FullCycle

September 2020

Operating Principles for Impact Management

Disclosure Statement

Foreword

FullCycle Climate Partners ("FullCycle") hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the "Principles"). This Disclosure Statement applies to FullCycle's investment business and processes, and serves to fulfill FullCycle Climate Partners' obligations pursuant to Principle 9 in publicly disclosing alignment with the Operating Principles for Impact Management.

As an investment fund, FullCycle is focused on addressing the climate crisis by providing growth equity capital through direct investments into companies with proven, climate-restoring technologies and their associated infrastructure assets. FullCycle has disclosed alignment to the Principles below in accordance with our investment strategy, market approach, criteria, policies and portfolio management processes. We rely on the Principles as part of our investment screening process including selecting and funding only those companies that have technologies that have proven efficacy in mitigating global greenhouse gases and that are aligned with the Principles in their own management and reporting processes.

As per the Disclosure requirement, FullCycle is including its Covered Assets, which comprises Portfolio Company Investments, Project Assets, as well as its assets under management to be fully deployed by the end of its investment period. FullCycle has the goal of deploying $250 million from its fund into positive climate impact aligned to the Operating Principles for I mpact Management.[1] The reporting period for the purposes of this verification runs from September 19, 2019 through to September 18, 2020.

The FullCycle mission is to accelerate the transition from a high carbon to a low carbon economy. It's about maximizing climate-positive impact and maximizing returns for our investors. We believe that investing in market-ready technologies to abate CO_2 emissions will not only yield a high return on investment, but it will also generate the most meaningful climate impact per dollar invested. We stand by the Principles as a signatory because we believe that we can achieve meaningful climate outcomes through industry collaboration, collective action, alignment on goals and sharing our knowledge and best practices for impact management. By demonstrating this impact, we believe that more capital will flow into this area and help accelerate positive climate results and a more sustainable future for all.

We look forward to continuing the collaboration with our fellow signatories and other peers who join us in this effort going forward. This is the moment when each of us can work together to transform our climate goals into meaningful, tangible results that benefit the planet and all who inhabit it.

Ibrahim AlHusseini
Founder and Managing Partner,
FullCycle Climate Partners

[1] The Fund is in a pre-close state, therefore Covered Assets reflect the total size of fund, with an anticipated final close date in 2021.

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Overview

FullCycle is a signatory to the Operating Principles for Impact Management (the "Principles"). This Disclosure Statement affirms that FullCycle conducts its impact investing activities in alignment with the Principles. Achieving positive climate impact is the purpose of our fund and a core driver of all of our investment activities.

FullCycle is a growth equity fund focused on addressing the climate crisis by investing in companies with proven, climate-restoring technologies. We source, screen and evaluate potential investment opportunities using two equally important criteria: financial and carbon return on investment. We focus on transformative technologies that meaningfully affect the decarbonization of the economy.

We invest in companies that are developing climate-critical infrastructure. Our focus is on technologies that abate short-lived climate pollutants (SLCPs), which have a disproportionate warming effect compared to carbon dioxide over the next twenty years (Global Warming Potential 20). We have developed a proprietary methodology for assessing and measuring potential climate impact: "CROI-20", which prioritizes technologies that mitigate the largest amount of CO2 (equivalent) over a twenty-year period. Our asset-led growth strategy accelerates the project roadmap for companies in our portfolio by providing project finance, climate expertise and regional, operational experience developing, commercializing and managing climate-critical infrastructure assets.

Principle 1

Define strategic impact objectives, consistent with the investment strategy.

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

FullCycle accelerates solutions to the climate crisis by directly investing in companies and their climate-critical technology projects.

The UN Sustainable Development Goals (SDGs) are core to the mission of FullCycle. The accelerating climate crisis is simultaneously the most significant challenge humanity has faced to date and the greatest economic opportunity of our time. Achieving the goals outlined in major international treaties like the Paris Agreement and the Sustainable Development Goals requires an unprecedented effort to decarbonize and recreate the world's largest industries over the next two decades; an effort that will affect every country, industry, asset class, and economic sector. The private sector has a significant role to play in deploying low-carbon solutions that are intended to mitigate and reverse global warming. Specifically, the private sector is increasingly well-positioned to accelerate the deployment of market-ready, climate-restoring solutions across multiple sectors, including but not limited to low-carbon infrastructure, waste, energy and efficiency, water, and food and agriculture. FullCycle is a Signatory to the United Nations Global Compact Climate Action Campaign (1.5° Climate Ambition) and these IFC-led Operating Principles for Impact Management. FullCycle is a "2020 Impact Assets Top 50 Emerging Managers" Fund. The primary impact objective for FullCycle aligns with the UN Sustainable Development Goal 13: Climate Change Mitigation - Climate Action.

