

# Responsible Investment Report 2022





# Message from our Head of ESG & Impact

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“ On behalf of Cordiant’s ESG and Impact Team, I am very pleased to share our first Responsible Investment Report. As a firm, we are committed to the continuous improvement of our ESG practices and to working closely with our investees to collect meaningful indicator data to track our progress and ensure that we remain aligned with our chosen UN SDG objectives.

We believe that, through our ESG and impact strategy and its diligent implementation, we can create value for both our investors and our portfolio companies. ”

## Lori Trotter

Managing Director  
Head of ESG & Impact  
Member of the Sustainability Committee





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Wind farm, Greece



# Key Highlights

At Cordiant, we understand the importance of stewardship and responsibility. Since inception in 1999, we have recognised the value of - and the need for - the consideration of Environmental, Social and Governance (ESG) factors during the investment process. This integration supports the responsible deployment of capital through proper management of applicable risks to deliver attractive risk-adjusted returns to investors in Cordiant’s funds. We strive to work with partners who share our views and support our assets in improving ESG performance while generating positive societal and environmental benefits that support the UN SDGs.

This has not been a stationary effort. As the ESG sphere continues to develop and evolve rapidly, we recognise the need to ensure our approach to responsible investment keeps pace with best practices, regulations and our capabilities. Since 2015, significant focus has been placed on updating and expanding Cordiant’s

Responsible Investment practice [see p.7 for more details]. We have expanded our team of dedicated professionals, invested in on-going and relevant training, broadened our approach, and increased the depth of our ESG and impact lens offering within our investment practice. We believe that being a responsible investor is not an instantly achievable outcome but a goal that requires continuous progress and refinement. This year was no exception as Cordiant continued to further integrate and enhance its ESG processes and implement additional responsible investment frameworks.

We are proud to report our key highlights of the past year and our aims for the coming year, against which we have already made significant progress.

Last year - 2021	This year - 2022	Next year - 2023
<ul style="list-style-type: none"> <li>Classified Cordiant’s actively investing funds as SFDR Article 8 and complied with fund and entity level disclosure requirements.</li> <li>First external audit of Cordiant’s alignment to the Operating Principles for Impact Management. Results confirmed the alignment of Cordiant’s impact management system with the Principles.</li> <li>Published Cordiant’s first publicly available Responsible Investment Policy.</li> <li>Achieved Carbon Neutral+ accreditation in partnership with Carbon Footprint Ltd after verifying and offsetting emissions associated with direct operations. (This was achieved again in 2022).</li> <li>Continued expanding the ESG and Impact team in Cordiant’s Montreal and London offices.</li> </ul>	<ul style="list-style-type: none"> <li>Established a Sustainability Committee to oversee the implementation of our responsible investment strategy. The first committee meeting was held in Q1 2023.</li> <li>Investment Process Development: Created and incorporated the use of Cordiant’s Materiality Risk Assessment Tool into the investment process and refined Cordiant’s sector-specific ‘Guiding Principles’.</li> <li>Collected under a newly developed framework, ESG and impact material key performance indicators from our assets.</li> <li>Conducted a TCFD gap analysis and began reporting in line with the TCFD’s recommendations for both Cordiant and the investment trust Cordiant Digital Infrastructure Limited, for which Cordiant acts as investment manager.</li> <li>Became a member of the Partnership for Carbon Accounting Financials (PCAF) and initiated the measurement of our financed emissions.</li> </ul>	<ul style="list-style-type: none"> <li>Introduce funding schemes and charitable donations in support of our responsibility and stewardship objectives.</li> <li>Continue to refine our responsible investment process to ensure we maintain best practices, expand upon our ESG and impact activities and establish our integration framework.</li> <li>Continue to improve our ESG and impact data tracking by providing additional support and training to our portfolio companies.</li> <li>Become an official TCFD supporter and further incorporate the recommendations of the TCFD in our disclosure statement (Cordiant became a supporter of the TCFD in early 2023).</li> <li>Continue to work towards setting a decarbonisation plan, with the aim of joining the Net Zero Asset Manager Alliance (“NZAM”).</li> </ul>



# About Cordiant

Founded in 1999, Cordiant is a specialist global infrastructure investor that provides debt and equity growth capital solutions for mid-market companies in Europe, North America and select global markets through our multi-strategy and dedicated sector- specialist funds. Relunched in 2015 under new management, Cordiant is a partner-owned and partner-run investment manager with offices across three continents in Montreal, London, Luxembourg and São Paulo.

Our focus is the next generation of infrastructure (or 'infrastructure 2.0') and real assets in three alternative sectors: digital infrastructure, the agriculture value chain, and energy transition infrastructure. These sectors are supported by global trends and characterised by growth tailwinds, technological change and an innately ingrained connection to and need for sustainability.

**Investing responsibly in alternative infrastructure will make our global supply chains, economies and societies more resilient, protect our planet and help investors achieve their financial objectives.**

With a mix of managed funds offering both value-add and core strategies in private equity and direct lending, our sector teams combine significant industry operating expertise with deep financial expertise, enabling us to develop innovative, tailored financing solutions backed by a comprehensive understanding of the sector and demonstrated operating capabilities, all the while being supported by the expertise of our ESG and Impact Team. Our active and hands-on approach to working with our portfolio companies enables us to better serve our investors through active engagement.

**We aim to leverage the financial and operational expertise of our Investment Teams, in tandem with the capabilities of our dedicated ESG and Impact Team, to support the companies in which we invest, which, in turn, will drive returns for our investors, whilst practising responsible and sustainability-oriented investing.**

## MONTREAL

- Global Infrastructure Credit Team
- ESG & Impact Team
- Middle & Back Office

## LONDON

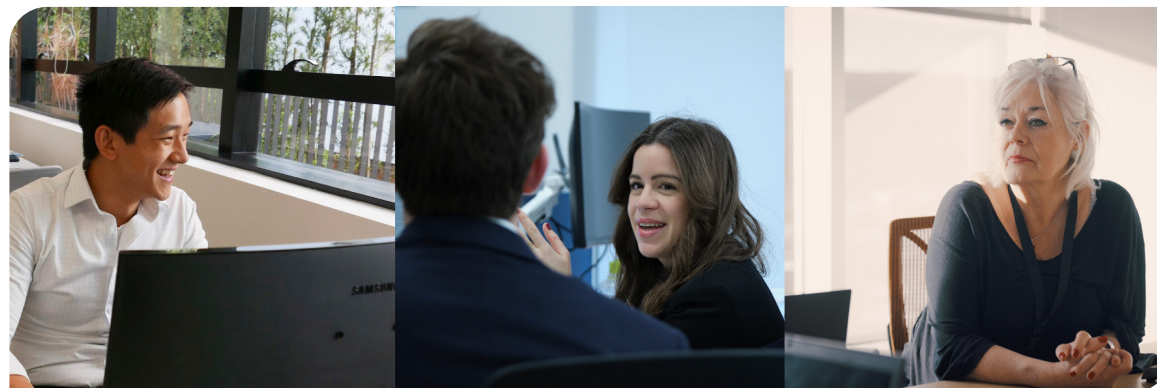
- Digital Infrastructure Team
- Energy Transition Infrastructure Team
- ESG & Impact Team

