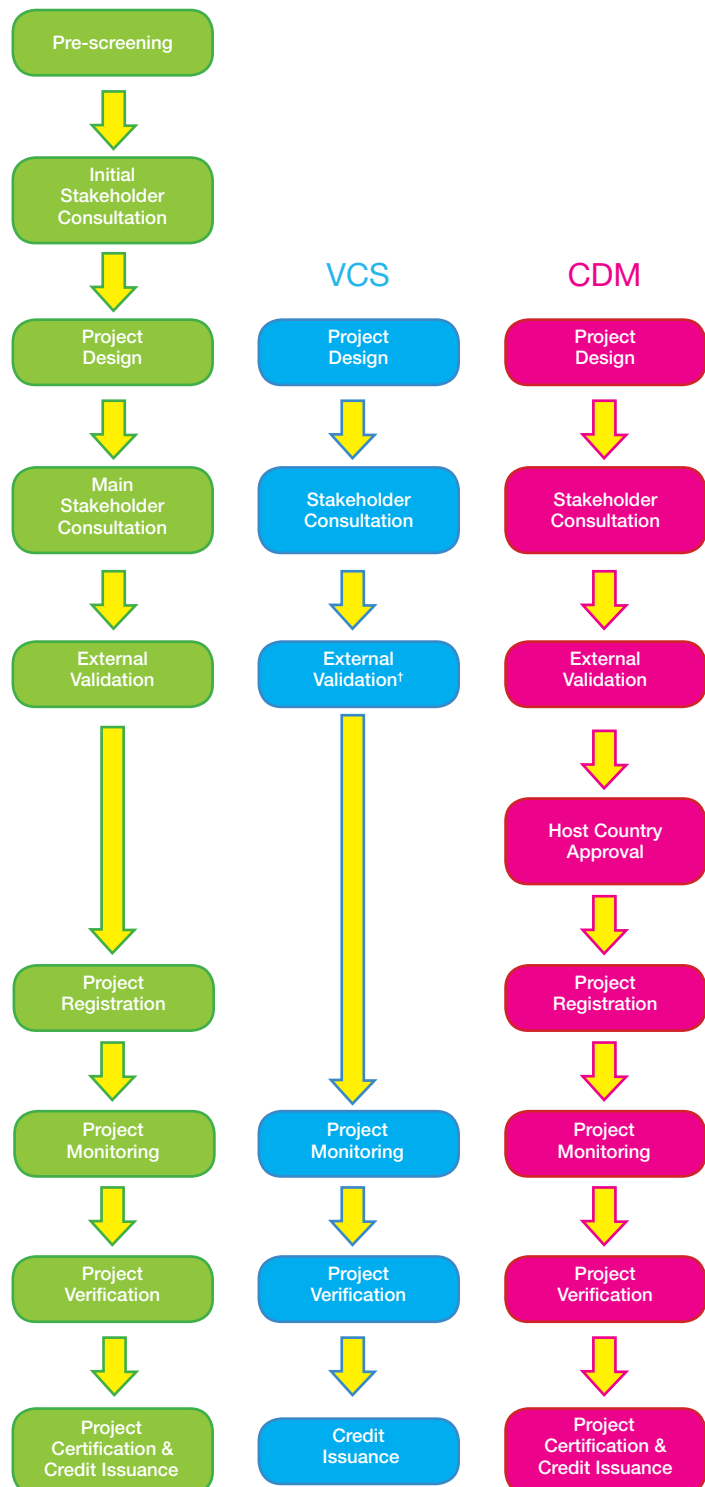


4.0

Offset Project Accreditation Process and Documentation

Before purchasing carbon credits from a project, Climate Friendly reviews key project documentation to ensure it complies with the relevant standard. Copies of all relevant documents are provided on our website at www.climatefriendly.com

Gold Standard



Offset Project Documentation

Stage of Project Cycle	Documentation & Contents	Description
Project design	Project Design Document (PDD) <ul style="list-style-type: none"> Methodology Environmental Impact Statement Stakeholder Consultation Initial stakeholder consultation and pre-screening are included for Gold Standard Documents 	<ul style="list-style-type: none"> Key document that pieces together all information about the project Allows project to be assessed against the relevant standard
Project Validation	Validation Report <ul style="list-style-type: none"> Review of PDD Validation Opinion Validation Protocol 	Report by DOE* assessing compliance of project to the relevant standard
Project Monitoring	Monitoring Report <ul style="list-style-type: none"> Monitoring Methodology Quality Control measures taken in monitoring 	Report by project developer on the volume of emissions reduction achieved during the operation phase and number of carbon units generated
Project Verification	Verification Report <ul style="list-style-type: none"> Methodology Verification Procedures Verification Statement 	Report by DOE* to assess project is being monitored in accordance with standard and verify that emissions reductions have actually occurred
Project Certification and Credit Issuance	Issue of serial numbers to offset credits	All offset credits are registered and assigned unique serial numbers

¹ Under the VCS, validation can occur at the same time as verification

* DOE refers to a 'Designated Operational Entity'. DOEs are accredited independent third party auditors under the Kyoto Protocol's Clean Development Mechanism

5.0

Climate Friendly Principles for Screening Projects

Projects that meet the standards outlined in section 4.0 are further screened against Climate Friendly’s principles to select only the highest quality carbon credits. We ensure that all offset projects meet our principles by passing them through seven screens.

The diagram below provides an overview of how we ensure the projects meet our principles. The outcomes of this screening process are recorded in a Climate Friendly Due Diligence Assessment which is available on our website at www.climatefriendly.com

Screen	Climate Friendly’s Principles	Considerations
Technologies	<ul style="list-style-type: none"> Address the root cause of climate change The reductions are permanent 	Type of technology used
Additionality	Offset Project is additional (beyond business as usual)	The project must demonstrate that carbon finance is required for it to proceed
Verification	Offset Project is independently verified against an internationally recognised standard	The project must be verified against the relevant standard
Project based	Emission reductions from offset projects are not allowance based or used to comply with any national emissions reduction legislation	The project needs to demonstrate that it isn’t used by the host country or project proponent to comply with national emissions reduction legislation
Contribute to Sustainable Development	Offset project demonstrates broader sustainability benefits (i.e non-climate change environmental benefits, social benefits)	<ul style="list-style-type: none"> The project demonstrates absence of adverse ecological or community impacts Stakeholder engagement
Vintage	Emission reductions closely match to the time of our customers’ emissions	Greenhouse gas reductions occurred no more than 6 months after and ideally no more than 18 months prior to our clients’ emissions
Exclusivity	Credits sourced by Climate Friendly are unique and exclusive	<ul style="list-style-type: none"> Climate Friendly has legal title of the credits Credits are registered in a public registry