[2] The Paris Agreement is an agreement within the UN framework Convention on Climate Change (UNFCCC), that addresses GHG mitigation, adaptation, and finance, starting in the year 2020. The agreement was negotiated and ultimately adopted by representatives of 196 state parties in December 2015.

[3] The Sustainable Development Goals (SDGs) are a collection of 17 global goals set by the United Nations General Assembly in 2015 for the year 2030. The goals are broad and interdependent, yet each has a separate list of targets to achieve. Achieving all 169 targets would signal accomplishing all 17 goals. The 169 targets are measured with 232 indicators. https://www.undp.org/content/undp/en/home/sustainable-development-goals/

Principle 1 continued

As a private equity fund, FullCycle seeks to mitigate the climate crisis through company and infrastructure investments: we are a dedicated capital partner for climate-focused companies and we invest in their climate infrastructure projects. Providing capital from a single source for company and project equity streamlines project development, accelerating impact via an asset-led growth strategy.

We prioritize opportunities to invest in technologies targeting Short-Lived Climate Pollutants (SLCPs). SLCPs are potent greenhouse gases that are 86 -1,300 times more heat-trapping than CO2 in the first 20 years of emissions. They make up 24% of atmospheric greenhouse gases but are responsible for 47% of global warming to-date. Examples include methane, nitrous oxide and fluorinated gases. The fund will abate CO_2 and SLCPs by deploying and accelerating the commercialization of low carbon infrastructure globally.

The core performance metrics for FullCycle center on abatement of global greenhouse gas emissions as represented by gigatons of CO_2 (or equivalent) over the Global Warming Potential (GWP) of 20 years. All investments are initially screened, and all investment committee decisions are based upon an investment's potential Carbon Return on Investment CROI-20™: CO_2(e) tons saved during lifetime per $1,000 invested over the next 20 years (GWP 20).

FullCycle's mission to drive outsized environmental and financial returns requires a rigorous, data-driven approach to asset generation and management. The FullCycle management team and advisors collectively have decades of experience in climate finance and routinely engage with best in class third-party data analytics firms to perform additional diligence and measure impact on potential Platform Companies and their associated projects.

For example, FullCycle engaged a third-party firm to evaluate our anchor Platform Company, Synova. The findings of this external and internal analysis are summarized in a comprehensive impact profile that evaluates Synova's Climate Impact performance across a range of EKPIs, including water and land use savings, avoided ocean plastic, particulates avoidance, and carbon abatement.

THESE SECONDARY IMPACT OBJECTIVES INCLUDE:

- Infrastructure Deployment - Industry, Innovation and Infrastructure
  - Portfolio Metric - Total infrastructure assets deployed by the fund
  - Individual Project Metric - Type of Infrastructure Displaced
- Circularity - Responsible Consumption and Production
  - Standard waste measures

Principle 1 continued

FullCycle is a team of climate activists, operators, investors and asset managers who value diversity and utilize science-based targets for our fund management and portfolio performance. Therefore, we have also established internal policies and practices for Diversity and Inclusion, Code of Ethics and Anti-Corruption, Confidentiality and Privacy as well as our standard investment policy that ensures alignment with our mission and fiduciary responsibility.

Finally, FullCycle will also measure (whenever possible) tertiary impacts for all portfolio investments and their associated projects, on a case by case basis, as relevant; secondary and tertiary impacts are aligned with the UN SDGs as follows:

Principle
2

Manage strategic impact on a portfolio basis

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

Investing as a private equity fund: organized and structured to address the climate challenge

FullCycle is a private equity firm investing to reverse the effects of climate change, fulfilling an unmet need in the mobilization against the climate challenge. We invest in companies and their associated infrastructure projects that offer attractive financial returns and produce a material, positive impact on the health of our planet.