## SÃO PAULO

- Global Agricultural Team

## LUXEMBOURG

- Primary AIFM for GP/LP Funds








# Our Focus Sectors – Inherent ESG and Impact Considerations

We seek to invest and support companies that exhibit robust operational and financial fundamentals whilst displaying strong ESG and impact credentials or those with a clear intention to be guided on a more sustainable path. Our chosen investment sectors have inherent ties to sustainability considerations, with ESG risk and opportunity factors embedded in operational concerns, effectiveness and companies' success. Next- generation infrastructure – or 'Infrastructure 2.0' as we call it – in our focus sectors are foundational components of our modern

society, highly intertwined with pressing macro socioeconomic and environmental trends and are pivotal in the transition to a more sustainable and resilient society. Cognisant of this interconnectedness, we recognise the role of our investments in the development of global systems, and we believe that our investments should contribute positively to the challenges faced today. With that in mind, we have defined overarching 'Guiding Principles' for each focus sector to address the most material and prominent sustainability trends.

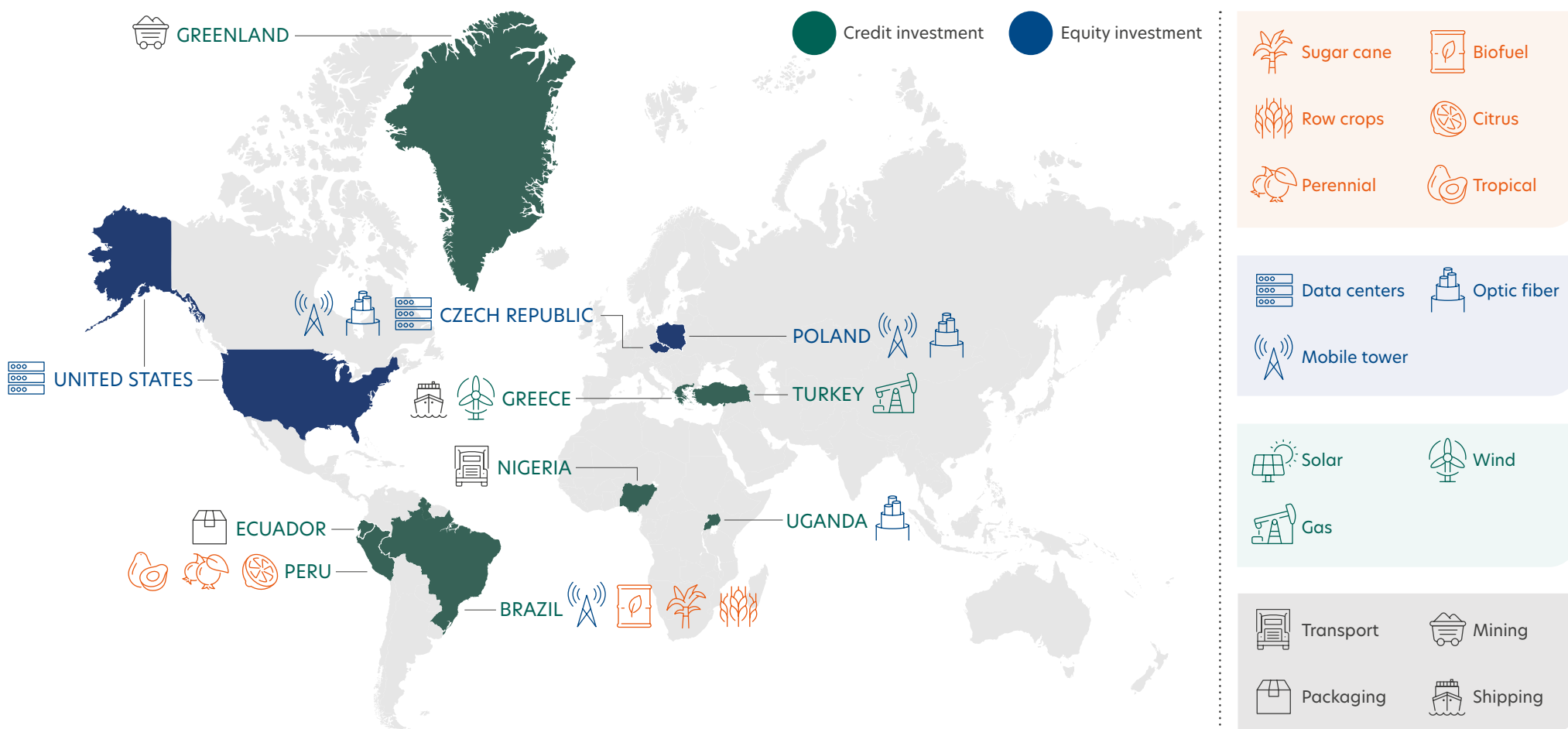
	Material Secular ESG and Impact Trends	Our Responding 'Guiding Principles'
<p><b>AGRICULTURE VALUE CHAIN</b></p> 	<ul style="list-style-type: none"> <li>• Growing global population, with food poverty affecting one in three people currently</li> <li>• Growing concerns over increasing deforestation and biodiversity loss</li> <li>• Necessity of decarbonising the sector, currently responsible for c.34% of total global emissions<sup>1</sup></li> <li>• Increasing food production through yield improvements</li> <li>• Increasing demand and need to implement sustainable and regenerative agricultural practices</li> </ul>	<ul style="list-style-type: none"> <li>• The need to enhance food security.</li> <li>• Encourage sustainable, more efficient land use and diminish the burden on the environment</li> <li>• Encourage and support the use of next-generation technologies to boost yield and productivity, thus constricting the need to bring new areas under cultivation</li> <li>• The production of cleaner fuels, e.g. biofuels and renewable energy</li> <li>• The mitigation of deforestation</li> </ul>
<p><b>DIGITAL INFRASTRUCTURE</b></p> 	<ul style="list-style-type: none"> <li>• Digitisation of education, health, economy and government</li> <li>• Increasing access and availability to the online world</li> <li>• Lives lived online</li> <li>• Increasing computing power requirements (e.g., AI solutions)</li> <li>• Energy requirements and availability of data centres</li> </ul>	<ul style="list-style-type: none"> <li>• The need to reduce the carbon footprint of the digital economy, focusing on enabling efficient network design (e.g. supporting the integration of 5G and broadcast), integrating renewable energy, where possible, and energy efficiency at the network component level (e.g. more efficient data centres).</li> <li>• The need to reduce the carbon footprint of society through enhanced communications and connectivity, such as the application of technologies to develop more sustainable cities</li> <li>• The need to better connect underserved businesses and households to the digital economy, supporting enhanced opportunity and economic activity</li> </ul>
<p><b>ENERGY TRANSITION</b></p> 	<ul style="list-style-type: none"> <li>• The imperative of climate change</li> <li>• Geopolitics and the risks of energy insecurity</li> <li>• US and EU programmes to spur the energy transition</li> <li>• Emerging Markets being left out of Western government E.T. incentive programmes</li> <li>• Grid capacity constraints</li> </ul>	<ul style="list-style-type: none"> <li>• Reducing the carbon footprint of the economy, contributing to the attainment of Net Zero</li> <li>• Increasing the use of renewable energy sources and replace carbon-intensive sources with transitional sources</li> <li>• Encouraging energy security, grid resilience and distribution efficiency through multiple sources of (renewable and transitional) domestic energy supply and storage</li> </ul>

