

Verifier Statement

Independent Verification Report

Prepared for FullCycle Climate Partners: 10/18/2022

Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)¹, FullCycle engaged BlueMark to undertake an independent verification of the alignment of FullCycle's impact management (IM) system with the Impact Principles. FullCycle has the goal of deploying \$250 million into positive climate impact aligned to the Principles by the end of its investment period.² The reporting period for this verification runs from September 19, 2020 through September 18, 2021.

Summary assessment conclusions

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

Principle 1: FullCycle has clearly defined an intent to accelerate solutions to the climate crisis and references the SDGs to which it aims to contribute. To further align, FullCycle should link investment-level theses to underlying SDG targets and ensure to update its methodology with the emergence of new evidence from key climate investing initiatives.

Principle 2: FullCycle compares impact across its portfolio using its Carbon Return on Investment "CROI" methodology. To further align, FullCycle should consider linking staff incentive systems with the impact of investments.

Principle 3: FullCycle contributes to the impact of each investment via the commercialization of technologies and the application of insights from pre-existing projects. To further align, FullCycle should standardize their assessment of investor contribution, track the value-add activities it undertakes ex-post and enhance existing case studies outlining FullCycle's hands-on approach.

Principle 4: FullCycle's ex-ante process for assessing the impact of its investments is grounded in its CROI methodology and supported by External Impact Assessments and Life Cycle Assessments. To further align, FullCycle should more explicitly describe the "Who" and "Risk" elements of the IMP's 5 Dimensions for each investment.

Principle 5: FullCycle's ESG Framework and Policy demonstrate how ESG risks are managed throughout the investment lifecycle. Due-diligence is conducted in alignment with the ESG Data Convergence Initiative and metrics are aligned to SASB and GRI. The integration of ESG action plans into term sheets allows FullCycle to manage ESG underperformance.

Principle 6: FullCycle collects performance data monthly from each portfolio company and has CROI projections in place to monitor against once projects are operational. To further align, FullCycle should ensure that an explicit approach for updating CROI projections at regular ex-post intervals, or after material project changes, is captured within policy documents. FullCycle should also develop an explicit approach for engaging with investees in the event of impact underperformance.

Principle 7: FullCycle plans to ensure the sustainability of impact following exit from their investments through a "know your buyer" philosophy and by developing ESG reporting processes within portfolio companies. To further align, FullCycle should formalize a responsible exit framework and ex-ante strategies for ensuring the sustainability of impact.

Principle 8: FullCycle has a process for regular review of performance data through annual ESG Reports and LP Annual Meetings. To further align, FullCycle should prepare ESG Reports in a standardized format and use semi-annual reviews with portfolio companies to discuss any unintended impacts that may arise during the lifetime of an investment.

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 FullCycle's disclosure statement as of 09/2021. BlueMark's assessment did not include verification of the AUM figure.

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Assessment methodology and scope

FullCycle 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 October 2022. 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.²

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 FullCycle staff responsible for defining and implementing the IM system;
3. Testing of selected FullCycle transactions to check the application of the IM system; and
4. Delivery of detailed assessment findings to FullCycle, 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 FullCycle in accordance with the agreement between our firms, to assist FullCycle in fulfilling Principle 9 of the Operating Principles for Impact Management. We permit FullCycle to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate FullCycle'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 FullCycle for our work or this statement except where terms are expressly agreed between us in writing.

About BlueMark

BlueMark, a Tideline 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 is a wholly owned subsidiary of Tideline Advisors, LLC, a certified women-owned advisory firm in impact investing. Since its founding in 2014, Tideline has become a recognized leader in impact measurement and management, working with leading asset owners and managers to design and implement impact management systems.

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; Portland, OR; and San Francisco, CA and is headquartered at 915 Battery St, San Francisco, CA 94111, USA. For more information, please visit www.bluemarktideline.com.

² 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 FullCycle. BlueMark has relied on the accuracy and completeness of any such information provided by FullCycle. The assessment results represent BlueMark's professional judgment based on the procedures performed and information obtained from FullCycle.