FullCycle's investment philosophy is guided by our mission to catalyze a massive, positive impact on our planet's near-term health and climate while simultaneously maximizing risk-adjusted return on our invested capital. It reflects our deeply held belief that climate restoration is the greatest investment opportunity of our time. Following are the four key tenets of our investment philosophy:

1. **Market-Ready Technologies.** We only invest in companies with technologies that have proven efficacy in the real world and that can begin to be deployed at scale today.

2. **Measurable, Material Climate Impact.** Potential companies must demonstrate quantitatively that their projects have the potential to have a material impact on the global environment when deployed at scale. We define material impact as gigaton-scale abatement of CO2 equivalent annually or a comparable environmental benefit at full deployment.

3. **Invest Directly in Platform Companies and Projects.** We invest directly in companies and in their projects, a key differentiation from many funds.

4. **Compelling Financial Returns.** Our investments must financially perform without reliance on subsidies.

Principle 2 continued

Investing in project assets: an important differentiator in the climate challenge

FullCycle seeks to accelerate the deployment of technologies that are intended to meaningfully address global warming (or offer comparable environmental benefits) by organizing programs conducive to repeat investments, typically via a right of first refusal ("ROFR") or analogous preferential right to invest in the projects of the companies in which the fund invests. While many funds invest in companies and many others invest in project assets, few invest in both. By taking a substantial equity position in a company and securing the right to invest in their associated projects, the fund will benefit from a long-term, strategic relationship with each company.

The Partnership will seek to acquire Platform Companies with technologies that (i) have worked predictably as they progressed from laboratory, to pilot, and to demonstration scale, (ii) are ready for commercial deployment, and (iii) have the potential to substantially reduce carbon or other greenhouse gases ("GHG") in, or emissions into, the atmosphere. Management expects financial returns from investments in Platform Companies to be comparable to late-stage venture or growth private equity investments.

Carryover Funds: attract and deploy more capital to scale proven technologies

Carryover Funds are additional funds that will invest in the infrastructure projects of FullCycle portfolio companies. Their purpose is to allow Limited Partners the opportunity to capture the full benefits of project programs, originated by the core fund (e.g., via a right of first refusal), but for which the opportunity exceeds the Limited Partners' available commitments in the core fund. Project pipelines offer numerous opportunities for FullCycle Limited Partners to invest alongside the fund for attractive returns while also addressing the unmet capital need in the industry: bridging the gap between equity for companies working on climate-critical infrastructure and globally commercializing the assets which they are developing.

A dedicated investment team with climate and investment expertise

The principal investment officers of FullCycle Climate Partners have a combined 60+ years of experience sourcing, screening, conducting due diligence, structuring, sponsoring, and managing private investments as well as direct experience as entrepreneurs in starting, growing and exiting a variety of ventures in technology and clean tech. FullCycle's management team is responsible for day-to-day management and has deep expertise in technology, finance, private equity, infrastructure and climate sectors, enabling FullCycle to maximize both economic and environmental return on investment for its LPs.

Principle 2 continued

IMPACT MANAGEMENT PROCESS

FullCycle will select investments based on their expected contribution to the total impact of the portfolio using the following framework for portfolio impact management:

1. Set Benchmarks for Investment Segment: segment potential investments based on similar levels of impact, risk and financial return (i.e. waste management project assets in developing markets) and estimate expected impact of a typical investment per each segment (utilize sector-based benchmarking data whenever available).

2. Project Portfolio Impact using Benchmarks: Create a portfolio simulation model with the benchmarks as inputs to calculate total fund impact. Allocation between categories in the simulation model should seek to optimize both the expected climate impact and financial performance of the fund. Calculate total expected impact and see how the fund should strategically allocate by company (and their associated projects) within each sector.

3. Use Benchmarks as Selection Criteria: Each potential investment is assessed against the estimated benchmark.

4. Revise portfolio simulation model based on investments: Once investments are made, generate a new expected impact model based on the actual expected impact of the projects/platforms and compare this number to the initial projections based on the benchmarks. Doing this will allow FullCycle to monitor expected under and over-performance and will help create benchmarks for carryover funds

5. Incorporate ex-post Impact Results: Actual impact results are collected on a regular basis and inputted into the portfolio model. As more actual impact results are incorporated, the benchmarks will be revised for greater accuracy.