<sup>1</sup> Francesco N Tubiello et al 2021 Environ. Res. Lett. 16 065007



# Sector Focused, Global Presence

Cordiant is a global platform with extensive experience across energy and digital infrastructure and the agriculture value chain. Our proven track record has beaten the hurdle rate on every fund since the current partner team assumed management in 2015. Our sector experience and expertise, alongside an active, hands-on approach are vital to our goal of continued asset growth and improvement.



Please note: Select investments for which Cordiant has current exposure, does not include portfolio companies in Cordiant's older vintage funds representing 25.32% of total AUM at the end of the financial year 2022.



Blueberry orchard, Peru



## Yarabamba - Peru

Operating in the Lambayeque region of Peru, Yarabamba - a producer of Hass avocados, blueberries and Tango mandarins and oranges - focuses on three core facets of sustainability: reforestation, water conservation, and local community development.

With the capital and sector expertise provided by Cordiant, Yarabamba implemented modern drip irrigation systems within its farmed areas. This change from traditional irrigation systems enabled the company to broaden its goals from simple ESG risk mitigation to targeting meaningful positive environmental impacts, including reforestation and conservation.

Today, Yarabamba is a leading company within the Asociación Pro Cuenca Zaña (Zaña Basin Association), reforesting more than 400,000 pine seedlings over 400 hectares.

Svatobor Transmitter, Czech Republic



## České Radiokomunikace - Czech Republic

The Cordiant Digital Infrastructure Trust portfolio company CRA demonstrated its continued commitment and understanding of sustainable business development by working to ensure employees, business operations, and suppliers meet strict environmental criteria and avoid the overuse of natural resources.

CRA's overall environmental aim is to build a carbon-free environment by working together with its employees, Cordiant, customers and tenants to take significant steps to reduce emissions. Throughout the year, CRA reduced the carbon footprint of its operations through the increased purchase of renewable energy and additionally piloted the installation of photovoltaic panels on selected TV repeaters at four sites (with an expectation of future development and plans for additional PV panel installation on their new data centre in Prague).

Wind farm, Greece



## EuroEnergy - Greece

A renewable energy platform with solar PV parks and wind farms operating and under development in Southern and Eastern Europe with an installed capacity approaching 100 MW.

Cordiant has provided capital to support an onshore wind portfolio of wind parks in Greece, Garbis and Zeyfros. The combined projects totalled an energy generation capacity of 42MW.

Cordiant has engaged with the company on a variety of sustainability topics to support the production of safe and reliable sources of energy and the global effort to transition towards low-carbon energy systems.



# Our Commitment to Responsible Investing

We have long held the view that the responsible deployment of capital should be a core facet of standard good practice in the financial industry. To that end, Cordiant became a signatory of the UN PRI in 2008 and was a founding signatory of the Operating Principles for Impact Management. We have remained committed to understanding the challenges and identifying the solutions that may foster the quality of our investments while enhancing the value of our assets. Cordiant's approach has continued to be active, collaborative, and ever-evolving to ensure ESG performance improvement and favorable impact can be achieved.

At the same time, we are actively committed to contributing positively to the development of international standards of responsible investment. This commitment stems from recognising the paramount importance of developing a common language around what can be considered ethical and sustainable investment practices in today's global financial landscape. By engaging with and advocating for international standards, we aim to foster transparency, accountability, and consistency across the investment industry.





Cordiant became a signatory of the UN PRI in 2008, and has continued to publicly commit its support towards the principles, as well as towards implementing a global standard for managing investments with sustainability in mind.



Cordiant was a founding signatory – and speaker at the launch – of the ‘Impact Principles’: an audited framework for assessing how impact considerations are integrated throughout the investment lifecycle.



Cordiant’s membership of the GIIN serves as an invaluable resource by providing tools for impact measurement and management.



Cordiant’s adoption of SASB was undertaken in 2021 for two predominant reasons: firstly, to sharpen the focus on material industry indicators; and secondly, to enhance the measurement, monitoring and disclosure of financially material sustainability information.



By joining PCAF in 2022, Cordiant pledged its commitment to measuring and disclosing GHG emissions associated with its investments within a three-year period, with the objective to align portfolios with the Paris Agreement.



Cordiant supports the recommendations of the TCFD and is actively working to improve its own reporting of climate-related risks and opportunities.



As a member of CAFIID, Cordiant joins a community of investors that understand the symbiosis of environmental and social impact with financial return.



Our aim of providing investors with a straightforward means of assessing ESG matters began by leveraging existing standards and developing and implementing a sector-focused materiality first approach. Since our first commitment in 2008, we have continued to adapt to the rapidly evolving landscape while supporting and committing to various internationally recognised frameworks and standards, in an effort to work towards the achievement of a more sustainable financial system. These standards have been used to inform our overall sustainability approach. Through our commitments, we aim to deepen our own, and our investors’, understanding and awareness of key sustainability issues.



# Governance and Responsibility

## Responsible Investment Policy

Cordiant’s commitment to responsible capital deployment is detailed in full in our [Responsible Investment Policy](#). Our policy describes our implementation strategy to foster the incorporation of environmental, social, and governance factor analysis and positive impact generation. Our policy also outlines the different internationally recognised standards and organisations we have used to guide our overall integration framework. Our policy is updated on an annual basis, and approved by our Board of Directors.

## Sustainability Committee

Cordiant’s Sustainability Committee is entrusted with overseeing the implementation of Cordiant’s sustainability strategy and proposing recommendations to the Board on matters relating to strategy, priorities, policies, practices, and corporate responsibility. The Sustainability Committee is Chaired by the Chairman of Cordiant’s Board of Directors. It is comprised of representatives of Cordiant’s Senior Management, Investment Team heads and legal department, as well as a highly experienced ESG & impact external consultant. The Committee members and members of the ESG and Impact Team meet formally at least every quarter and maintain continuous communication throughout the year on various sustainability topics.

