# EXECUTIVE SUMMARY

**Brookfield is Canada's largest private equity investor.[1] In May 2021, Brookfield committed to net zero financed emissions by 2050 across its $850 billion AUM, including its subsidiaries.[2] And, Chair of Brookfield Asset Management and Head of Transition Investing is Mark Carney, the co-Chair of the Glasgow Financial Alliance for Net Zero and the ex-Governor of the Bank of Canada and of the Bank of England.[3]**

However, since its net zero commitment, Brookfield has continued to invest in hundreds of fossil fuel assets. Shareholders are in need of more information to ensure that climate transition risks and opportunities are in fact being fully disclosed and addressed.

Brookfield engages in the full gamut of private investment deal types, from traditional private equity investments with their associated equity, board seats, and management control to private credit, and everything in between. It is the former private investment style which is the primary focus of this report, but the principles discussed can apply to all private investment types.

Private equity plays a unique role in the financial ecosystem as a source of relatively patient capital — 5 year average holding periods[4] — with management influence over acquired assets. Private equity investors are able to make long-term structural decisions without the short-term pressures of quarterly earnings calls. Private equity invests in or lends to unlisted companies wanting to scale up or restructure. Compared to public equity, the financial risks and opportunities for private equity are larger[5] and their investments are subject to less transparency. These factors also mean that private equity is well-positioned to capitalize on the net zero transition if the motivation exists. The flexibility, capital, and management influence held by general partners offers the potential to capture transition opportunities.

For limited partners and shareholders to ensure their private equity investments are transitioning properly requires comprehensive disclosures about:

- The full scope of climate risk across all asset classes,
- How these risks are being mitigated, and,
- How opportunities in climate solutions are being exploited.

Net zero guidance for the private equity sector has been published by SBTi, IIGCC, ICi, and TCFD, among others. To help shareholders understand best practices we have summarized key criteria in Appendix I of this report. The best practices outlined in Appendix I are designed primarily for general partner-style investments, but the principles they represent can be applied to most private investments.

1 Private Equity Investor, PEI 300 (Mar. 2023).

2 Brookfield Asset Management, NZAM Interim Progress Report (Dec. 2022) at 1.

3 Brookfield, Brookfield Raises Record $15 Billion For Inaugural Global Transition Fund (Jul. 2022).

4 Harvard Business Review, Private Equity Should Take the Lead in Sustainability (Jul.-Aug. 2022).

5 Harvard Business Review, The Strategic Secret of Private Equity (Sept. 2007).

We acknowledge that Brookfield is still early in its net zero journey, but our analysis finds serious gaps in Brookfield's emissions reporting and weaknesses in its emissions reduction target coverage. Data from the Private Equity Climate Risks (PECR) project indicates that Brookfield is reporting a small fraction of its material emissions (see Figure 1 and the Financed Emissions Reporting section of the report). And, less than a quarter of its assets under management are being managed in alignment with net zero, with no clear timeline for increasing that number.[6] Downstream emissions also appear to be excluded from Brookfield's emissions reduction targets.

Brookfield has stated concerns regarding PECR's methodology — its statement is available in Appendix II.