Principle 3

Establish the Manager's contribution to the achievement of impact

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

FULLCYCLE CLIMATE PARTNERS FUND

All FullCycle investments must demonstrate "material carbon impact" (defined as a gigaton of CO_2 equivalent savings, per annum, modeled at full deployment) as well as additionality, which refers to the "unique contribution that FullCycle brings to a private investment project that is not typically offered by sources of financing that pursue only commercial objectives". [4]

FullCycle's contribution to the impact will be: accelerated deployment (acceleration ecosystem), board governance, company capital, capitalization of future projects with ROFRs, and networks to other partners.

MEASURABLE IMPACT

The FullCycle team tracks trends and their impact across both industry and environment, ensuring that more than the traditional CO2-equivalent analysis is taken into consideration. Given the importance of timing, consideration of short-lived climate pollutants ("SLCPs"), like methane or fluorocarbons, is given priority, given their disproportionate warming potential, over technologies with benefits which are not as front-end loaded. Metrics employed include the "Carbon Return On Investment" over a 20-year basis ("CROI20"), and Environmental Key Performance Indicators ("EKPIs") such as intensity of water use, particulates, ocean plastics avoidance and other relevant metrics.

From time to time, FullCycle will measure its contribution to the achievement of impact through periodic review of the portfolio's Carbon Return on Investment (CROI-20) as measured over the Global Warming Potential (GWP) of 20 years. The CROI-20 analysis will also take into consideration wherever possible modeled operational output that would have occurred in the absence of a FullCycle investment and analyze if any positive impacts are the result of stewardship by the FullCycle team or were likely to happen regardless. The CROI-20 score for each company will measure contribution on a scale (low-medium-high) based on how it ranks against the baseline (status quo) and benchmarked against the next best available option in the market.

[4] https://www.ifc.org/wps/wcm/connect/a8da86c1-be09-49b0-b561-8118f99fbd5f/201910-IFC-Disclosure-Statement-OPIM.pdf?MOD=AJPERES&CVID=mSSMyQH

Principle 3 continued

FULLCYCLE'S CONTRIBUTION TO ACHIEVING IMPACT

FullCycle accelerates the deployment of infrastructure assets that are intended to reverse global warming or that have comparable environmental benefits by investing in companies with proprietary, commercially viable technologies as well as funding the deployment of their projects. FullCycle's unique strategy and approach directly contributes to climate impact and provides several important benefits, including the following:

- Accelerates company growth by providing corporate and project finance from a single capital source. Further, FullCycle will work to optimize the project investment and commercialization process to accelerate the deployment of project assets (and their environmental benefits) around the world. FullCycle is creating an acceleration ecosystem that provides resources, expertise, partnerships, risk mitigation and regional support to companies in our investment portfolio.
- Bridges technical validation and broad commercial adoption by funding initial commercial projects in exchange for a preferential right to finance a long tail of subsequent projects. FullCycle stands to benefit from the appreciation in the value of the companies as a result of project deployment and the commercial adoption of their technology.
- Creates long-term strategic alignment with companies rather than perpetuating a short-term "exit" mentality or individual project focus. FullCycle aims to have preferential rights to the pipeline of each company's project pipeline, giving it far more alignment than a typical project investor and far more influence than a typical minority growth equity investor. Projects will be funded, commissioned, seasoned, packaged and sold, creating multiple exit and liquidation opportunities at the project level. Company exits, which will occur from time to time, are not the sole mechanism for investor liquidity, as upside can be realized upon each project implemented.
- Allows portfolio companies to maintain an asset-light business model because projects are funded directly, minimizing further dilution to equity holders, thereby making FullCycle an ideal capital partner.

In addition, FullCycle internal fund operations will maximize positive impact with respect to the SDGs. FullCycle will:

- Create a company culture that supports diversity and inclusion
- Form partnerships to support value-aligned climate leaders and organizations
- Lead educational initiatives like the current webinar series "The Future with FullCycle" to promote climate knowledge, collaboration and climate action
- Purchase carbon offsets to mitigate environmental damage of company travel
- Commit and disclose management philanthropy to organizations aligned with the SDGs, specifically any grants or in-kind contributions towards climate action.

Principle 4

Assess the expected impact of each investment, based on a systematic approach

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, align with industry standards5 and follow best practice.