## Dedicated ESG and Impact Team

The principal implementation of Cordiant’s Responsible Investment strategy is conducted by our dedicated ESG and Impact Team, which is fully integrated into the investment process from the outset. Working alongside Cordiant’s sector investment teams, the ESG and Impact Team ensures a consistent application of the principles outlined in the Responsible Investment Policy. In addition, the ESG and Impact Team sees that Cordiant’s processes are adhered to correctly and that developments to our approach are properly socialised across the firm and integrated into our strategy promptly.

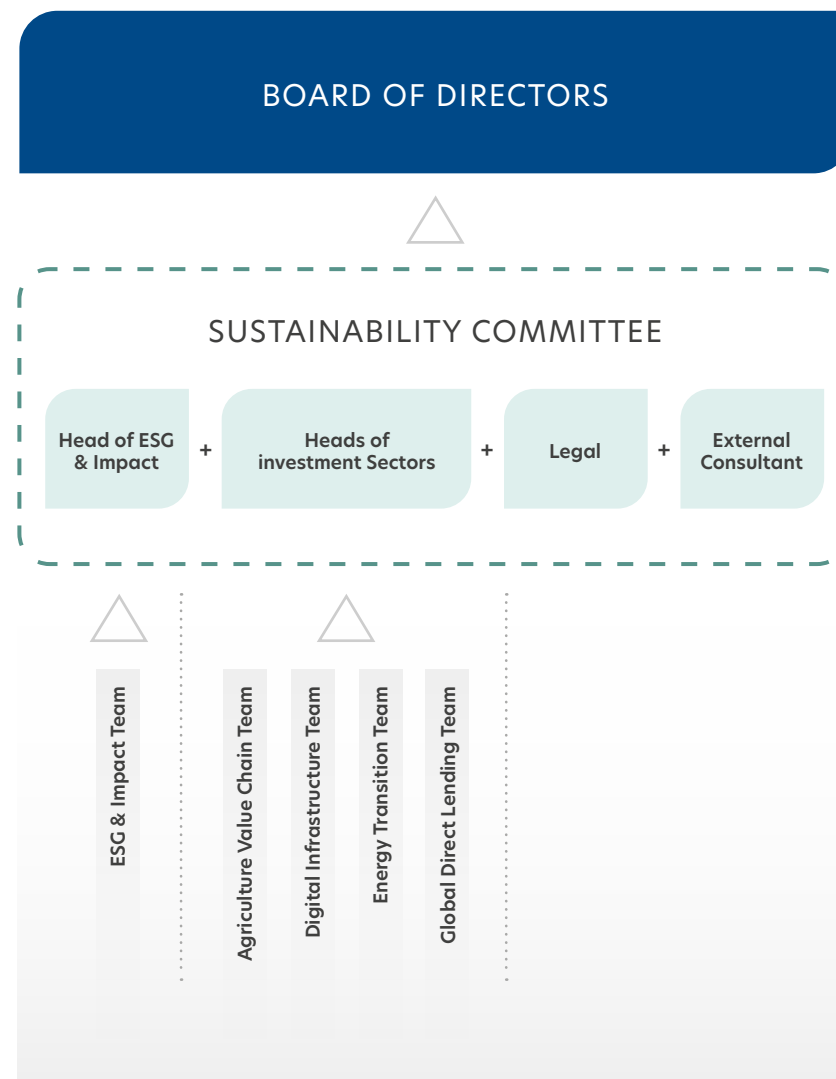
## Engagement Policy

Cordiant’s Engagement Policy was implemented to ensure our investees understand Cordiant’s expectations and approach to meaningful and active engagement and management. This includes how we manage conflicts of interest related to responsible investment, how we engage with different stakeholders to contribute to the industry’s knowledge, and how we work with our investees to improve overall ESG performance during the period of investment.

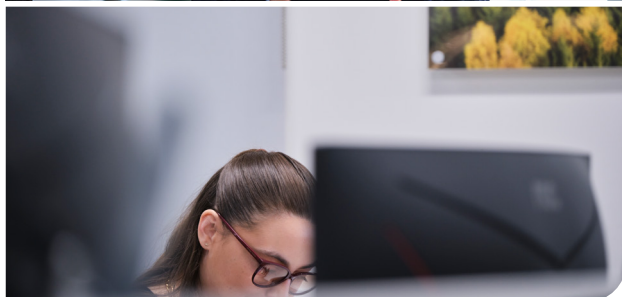
## Integration Framework

Recognising that each focus sector has different considerations, we are formalising an integration framework to facilitate the full integration of the standards to which we are signatories.

## ESG Governance Framework



# Our Culture Driving Strong Performance



Cordiant's corporate culture directly affects the firm's success and is at the heart of our drive for excellence. Culture supports growth, and growth generates opportunities. We are committed to promoting a simultaneously fulfilling and high-performing working environment that will attract top-quality talent worldwide to work in a collaborative environment that rewards forward-thinking and innovative practices.

We encourage teams where everyone is free to speak up, where opinions are expressed with passion and respect, and where there is a bias towards action and distinction. We believe cognitive diversity has evident value, so we consider diversity a fundamental pillar of our organisation. We believe a diverse and inclusive workforce brings together a wealth of perspectives, experiences, and ideas that drive innovation and enhance our decision-making process. At Cordiant, we are committed to fostering an environment where all individuals, regardless of their background, feel respected, valued, and empowered to contribute their unique talents. Embracing diversity strengthens our team and reflects our dedication to delivering better outcomes for our clients and our broader community. Through this commitment, we enrich our collective perspective and drive sustainable growth in an ever-evolving world.

We prioritise employee growth by providing robust support for training and mentorship. Through these initiatives, we empower our team to reach their full potential, fostering a culture of continuous learning and professional development.

## Our corporate culture is centred on:

1. Intellectual curiosity and flexibility of thought
2. Work ethic and dependability
3. Acquiring and maintaining sector knowledge
4. Cooperation and respect
5. Resilience
6. Debate welcomed, civility required
7. Entrepreneurial spirit
8. Sense of purpose: supporting sustainability

## 2022 PERFORMANCE

**43** Employees

**8** Members of Executive Committee

**21%** Share of female employees

**13%** Share of female employees in senior management

Investment Team Members receive dedicated training on Cordiant ESG and Impact strategy



# Our Approach to Responsible Investment

ESG and impact form a central pillar of our investment thesis, which combines sustainability and responsibility with profitable investment. Our belief in the importance of responsible investment is encouraged from the top down, as our Board and Senior Management recognise the significant financial relevance of ESG and its potential as a contributor to investment IRRs. Our responsible investment approach comprises two components - ESG factor consideration with an impact lens overlay - which we view as two parallel and complementary but equally important concepts.

## ESG

We view ESG as a component of a systematic approach to considering not only a multitude of risks but of opportunities as well that culminate in a more complete assessment of an investment. Broadly defined, The 'E' assesses how a company performs as a steward of nature; the 'S' examines how the company manages relationships with employees, suppliers, customers, communities and stakeholders where it operates; and the 'G' examines the company's leadership and corporate practices.

