

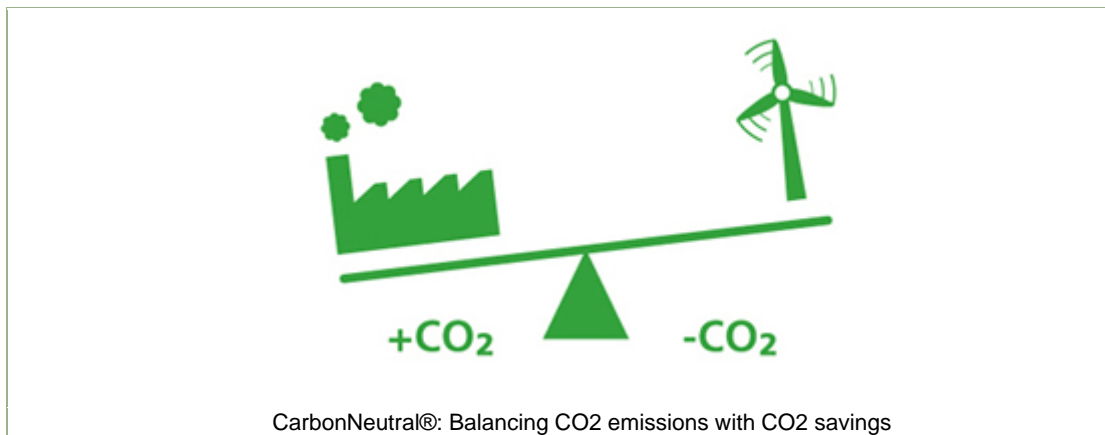
FREQUENTLY ASKED QUESTIONS 2008

WHAT IS CARBON NEUTRAL?

We registered the CarbonNeutral® trademark in the 1990s. When you see it applied to a product, service or activity, it signifies that:

- CO₂ emissions have been independently measured
- 100% of emissions have been reduced to net zero through a mix of internal reductions (change of a manufacturing process for example) and best practice external reductions (carbon offsetting)
- there will be clear communication around the proposition.

There are a set of rules - known as the CarbonNeutral Protocol - governing what the CarbonNeutral brand mark stands for and how it can be applied. These rules are discussed and agreed with an Independent Advisory Group of NGOs, scientists and business, and they ensure any CarbonNeutral claims have real integrity and follow best practice.



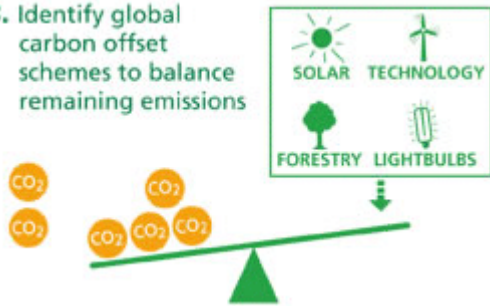
BECOMING CARBON NEUTRAL

The CarbonNeutral programme is a 4 stage process underpinned by a set of rules called the CarbonNeutral Protocol. Key stages are: measure, make internal CO₂ reductions, make external CO₂ reductions through carbon offsets, communicate. Some clients need us for only one element; for others, we work in partnership every step of the way.

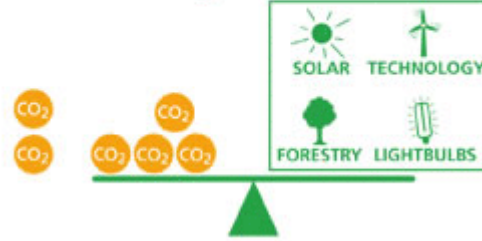
1. Carry out a greenhouse gas assessment to ABC plc to establish baseline CO₂ emissions
2. Identify cost-effective ways to reduce CO₂ emissions



3. Identify global carbon offset schemes to balance remaining emissions



4. Use carbon offsets to balance some or all remaining emissions



5. CarbonNeutral® is net zero emissions



WHY ACT NOW?

Whichever industry you work in, your company will be producing the CO₂ emissions that create climate change.

Today, companies around the world are increasingly being held accountable for their 'carbon footprint' by investors, staff and customers. In fact, the extent to which a company tackles its contribution to climate change is becoming a key measure of business performance and a critical factor in competitive tenders and consumer buying decisions.

Now is the time to understand and adjust your carbon liability - reducing CO₂ where you can, and using carbon offset for emissions which are unavoidable.

WHY IS IT GOOD FOR BUSINESS?

- Investor interest

Investors and analysts recognise that carbon emissions represent a real business cost. They look at carbon assets and liabilities as they would any other item on a company's balance sheet.

Put simply, if investors feel a company is not strategically managing its climate change impacts, that will be reflected in the share price. Companies are being screened against environmental and social criteria, and indices such as FTSE4good are becoming significant influencers.

- Legislation

With the world's legislators required to deliver a 60% reduction in emissions over the next 30-50 years, the pressure on companies is likely to get tighter. Even 'indirect' legislation from Local Planning Authorities will put pressure on businesses for energy efficiency and renewable energy.

- Public demand

Society is changing. Environmental and climate issues are being taken far more seriously. We are changing the way we live, how we travel and what food we buy. For example, 40% of eggs bought in the UK are now free-range, despite their higher cost. Companies who are operating in the ethical arena have seen their profits soar. And they're proving that what's good for the shareholder is also good for the environment.

- Supply chain issues

'Greening the supply chain' has passed into the corporate dictionary. This has important implications for suppliers.

Even service-based companies with a small direct environmental footprint can be making high indirect impacts on climate change.

A bank's choice of choice of paper suppliers, for example, could have a damaging effect on their reputation. And as it's now common for procurement departments to interrogate the environmental credentials of their suppliers, this can seriously impact on gaining and retaining business.

- Reducing raw material costs

The big industry users of energy - those first to feel the cost of carbon compliance - will be passing on those costs to their customers.

Businesses that rely heavily on energy and raw materials like iron, steel and cement, will feel an immediate impact on their bottom line. Many organisations are taking the opportunity to reduce their carbon footprint at the same time as improving, efficiency, cutting costs and reducing their own climate change footprint.

WHY AREN'T THERE ANY OFFSET PROJECTS IN THE UK?

The Kyoto protocol divides participants into two groups: Annex I (have an emissions cap - all developed countries participating); and non-Annex I countries (do not have an emissions cap - mostly developing countries)

We primarily source projects from developing countries (non-Annex I). Emission reduction projects located in Annex I nations possess the danger of generating emission reductions that could be double counted.

For example, a project in the UK could sell carbon credits to the voluntary market through The CarbonNeutral Company. The project activity would help the UK meet its target under Kyoto and could help the UK fall inside its Kyoto target meaning the country would have excess Kyoto allowances (AAUs – Assigned Amount Units). In principle it could then sell these allowances to another country that is struggling to meet its Kyoto target, thus the reductions have been counted and sold twice.

Joint Implementation (JI) projects are one of the 3 flexible mechanisms under the Kyoto protocol, and this gives Annex I countries the opportunity to purchase carbon credits from projects that reside in other Annex-I countries. Double counting is avoided by cancelling the equivalent amount of AAUs from the host country account that the emission reduction project generates. The UK has decided not to take part in the JI.