IMPACT ASSESSMENT

FullCycle will assess the expected impact of each investment using a hierarchical impact framework. Investments will be measured based on their contribution to the core, secondary, and ancillary impact objectives. Core impacts will be measured at higher scores than ancillary impacts.

FullCycle assesses the expected impact of all company platform investments in its portfolio and their associated projects using its proprietary methodology and due diligence process. The core impact metric will be Carbon Return on Investment (CROI), a flexible metric that measures the warming abated per dollar invested (GWP 20). FullCycle uses the GWP 20 metric rather than the GWP 100 metric to more accurately measure real-world climate impact and promote urgency and draw attention to warming forces, like SLCPs, that are neglected. FullCycle will use other key performance indicators to measure the expected impact of each objective. FullCycle will develop, procure and/or invest in a set of tools, including analytics platforms, machine learning/AI and visualization tools that will help source, track, manage and compare investments on a systematic basis.

The process follows clear investment procedures and is done as described in the fund investment guidelines. The investment decisions are taken by the Investment Committee and are based on the information presented in the investment memos and guided by our investment thesis in each sector.

Principle 4 continued

FullCycle has developed a framework for impact measurement and verifiability in conjunction with experts in the disciplines of environmental science. These frameworks are data-based, science-informed and standardized; focused on climate impacts in order to identify companies that generate a positive impact. These frameworks provide a baseline for assessing whether and how much an invested company's impact continues to improve over time.

CROI-20 measures the GHG savings per dollar invested in a given technology or project. For investors seeking to maximize climate benefit, metrics like CROI-20 can and should be used alongside traditional financial return projections when evaluating a potential investment.

THEORY OF CHANGE

The investment thesis that is articulated for each sector that we invest in identifies the key drivers of global greenhouse gas emissions in that sector, the expected growth of emissions in that sector, investable solutions and opportunities within the sector and a quantifiable estimate of potential mitigation opportunities.

Infrastructure is one of the key determinants of GHG emissions. Since many infrastructure assets last for 30 to 50 years, the choices made about infrastructure investment today have the potential to "lock in" carbon and other GHG emission levels for decades and determine the course of climate change for the next century. Moreover, core infrastructure assets underpin the operations of our economy, making their impact an important driver of the total GHG output of the economy.

The investment memo for each company investment articulates key impact aspects of each investment. All investment memos must include a CROI-20 analysis to provide a clear metric for potential scale of impact. If an investment is approved, the CROI-20 target is formalized and documented during the life of the investment and is one of the Key Performance Indicators required by FullCycle for portfolio companies' mandatory reporting requirements, in addition to industry standard financial and other KPI reporting. The CROI-20 score is reassessed on a regular basis for every company and their respective projects.

Principle 5

Assess, address, monitor, and manage potential negative impacts of each investment

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

FullCycle's proprietary investment strategy targets pro-climate investments and the investment process filters out organizations or projects employing strategies that are associated with higher environmental, social and governance risks, any of which could weaken the financial performance of portfolio companies as well as damage impact performance. Nonetheless, FullCycle does not only seek to exclude strategies that have high risk factors, but also pursues strategies that actively mitigate risk within our portfolio or improve performance of high-risk industries.

FullCycle's investment research and analysis process identifies risks associated with sectors and impact themes. Investment team members focus on different impact themes, sectors, macro trends and industries across geographies in order to form a cross-cutting analysis on potential risks associated with diverse fund strategies. FullCycle assesses performance utilizing a robust proprietary risk assessment and impact framework that incorporates the Impact Management Project, the UN SDGs, and the IFC's performance standards as the industry benchmark. The firm uses a proprietary investment scorecard and carbon impact rating methodology (CROI-20) to measure portfolio performance against the best available baseline data for the industry and sector as well as competitive benchmarking against comparable technologies within the same sector.

FullCycle will utilize the IFC Performance Standards to monitor and identify potential ESG risks of platforms and projects. FullCycle will undertake an ESG due diligence on all of its investments. The results of this diligence will be disclosed after the investment is committed. ESG risks are distinct from impact risks; they are negative operational impacts that are independent of potential expected positive impacts. If a performance standard is triggered by the operation of the potential investment, FullCycle will engage in a review and site visit (as needed) with the potential investee to assess compliance. If the investee is in non-compliance, FullCycle will work with the prospective management to develop a corrective action plan and stipulate corrective action as a contractual requirement. Eventually, FullCycle will develop an ESG risk metric to manage and mitigate total portfolio ESG risk.