ESG is a fundamental component of effective and comprehensive risk and opportunity management. Our approach focuses on this core component, and through our ESG programme, we aim to identify, assess and manage relevant, material risks and opportunities pertinent to the specific company, sector and geography. This area of investment and business management can minimise societal and/or environmental costs, mitigate risks that could impact the performance of an investment, and identify solutions that can improve an asset to derive responsible and sustainable financial returns over the medium-to-long term. Our ESG frameworks based on this approach comprise processes and systems with which we monitor, manage, measure and report risks and opportunities.

## Impact Lens

While not an impact investor, we overlay an impact lens to all our investing activities. We aim to provide flexible capital solutions and invest in companies that can benefit various stakeholders. Our impact principles consider how to intentionally generate positive, measurable social and/or environmental impact alongside targeted financial returns. We are cognisant of the reality that for private companies to create long-lasting implications, they must be financially healthy. We have separated the avenues through which impactful outcomes can be achieved by our portfolio companies and through our engagement. We operate to have our investments contribute towards achieving selected UN SDGs within our chosen sectors.

## Engagement

We believe that constructive engagement is critical to achieving beneficial outcomes. Cordiant regularly engages with portfolio companies on financial and non-financial matters that have a material impact on long-term performance. Active and collaborative engagement with portfolio companies helps to ensure that ESG risks are managed within the framework of our ESG principles and standards. Moreover, engagement is essential as we aim towards pre-determined social and environmental targets, such as those defined by the SDGs.



“ At Cordiant, we understand the importance of combining traditional investment approaches with environmental, social and governance (ESG) analysis, which ensures that profitable investment goes hand-in-hand with a sustainable, responsible approach.

Our ESG and Impact Team works in tandem with our Investment Team professionals to ensure that ESG risk mitigation and analysis, alongside targeted, measurable impact generation, forms a core pillar in our investment strategy. ”

**Jean-Francois Sauvé**

Executive Chairman

# ESG Integration & Impact Lens

Guided by our Responsible Investment Policy, we systematically integrate ESG risk management considerations and apply our impact lens to the investment process using our three-lynchpin approach. To support this approach, we have implemented key processes that build upon previously determined methodologies. We believe this granular and robust approach ensures that our ESG and impact principles are applied consistently across our investment strategies while leaving room for flexible and nuanced analysis to accommodate the realities of the sectors and geographies in which we invest.

As a sector-focused investor, we avoid investing in controversial economic activities such as coal, armaments, gambling and tobacco. We have developed an exclusion screen based on our principles, excluding business practices and activities we deem harmful to global society. Furthermore, when assessing an investment opportunity, thorough due diligence and assessment are conducted to ensure the company aligns with our core values.

## OUR APPROACH

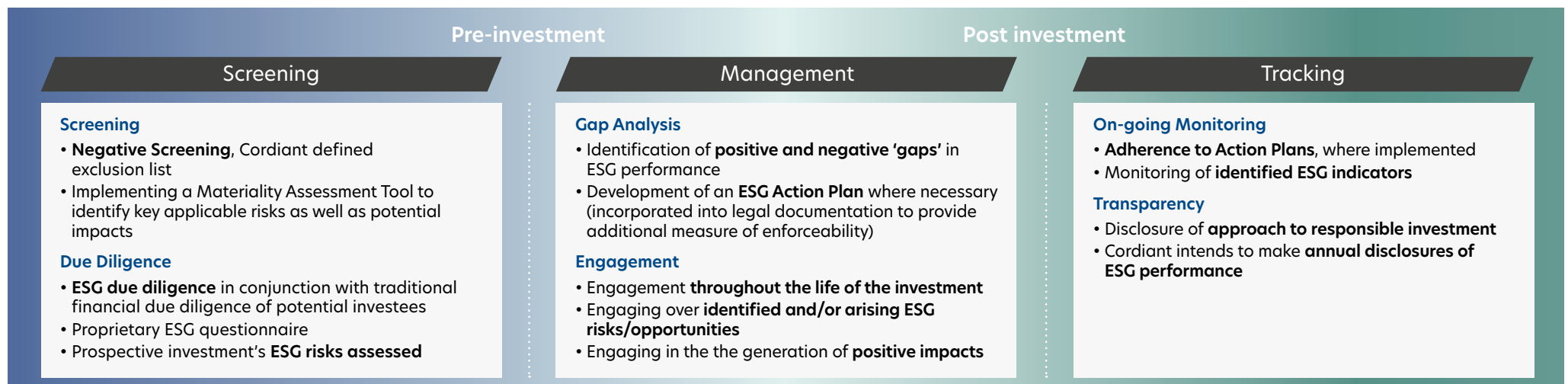
Identify, invest, and engage with responsible actors in the middle market with demonstrable current or desired/potential ESG credentials - in alignment with Cordiant's sector-specific Guiding Principles.

**Credit** - Provide flexible, tailored direct lending solutions that drive growth, support positive trends, and enable long-term sustainable investment.  
**Equity** - Support sustainable initiatives through capex programs (supporting our Buy, Build and Grow Strategy).

Support and drive improved ESG risk consideration and management in middle market companies, leveraging ESG and operational experience.

Attain improved ESG credentials and risk management; contribute to necessary system-level transformations positively.

## INVESTMENT & LYNCHPIN TIMELINE





# Granular Alignment to SDGs

## UN Sustainable Development Goals (SDGs)

The United Nations Sustainable Development Goals are a collection of 17 interlinked global goals designed to be a 'blueprint for achieving a better and more sustainable future for all' as part of the United Nations 2030 Agenda for Sustainable Development. Stakeholders in society must consider how they can contribute to achieving these goals, and Cordiant understands the critical role the private sector can play in advancing this global agenda.

We tailor our objectives to the realities of each area of the economy we invest in. Our focus sectors are inherently impactful, offering opportunities to generate measurable positive social and/or environmental impacts. While Cordiant's focus sectors can be mapped against several UN SDGs, Cordiant has chosen a particular subset and underlying targets on which to focus.

To implement a more granular approach in tying our ESG analysis and impact opportunities to the SDGs, we adopted and implemented the Theory of Change framework. This has led to a more thorough assessment of routes through which we can contribute to one or more favourable outcomes aligned with specific industry themes.

## Our Methodology

To identify our contribution to these goals, Cordiant separates the channels through which it can create impact into two distinct approaches - **positive external impacts** and **positive internal contributions** (see p.16).

We have identified two avenues to create and nurture a positive impact. On the one hand, Cordiant can invest in companies whose products and services can contribute to solutions to environmental and social problems, as defined by the UN SDGs. By financially supporting the growth of a company, we help ensure its viability and, where possible, the continued expansion of these beneficial outcomes.

