



TerraCarbon LLC

2017 Impact Report



Note from our Co-Founder

As we look back at 2017, we are especially grateful for our innovative partners and client who are using carbon finance to fund extraordinary conservation projects around the world. They are not only helping to reduce climate change and restore and protect vital ecosystems, but they are also changing the way conservation is financed by participating in new carbon markets that value the climate services provided by forests and natural ecosystems.

In 2017, we helped 5 more projects, totaling more than 500,000 acres, to become registered with regulatory and voluntary carbon crediting programs. We also monitored 12 projects that reduced greenhouse gases by more than 6.5 million tons. And we are pleased to have helped our clients monetize more than \$1 million in funding from offset sales.

We are also excited to work with our partners to develop a ground-breaking methodology to measure the climate benefits of peatland restoration in the southeastern U.S. in 2017, and we look forward to completing the project design for the first U.S.-based peatland carbon project in 2018. We will continue our work to assess blue carbon projects in the U.S. and abroad, and have set a goal to help mobilize and support the development of one of the first blue carbon projects in the world in 2018.

We are committed to increasing our impacts for our employees, clients, and communities in 2018 and are participating in the B Corp Inclusive Economy Challenge. With escalating healthcare costs, we will be providing a group health insurance option for our employees

for the first time. We will also be actively searching for opportunities to provide pro bono services to important segments of the carbon market that are currently underserved.

We thank all of our clients, partners, and colleagues for their trust and for the opportunity to work alongside them this past year. We thank our employees for their passion, their professionalism, and personal sacrifices to do great work. We look forward to supporting the essential conservation work of our clients by helping drive carbon finance to their projects in 2018, and to helping build the capacity of the carbon market for the benefit of the world's climate, wildlife, and people.

With warm regards,



Scott Settlemyer
Managing Director and Co-Founder of TerraCarbon



Introduction

The aim of this report is to record and publicly share TerraCarbon's 2017 results; to celebrate our successes, analyze our shortcomings, quantify our impact, explain our decision making, and declare our goals for the future.

We encourage you to contact us with any questions, comments, or feedback.

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2017 Project: Assessing feasibility of salt marsh restoration in the Herring River estuary, Cape Cod, Massachusetts

Partner: Restore America's Estuaries, National Park Service, Waquoit Bay National Estuarine Research Reserve

Overview of TerraCarbon

TerraCarbon is a leading advisory firm that helps develop and sell carbon offsets to fund the conservation of forests and critical ecosystems around the world.

We believe that innovative approaches that place a value on nature and provide incentives for conservation are critical to addressing climate change, improving the availability and quality of freshwater, protecting biodiversity, and alleviating poverty.

We work with forward-thinking non-profit organizations, companies, landowners, government agencies, and multilateral organizations to generate carbon finance for forest and wetland conservation.

We provide a broad range of consulting services to support forest and wetland carbon project development, offset purchases, and program design and evaluation.

Our Story

TerraCarbon was founded in 2006 by Scott Settelmyer, former CFO of the Chicago Climate Exchange, and the late Dr. Bernhard Schlamadinger, one of the world's leading forest carbon experts. David Shoch, a forester and forest carbon expert, joined soon after.

The team recognized the massive potential of forests and wetlands to reduce greenhouse gases and help address climate change. They also believed that results-based, carbon market incentives could unlock this potential.

Recognizing the complexities of emerging carbon markets, the team formed TerraCarbon to provide specialized expertise across a range of disciplines to help conservation projects gain access to this new source of funding.

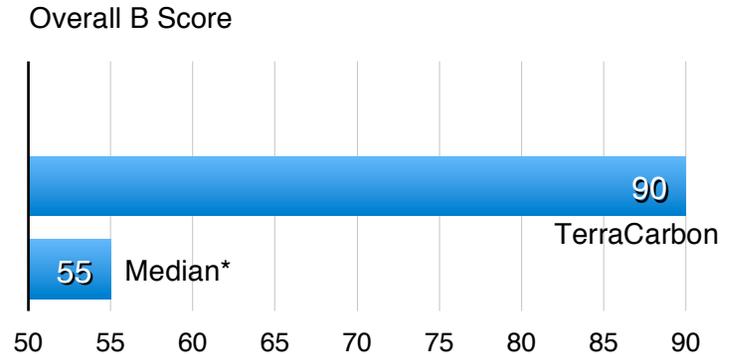
Being a B Corp

TerraCarbon was certified as a Certified B Corp in 2012. We were re-certified in 2014 and again in 2016.

We became a Certified B Corp to demonstrate that our business has a higher purpose than simply profit – and that is contributing to the protection of the world’s forests for the benefit of the world’s climate, wildlife, and people.

To achieve the Certified B Corp certification:

1. We changed our operating agreement to require us to evaluate the impacts of our business decisions on all stakeholders and communities in which we operate, and
2. We passed a performance test that assessed our company practices with respect to: governance, employees, community and environment.



