

Verifier Statement

Independent Verification Report

Prepared for Brookfield : September 4, 2024

Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)¹, Brookfield engaged BlueMark to undertake an independent verification of the alignment of the impact management (IM) systems of Brookfield Global Transition Funds (BGTF) I & II and Catalytic Transition Fund (CTF) with the Impact Principles. Brookfield’s assets under management covered by the Impact Principles (Covered Assets) totals \$25.4 billion², for the period ending 06/2024.

Summary assessment conclusions

BlueMark has independently verified Brookfield’s extent of alignment with the Impact Principles. Key takeaways from BlueMark’s assessment are as follows:

Principle 1: Brookfield has clearly articulated that BGTF and CTF’s impact objective is to advance the transition to a net-zero economy. The firm has developed theories of change for both funds and cited research from a variety of industry-recognized sources to support its conclusions.

Principle 2: Brookfield manages portfolio-level impact achievement using common impact KPIs whereby it can compare the performance of individual investments and aggregate to the portfolio level. The firm integrates impact and sustainability considerations into performance reviews and compensation decisions for relevant employees.

Principle 3: Brookfield’s investor contribution strategy emphasizes the firm’s track record and expertise in driving decarbonization efforts. Brookfield analyzes the possibilities for investor contributions ex-ante using the “Additionality” pillar of its 4A Criteria and collaborates with investees ex-post to implement ESG and operational improvements.

Principle 4: Brookfield’s impact due diligence process is anchored in the 4A Impact Criteria, a system that leverages the IMP’s Five Dimensions of Impact. The firm establishes impact targets for each investee aligned to the goals of the Paris Climate Agreement and other industry frameworks (e.g., SBTi, IRIS+).

Principle 5: Brookfield assesses possible ESG risks using the “Avoidance” pillar of the 4A Criteria, which leverages the SASB materiality guide, TCFD guidance, and other industry-accepted frameworks. The firm takes an active approach to mitigating ESG risks upon investment using detailed ESG integration plans and regular monitoring processes.

Principle 6: Brookfield monitors investees’ impact achievement by regularly reviewing their impact performance against the targets established ex-ante. The firm engages with investees to address instances of impact underperformance and adjusts impact targets where capital deployment varies from expectations.

Principle 7: Brookfield has documented its approach to sustaining impact beyond exit in its Guidelines for Measuring Impact at Exit. The guidelines require a reassessment of the 4A Impact Criteria for any prospective exit in an exit template. Brookfield can anticipate increased alignment upon applying its exit tools to future transactions.

Principle 8: Brookfield observes multiple processes for reviewing impact and broader strategic performance. These processes are led by the Impact Working Group, Sustainability Steering Committee, strategic advisory groups, and others. The firm uses standard documentation to capture and implement learnings from review sessions.

¹ Principle 9 states that signatories “shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.”

² Assets under management figure as reflected in email communications with client as of 06/2024. BlueMark’s assessment did not include verification of the AUM figure.

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Detailed assessment conclusions

The chart below summarizes findings from BlueMark’s verification of Brookfield’s extent of alignment to the Impact Principles, using the following four ratings:³

- Advanced (Limited need for enhancement);
- High (A few opportunities for enhancement);
- Moderate (Several opportunities for enhancement); and
- Low (Substantial enhancement required).⁴

Principle	Alignment
1. Define strategic impact objective(s), consistent with the investment strategy	ADVANCED
2. Manage strategic impact on a portfolio basis	ADVANCED
3. Establish the Manager's contribution to the achievement of impact	ADVANCED
4. Assess the expected impact of each investment, based on a systematic approach	ADVANCED
5. Assess, address, monitor, and manage potential negative impacts of each investment	ADVANCED
6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately	ADVANCED
7. Conduct exits considering the effect on sustained impact	HIGH
8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned	ADVANCED

³ The scope of BlueMark’s assessment procedures does not include the verification of the resulting impacts achieved. BlueMark’s assessment is based on its analyses of publicly available information and information in reports and other material provided by Brookfield. BlueMark has relied on the accuracy and completeness of any such information provided by Brookfield. The assessment results represent BlueMark’s professional judgment based on the procedures performed and information obtained from Brookfield.

⁴ The decision to publicly disclose the results of BlueMark’s detailed assessment, and the specific ratings assigned to each Principle, is left to the sole discretion of Brookfield.

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Assessment methodology and scope

Brookfield provided BlueMark with the relevant supporting documentation for the policies, processes, and tools related to the IM system applicable to the Covered Assets. The scope of BlueMark’s work was limited to processes in place related to the Covered Assets as of September 2024. BlueMark’s assessment of the IM system included an evaluation of both the system itself and supporting documentation, as well as the consistency of the draft disclosure statement with the IM system. BlueMark believes that the evidence obtained in the scope of its assessment is sufficient and appropriate to provide a basis for our conclusions.⁵

BlueMark’s full assessment methodology, based on its professional judgment, consisted of:

1. Assessment of the IM system in relation to the Impact Principles, using BlueMark’s proprietary rubric, and examining processes and policies against the following criteria:
 - *Compliance* of the IM system with a threshold level of practice;
 - *Quality* of the IM system’s design in terms of its consistency and robustness; and
 - *Depth* of sub-components of the system, focused on completeness
2. Interviews with Brookfield staff responsible for defining and implementing the IM system;
3. Testing of selected Brookfield transactions to check the application of the IM system; and
4. Delivery of detailed assessment findings to Brookfield, outlining areas of strong alignment and recommended improvement, as well as BlueMark’s proprietary benchmark ratings on the extent of alignment to each of the Impact Principles.

Permissions

This statement, including our conclusions, has been prepared solely for Brookfield in accordance with the agreement between our firms, to assist Brookfield in fulfilling Principle 9 of the Operating Principles for Impact Management. We permit Brookfield to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate Brookfield’s alignment with the Operating Principles for Impact Management. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Brookfield for our work or this statement except where terms are expressly agreed between us in writing.

About BlueMark

BlueMark, a Delaware-registered public benefit company, is a leading provider of impact verification services in the impact investing market. BlueMark was founded with a mission to “strengthen trust in impact investing” and to help bring more accountability to the impact investment process. BlueMark has conducted this verification with an independent and unconflicted team experienced in relevant impact measurement and management issues. BlueMark has implemented a Standard of Conduct requiring our employees to adhere to the highest standards of professional integrity, ethics, and objectivity in their conduct of business activities.

BlueMark has office locations in London, UK; New York, NY; and Portland, OR; and is headquartered at 154 W 14th St, 2nd Floor, New York, NY 10011. Its outside investors include S&P Global, Temasek Trust Capital, Blue Haven Initiative, Gunung Capital, Tsao Family Office, Ford Foundation and Radicle Impact. For more information, please visit www.bluemark.co.

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