In addition, through its credit investments, Cordiant can support the SDGs through specific use of proceeds dedicated to projects generating positive impact. Similarly, with Cordiant's equity holdings, specific capex programs can be tied to projects aligned with sustainable outcomes.

## Positive External Impacts

SECTOR SPECIFIC	2 NO HUNGER	6 CLEAN WATER AND SANITATION	7 RENEWABLE ENERGY	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	11 SUSTAINABLE CITIES AND COMMUNITIES	13 CLIMATE ACTION	15 LIFE ON LAND
Agricultural Value Chain	✓	✓	✓	✓		✓	✓
Digital Infrastructure			✓	✓	✓	✓	
Energy Transition Infrastructure			✓	✓		✓	

## Positive Internal Contributions

Aligning Internal Contributions to SDGs	7 RENEWABLE ENERGY	8 GOOD JOBS AND ECONOMIC GROWTH	10 REDUCED INEQUALITIES	12 RESPONSIBLE CONSUMPTION	13 CLIMATE ACTION
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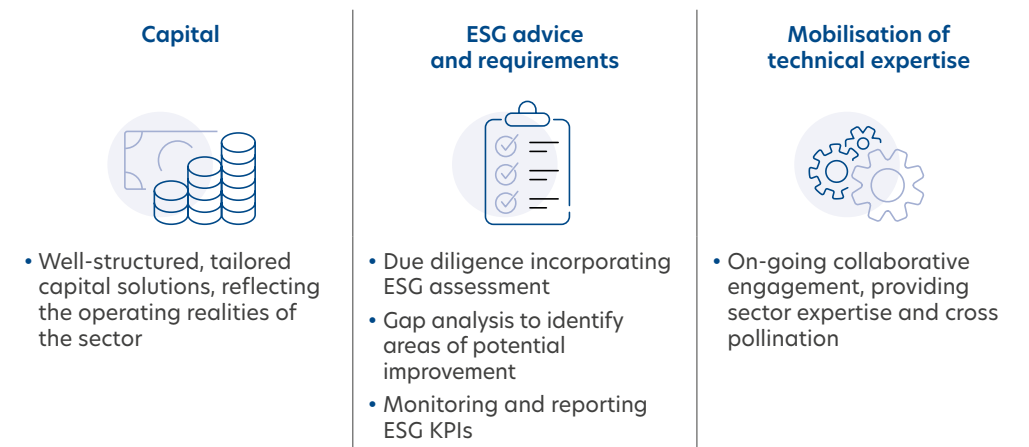
# Impact within our Focus Sectors

## Supporting Positive Outcomes

To understand the channels through which we can contribute to the UN SDGs, we separate our impact generation into two approaches: Positive External Impacts and Positive Internal Contributions within our portfolio companies.

<b>External Impacts</b>	External impacts are intentionally targeted and are measured through outcome indicators.	<ul style="list-style-type: none"> <li>• Sector specific</li> <li>• Aligned with Cordiant's Guiding Principles for that focus sector</li> <li>• Aligned with UN SDGs</li> </ul>
<b>Internal Contributions</b>	We can assist portfolio companies in ensuring their operations are aligned with approaches that mitigate the negative environmental social impacts arising from their operations and/or that provide benefits to employees, communities and other stakeholders.	<b>Benefits include</b> <ul style="list-style-type: none"> <li>• Reduced energy consumption and using cleaner energy sources</li> <li>• Reduced GHG emissions, and adoption of mitigation measures</li> <li>• Adoption of H&amp;S, labour practices, and diversity best practices</li> <li>• Adoption of sustainable approaches and reporting</li> </ul>

Through our growth capital and engagement programme, we can support both impact channels within portfolio companies through the following inputs and actions.



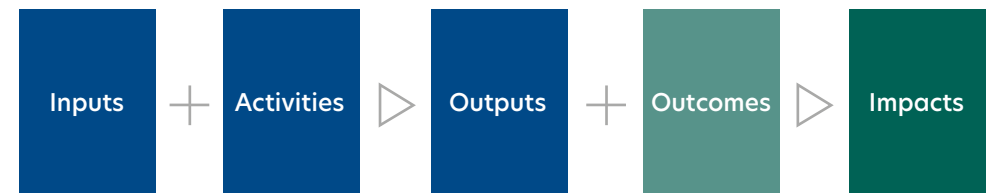
## Cordiant's Theory of Change ('ToC')

To strengthen our approach to assessing both channels through which we can support positive outcomes, we have incorporated concepts from the Impact Frontiers' impact management norms, formerly known as the Impact Management Project (IMP) framework.

A well-defined ToC ensures that the proper resources are allocated to achieve the desired outcomes, while the IMP framework helps better contextualise the targeted impacts.

The Impact Management's five dimensions (What, Who, How Much, Contribution, and Risk) enable a better assessment of how we contribute to desired outcomes and how these outcomes differ from expectations; it provides a framework to understand our relative contribution to the generation of impact. In addition, it gives a better view of how beneficiaries are experiencing the positive impacts. For our credit investments, we have incorporated IMP's dimensions within our pre-investment impact assessment and aim to better integrate the framework in our impact management and measurement strategy.

We recognise that our actions can directly contribute to sustainability outcomes. Through our direct inputs and activities with portfolio companies, we can support, enable and produce results that contribute to achieving intended positive impacts. We deployed the ToC to assist in the identification of impacts as well as to identify data that should be gathered and reported to assess impact.



In 2022, one of Cordiant's ESG & Impact Team Members - certified in GHG accounting - launched a pilot program to train portfolio companies on the intricacies of GHG emission accounting. This effort represents an important step in our commitment to facilitating the acquisition of accurate GHG emissions data, exemplifying our dedication to empowering portfolio companies to enhance their internal sustainability capabilities.



# Our Performance

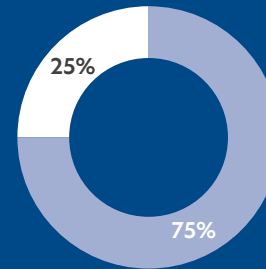


“ Recognising that various ESG and Impact frameworks and standards exist in this rapidly evolving field, our policies and principles are based on several internationally recognised approaches, alongside our own evaluation methodology, risk analysis process and principles.