[5] https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards

Principle 6

Monitor the progress of each investment in achieving impact against expectations and respond appropriately

The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.

Prior to any investment, regular reporting requirements are agreed with all portfolio companies and are built into the investment agreement. As such, the failure to provide this information can trigger a breach of agreement and can prevent future equity or project investment and may result in punitive measures if necessary between FullCycle and the investee.

In addition to regular data reporting requirements, all portfolio companies are monitored for financial and climate impact (CROI-20) performance and are subject to follow on due diligence visits, as needed. FullCycle provides an annual update to its Limited Partners, which includes a section giving an overview of the climate impact and related performance data at a portfolio level as well as an update on specific projects, as available, highlighting recent climate achievements where appropriate.

FullCycle will need to create an internal capability to regularly collect data on the actual impact of each investment with respect to the primary, secondary, tertiary impact objectives. FullCycle will calculate its total fund impact using ex-post data and will report its total impact to investors annually. To accomplish this at global scale over time, FullCycle will develop an information architecture and data management and analytics system to collect, store, process and analyze data from each project and company.

Principle 7

Conduct exits considering the effect on sustained impact

When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

IMPACT EXIT STRATEGY

The sustainability of impact outcomes is considered during the initial investment phase by considering whether the impact is core to the business and likely to yield long-term impact. Potential exit opportunities shall be evaluated periodically on a strategic basis and opportunistically. Investments will only be made if positive climate impact is achieved as a result of the core operations of the business. The CROI-20 methodology will be utilized in the screening, evaluation, monitoring and reporting for every investment. By investing in businesses which are inherently impactful due to the nature of their core business, FullCycle reduces the likelihood that a sale will threaten the longevity of that impact.

FullCycle will assess the sustained impact of potential exists based on three primary factors:

- The buyer's commitment to impact and FullCycle values
- The buyer's operational and financial ability to manage the asset for long-term success
- The buyer's commitment to continuing commitments to the local community

Any exit that FullCycle does not believe will sustain impact will not be executed. FullCycle will document and disclose its rationale for exits.

IMPACT EXIT PROCESS

FullCycle is currently implementing a scorecard for evaluating potential investments as well as investment exits. The first investment made (in Synova) is not yet exited. The FullCycle exit process will comprise an Exit checklist, which includes questions designed to assess whether positive ESG and impact performance would be at risk of discontinuing or becoming diluted as a result of the proposed exit such as the motivation for acquisition (e.g., a sustainability mandate, technology complementarity), the identity of the prospective buyer, the timing or the structure of the exit. The Exit checklist is reviewed by the Investment Committee, the specific deal team and discussed at the Exit Committee.

Principle 8

Review, document, and improve decisions and processes based on the achievement of impact and lessons learned

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

Once FullCycle's investments reach operational maturity, FullCycle will engage in a self-evaluation that analyzes the actual impact of the fund's key performance indicators and uses an independent third-party auditor and verifier to confirm this evaluation.

FullCycle consistently seeks to improve financial and carbon return on investment and will actively review operational and strategic investment decisions, as well as management processes. We continuously participate in various industry initiatives to contribute to and enhance industry standardization, transparency, alignment and partnership.

Principle 9

Publicly disclose alignment with the Principles and provide regular independent verification of alignment

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

This Disclosure Note re-affirms the alignment of FullCycle Climate Partner's procedures with the Principles and will be updated annually.

FullCycle will regularly engage with an independent third-party auditor to assess and verify the fund's impact procedures, alignment with the Operating Principles, and identify opportunities for impact improvement. FullCycle will publicly disclose the findings of this assessment.

The independent verification report on the alignment of FullCycle Climate Partners with the Operating Principles for Impact Management was performed on September 22, 2020 and is available as a separate document. This verification will be completed on a regular basis on two-year intervals, or earlier in the event of material change to our impact management processes. Information on the current independent verifier is as follows: Tideline Verification Services, Inc., 915-2 Battery St., San Francisco, CA 94111.

As the fund matures, FullCycle may decide to build this capability in-house and will disclose this change in impact procedures at that time