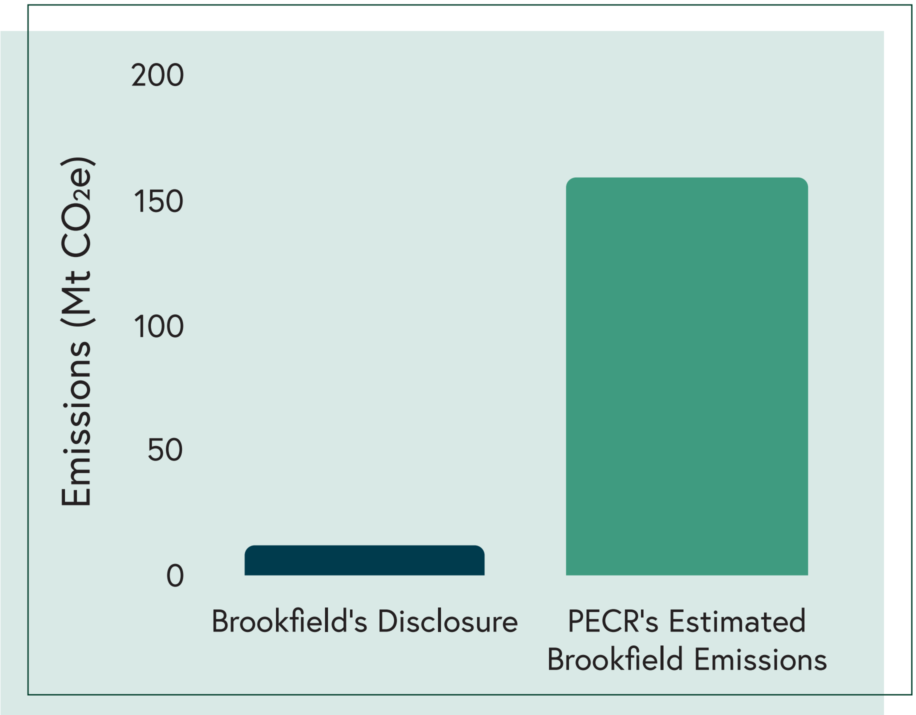


**FIGURE 1.**
Brookfield's financed emissions disclosure (2022) vs. PECR's estimate of Brookfield's energy-related financed emissions (2023).

In addition, Oaktree Capital Management, representing 22% of Brookfield's AUM, is excluded from Brookfield's net zero target and associated reporting, and does not have its own net zero target or provide comprehensive emissions disclosure. Oaktree is primarily engaged in private credit, though also engages in some traditional private equity. It has a stake in at least 118 fossil fuel assets.[7] Brookfield decided to allow Oaktree to maintain relative operational independence despite acquiring majority ownership, partly due to regulatory concerns.[8] However, operational independence does not shield Brookfield from Oaktree's climate transition risk.

In terms of a net-zero aligned transition strategy, Brookfield and its subsidiary Oaktree are each taking steps in the right direction, but neither have comprehensive net-zero aligned investment policies. There is little data to track implementation. Both remain invested in fossil fuel assets without transition plans. Finally, regarding lobbying for sound climate policy, we do not see evidence of the kind of activity that Brookfield acknowledges is necessary.

6 Brookfield Asset Management, Net Zero Asset Managers Initiative Interim Progress Report (Dec. 2022) at 1.

7 PECR, Brookfield Emissions (December 2023). (Note: filtered for upstream, midstream, and downstream. Also filtered for Oaktree.)

8 Bloomberg, Howard Marks Sees Industry Consolidation After Brookfield Tie-Up (March 2019).

The fact that Brookfield has committed to increasingly invest in net zero transition opportunities via its transition funds may help enable the economy-wide net zero transition. More information is needed to evaluate this commitment.

In order to build confidence among its shareholders and fund investors that Brookfield is serious about its net zero commitment, the company needs at a minimum, to:

- Expand financed emissions reporting to include: Oaktree, all asset types, material scope 3 emissions, complementary metrics, and clearly defined emissions attribution boundaries.
- Provide an ambitious timeline for portfolio-wide net zero alignment, including emissions reduction targets that explicitly include scope 3 downstream emissions.
- Establish a net zero-aligned acquisition strategy, including negative screens for:
    - Thermal coal that cannot be phased-out to align with the IEA Net Zero by 2050 scenario, and
    - Oil and gas expansion.
- Create an active ownership strategy vis-a-vis portfolio company transition plans, with timelines and consequences for non-compliance along with reporting on transition progress.
- Report comprehensively on company exits and their relationship to real world emissions.
- Report comprehensive and up-to-date climate impact metrics on Brookfield Transition Funds and green financing instruments.
- Engage in more robust lobbying for supportive financial sector and broader economy net zero policies.

These recommendations are further detailed in the 'Recommendations' section below. They are based on our analysis of Brookfield's climate disclosures as well as emissions data from the PECR project, outlined in the body of this report. The guidelines by which we assess Brookfield's transition plan are provided in Appendix I. Appendix II outlines the financed emissions data methodology used by the PECR group.