As each sector of the economy brings different ESG challenges, solutions and impact generation opportunities, our approach is framed by tailoring our goals and principles to each of the core sectors we invest in: Agriculture Value Chain, Digital Infrastructure, and Energy Transition Infrastructure. ”

## Jamie Kiernan

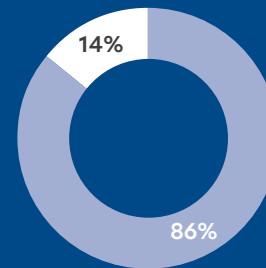
Hon. Chairman of the Board & Sustainability Committee



### Fund Sustainability Classification

% of AUM at year end 2022

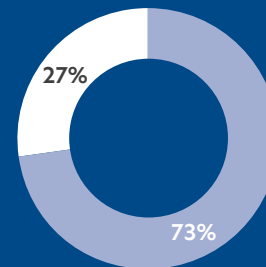
- Article 8
- Article 6 or Unclassified



### Engagement with portfolio companies

% of portfolio companies in SFDR Article 8 Funds

- Did engage with on ESG topics
- Did not engage with on ESG topics



### ESG Monitoring Questionnaires sent and returned

% of portfolio companies in SFDR Article 8 Funds

- Annual Monitoring Questionnaire - returned
- Annual Monitoring Questionnaire - not returned
- Not sent

Cordiant's vintage closed-ended funds that are neither marketed nor making new investments have been classified as Article 6 or have not been classified under the Sustainable Finance Disclosure Regulation ('SFDR'). Funds where we are actively investing, have been identified as Article 8 financial products, with our ESG and impact lens approach applied to new investments and portfolio companies. Portfolio companies within these funds have been included to calculate our engagement and ESG questionnaire performance.

Due to the timing of implementing aspects of our engagement program and our ESG Monitoring Questionnaire process, portfolio companies where repayment of loans or divestment occurred during Q1 2023 were not engaged with on medium to longer-term sustainability initiatives.

The data presented in the "Indicators" sections on the following pages is self-reported by our portfolio companies. Cordiant has aggregated this data for reporting purposes. It is important to note that not all aggregated data has undergone third-party auditing and/or verification by Cordiant. Consequently, while we strive to ensure the accuracy and reliability of the information presented, it should be interpreted with due caution, recognising the inherent limitations of self-reported data and the absence of external audit or verification in certain instances. Cordiant remains committed to transparency and continuous improvement in data quality and reporting practices.

# Agriculture Value Chain



“ We aim to partner with agricultural actors keen on sustainability and positive impact generation.

We're pleased that 2022 brought with it continued growth in our asset base alongside encouraging sustainability outcomes.”

## Cédric Garnier-Landurie

Head of Agriculture  
Managing Director  
Member of the Sustainability Committee

With the world's population forecasted to increase to 9.7 billion by 2050<sup>2</sup> and food poverty currently affecting one in three people<sup>3</sup>, food security has never been more critical.

The required increase in food supply must be achieved with substantial sustainability improvements within the agricultural sector. It is estimated that over 30% of global annual greenhouse gas emissions come from the food system, and the increasing effects of climate change mean the management of emerging resource constraints, such as water shortages, land degradation, and soil-nutrient deficiencies, is critical to the future of this industry.

At the same time, an estimated 12 GtCO<sub>2</sub><sup>4</sup> could be sequestered in the soil every year through regenerative cropping systems. These systems would also have the dual benefits of improving soil health -home to over 50% of the Earth's biodiversity - while making it more resilient to climatic events and better suited to long-term growth. Cordiant is working with its portfolio companies to leverage these opportunities and has made sustainable farming practices the heart of our agriculture strategy.

### Our Approach

Investing in the agriculture value chain is critical in improving global food security while additionally offering the opportunity to support the deployment of new technologies and techniques that boost profits whilst enhancing sustainability through improved supply chain infrastructure and more resilient trading networks.

To this end, Cordiant seeks to 'connect the dots' between blue chip traders and grocers on the one hand and farming enterprises on the other. As in all focus sectors, deep industry and operating knowledge

underpins Cordiant's approach to agriculture investing. By providing mid-sized farming enterprises with operational expertise, access to agricultural technology and financing for critical enablers of sustainability and productivity, Cordiant plays a role in marrying a focus on food security with an emphasis on more sustainable practices. In this way, we seek to deliver compelling risk-adjusted returns to investors and positive societal and environmental impact.

Cordiant's local presence in Latin America, anchored by our team in São Paulo and underscored by their experience in agricultural financing, has fostered trusted relationships with critical sustainable farming actors. Moreover, Cordiant's relationships with leaders in the field of precision agriculture, including drip-feed irrigation experts like Rivulis and Netafim and input providers with organic offerings, provide investees with practical guidance in the implementation of sustainable agricultural practices.

We seek to engage with 'good' agricultural actors and crop producers who employ best farming practices. Before financing, agricultural loan counterparties are assessed against several ESG KPIs, which include:

- Compliance with local and international environmental laws
- Adherence to labour laws and best practices
- Protection of natural water sources
- Maximisation of by-products for waste reduction
- Rationalisation of energy use
- Measures to preserve biodiversity
- Use of sound agricultural practices that protect and improve soil health

<sup>2</sup> OECD-FAO. Agricultural Outlook 2021-2030

<sup>3</sup> FAO. The State of Food Security and Nutrition in the World 2021

<sup>4</sup> Rodale Institute (2020). Regenerative Agriculture And The Soil Carbon Solution



## Highlights

During the year our agriculture value chain franchise focused on measuring and tracking material sustainability metrics at the asset level. Cordiant invested in several companies that embraced more efficient and sustainable farming practices and helped fund technologies such as drip-feed irrigation and other precision technologies that can lead to more efficient land and water use. Several of our assets also incorporated regenerative practices, with an overall objective of improving soil health and biodiversity, enabling a higher level of

resilience and storing more carbon in the ground (and out of the atmosphere). Recognising the importance of protecting and improving ecosystems, Cordiant is now working with our assets on testing the TNFD Framework.

Additionally, Cordiant's Head of Agriculture and an ESG Associate were members of the GIIN's Agriculture Benchmark working group, established to support the development of much-needed sustainability benchmarking in the agricultural sector.

## CASE STUDY:

### Conserving Peruvian Water Resource

Over the past two decades, the arid northern region of Peru, renowned for its stable climate and abundant sunlight, has witnessed a remarkable transformation. This shift has brought locally-grown avocados, blueberries, and grapes to the forefront of global supermarkets, all thanks to the visionary initiatives of successive Peruvian governments. Drawing inspiration from the ingenious practices of the Inca civilisation, which utilised stone-built canals known as "Amunas" (derived from the Quechua term for "to retain"), these governments harnessed aquifers. They constructed an intricate network of dams and underground water channels. This transformative approach effectively rejuvenated what was once a barren desert, breathing new life into the region.

In parallel, the adoption of drip-feed irrigation has emerged as a valuable asset in agriculture. This precision watering technique not only conserves water by directing it directly to plant roots, reducing evaporation and overall water consumption, but it also enhances crop yields and quality. With plants benefiting from a steady and controlled water supply, their growth thrives. Furthermore, drip irrigation fosters soil health by mitigating erosion, suppressing weed growth, and decreasing the need for herbicides. By preventing waterlogging, it also acts as a preventive measure against potential disease risks. In essence, drip-feed irrigation contributes significantly to elevating agricultural productivity and promoting sustainable water management, thereby aiding in environmental preservation.