80 out of 200 is eligible for certification

*Of all businesses that have completed the B Impact Assessment

For more details on our score, please visit our page at BCorporation.net



Our business impact

Our goals:

1. **Build market capacity** by supporting development of new methodologies, contributing to standards development, training, and analyzing the carbon project feasibility of prospective project activities.
2. **Increase the number of conservation projects and areas protected** by supporting the technical design and monitoring of carbon market-based projects and programs.
3. **Increase carbon financing for conservation projects** by marketing and selling carbon offsets.

Our business impact

How we did in 2017:

1. Build market capacity
 - ✓ *Authored approved methodology to measure the carbon benefits of restoring pocosin peatlands in the southeast U.S.*
 - ✓ *Co-authored paper on Natural Climate Solutions published in the Proceedings of the National Academy of Sciences*
 - ✓ *Conducted 3 workshops (2 on coastal blue carbon, 1 on forest carbon)*
 - ✓ *Completed 4 project feasibility analyses (3 coastal blue carbon, 1 forest carbon)*
2. Increase the number of conservation projects and areas protected
 - ✓ *Designed 5 newly registered projects covering more than 580,000 acres, including more than 500,000 acres in the Pacific northwest*
3. Increase carbon financing for conservation projects
 - ✓ *Monitored 12 registered projects that generated 6.5 million tons of GHG emission reductions*
 - ✓ *Facilitated sales of offsets that generated more than \$1 million for forest conservation.*



2017 Project: Methodology development and project design, Raising water levels to restore peatlands at Pocosin Lakes National Wildlife Refuge, North Carolina

Partners: The Nature Conservancy of North Carolina, U.S. Fish and Wildlife Service

Our business impact

Our cumulative impact

Number of projects registered/supported

35

Area conserved
5.2 million
acres

Emission reductions verified
33.8 million
tons

Goals for the Future:

1. Continue to increase area conserved and the finance generated from carbon markets to support forest and wetland conservation.
2. Demonstrate application of pocosin peatland methodology by designing the first pocosin restoration project.
3. Design one of the first registered coastal blue carbon projects.
4. Support assessment and development of projects in emerging regulatory markets in Ontario, Mexico, Colombia, and China.
5. Continue to advocate for new regulatory markets and programs (e.g. Corsia) that can provide carbon finance to forests and wetlands.

Our partner, supplier, vendor impacts

As a professional services firm, the majority of our expenses relate to employee compensation. Travel, insurance, office rent, and tax and legal fees are our largest remaining expenses.

TerraCarbon gives preference to suppliers that are owned by women or other under-represented populations, that are locally owned (within 200 miles of company locations), or that are certified B Corporations.

We have local options and use locally owned providers for office rent, tax and legal fees. We also utilize locally owned insurance brokers to purchase our insurance.

Our employee impact

During the year, we provided employment to 4 full-time and 1 part-time staff, as well as 8 subcontractors.

3 full-time staff and 1 part-time staff had one year of tenure, were eligible and participated in the TerraCarbon 401(k) retirement plan.

Full-time staff have flexible schedules and workplace arrangements to accommodate personal and family needs.

Goals for the Future

1. Provide employer sponsored group health care option for our full-time staff.
2. Put in place diversity and inclusion criteria in all new job postings.

Our community impact

We operate in our local communities of Peoria, Illinois and Charlottesville, Virginia. We are also part of a larger community of organizations that are advocating for climate change action and conservation, as well as the Certified B Corp community that is using business as a force for good.

We presented several times during the year about climate change, forests, and the role of markets to local universities including Bradley University, Eureka University, and Wake Forest University. We also participated in The Nature Conservancy's annual census of bird populations in conservation areas in Virginia held by TNC and its state and federal partners.

We regularly communicate with our elected representatives about the science of climate change and the need for bipartisan policies and solutions. In the spring of 2017, we marched in Washington D.C. (Climate March) to bring awareness to our elected officials and fellow voters about the need to act on climate.

Goals for the Future

1. Continue to present on climate change and forests at schools and community groups.
2. Engage in direct and group advocacy efforts to address climate change.
3. Provide pro bono services to an underserved group in the carbon market.

Our environmental impact

Our biggest environmental impact is from our work to expand conservation through carbon market based projects.

In the course of our business, we produce carbon emissions indirectly through our travel and use of electricity at our offices. We minimize our emissions by using energy efficient light bulbs at our offices and utilizing telephone and video conferencing when appropriate to minimize our travel.

We measure and offset our emissions with forest carbon offsets each year. In 2017, we were responsible for 25 tons of emissions and purchased 36 tons of offsets from projects in Brazil that avoid deforestation.

We recycle at our offices. Our water usage is minimal. We print very little, and use recycled paper.

TerraCarbon was recognized in 2017 as a B Corporation “Best for the World” honoree in the “Best for the Environment” category, earning an environmental impact score in the top 10% of more than 2,200 Certified B Corporations.



Goals for the Future

1. Explore opportunity to direct the sourcing of our electricity purchases to renewable power.



2017 Project: Forest carbon inventory training for Makame REDD Project, Tanzania

Partners: Carbon Tanzania