Cordiant has played an integral role in advancing this agricultural transformation. Through strategic partnerships with leading providers of precision farming technologies, including drip-feed systems, Cordiant has crafted tailored financial solutions for its portfolio companies. These solutions empower these companies to fulfil their mission of providing nourishing, high-quality food to the global community while prioritising sustainability and preserving one of our most invaluable resources: freshwater.



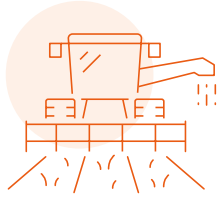
Blueberry orchard, Peru



Farm Irrigation System, Peru

# Indicators<sup>5</sup>

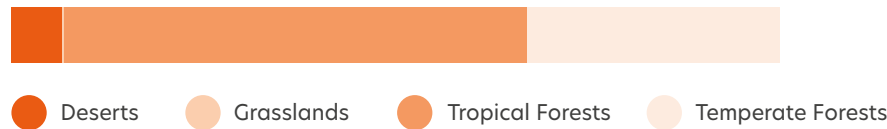
## Overview



Farmed area (ha)



Farmed area by ecoregions



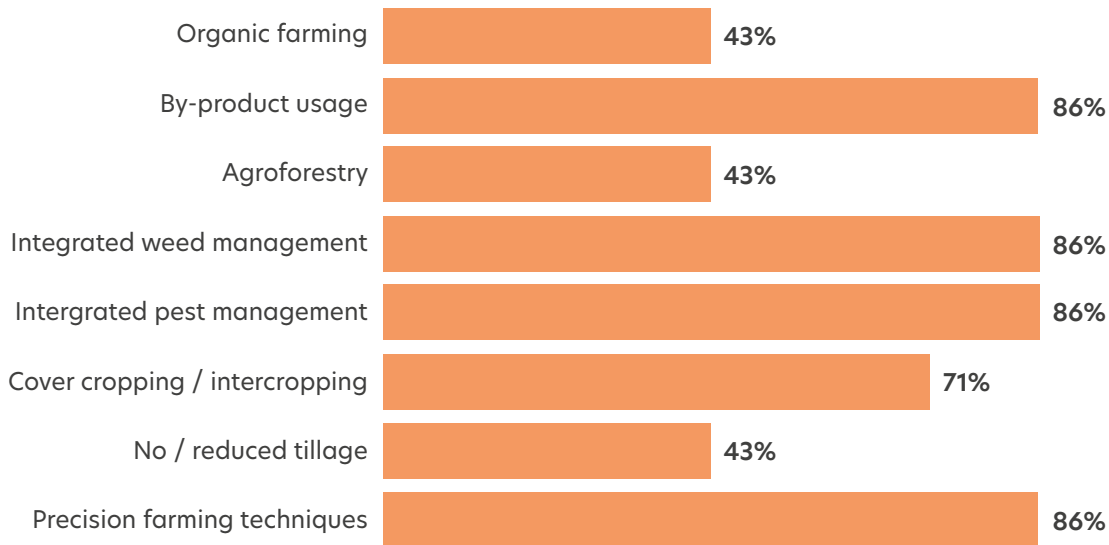
**Please note:** The proportion of farmed area within tropical forests corresponds to the cultivated land managed by Cordiant's largest portfolio company, primarily focused on sugar cane production. It is important to highlight that all our investments adhere to our no deforestation policy.



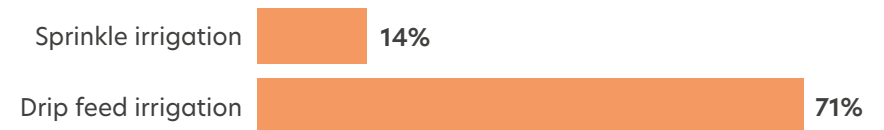
Biofuel production

**48,995,631 litres**

## Sustainable Farming - % share of portfolio companies



## Water Management - % share of portfolio companies



## Social Metrics



**10,958 employees**

**19%**

Share of female employees

**29%**

Share of female employees in senior management

<sup>5</sup> The assets featured in the above figures only comprise those held in sustainability-focused funds at the end of FY 2022 with the exception of two assets who repaid their loan in full early 2023 and thus were not asked to return the Annual Monitoring Questionnaire.

# Digital Infrastructure



“Our portfolio companies at CDIL have a strong ESG heritage and continue to drive performance improvement and positive impact.

2022 brought further expansion of our portfolio together with a wider range of encouraging sustainability outcomes.”

**Steven Marshall**

Chairman of Cordiant Digital

Digital infrastructure is the unglamorous but essential ‘plumbing of the internet’. These mobile towers, data centres, fibre optic networks and wireless sensor networks undergird the broader digital economy. Digital Infrastructure enables modern communication networks, which have assumed a central place in the day-to-day activities of society, government and business.

Demand for this critical sector is continuing to surge. Growth in data traffic continues to accelerate globally due to growing demand from multiple sectors, fuelled by various industry segments and a society dependent on an ever-greater need for data access.

## Our Approach

While we are well aware of the environmental burden of the digital sector, it is necessary to balance the burden with the need to support the realities of modern society. Unsurprisingly, over three-quarters of the UN SDGs are dependent, at least to some degree, on Digital Infrastructure.

It is with this awareness that we seek to promote more sustainable digital infrastructure to mitigate its environmental impact whilst still achieving a net positive benefit to society. Our approach is three-fold; we aim to:

- enable efficient network design, e.g. supporting the integration of 5G and broadcast;
- integrating renewable energy, where possible; and
- energy efficiency at the network component level, e.g. more efficient data centres.

We seek to invest in companies with inherent opportunities to support these goals. This includes investing in DTT broadcasting, which is a multicast broadcasting technology – where one broadcast / one power consumption from the transmitter results in all households receiving the signal, as DTT can work directly with passive antennas which are built into televisions, as opposed to other systems which require additional antennas or equipment, e.g. servers to reach end users. Furthermore, DTT can be distributed using far fewer sites than a mobile network.

We also seek to identify data centres that benefit from less energy-intensive operating methods, such as free air cooling, or display strong energy efficiency credentials.

Our approach recognises, however, that not all companies are as developed as others in their sustainability strategy. We seek to support them in this regard, as identified by our highlights for the year.





## Highlights

Over the past year, we have made progress in promoting our sustainability aims above. In Cordiant Digital Infrastructure Limited (CDIL) – an investment trust managed by Cordiant – all portfolio companies worked towards increasing the share of renewable energy, implementing energy efficiency improvements, and reporting on key sustainability indicators.

One of CDIL's assets increased its share of renewable electricity use from ~12% in 2021 to 46% in 2022. Another asset launched 30 new photovoltaic installations

with a total capacity of 1,423.35kWp during the year, with their share of renewable electricity consumed reaching 85%. One of CDIL's data centre assets sought to increase energy efficiency wherever possible and began using new cooling towers with the latest technology to minimise water use.

Furthermore, CDIL's two largest portfolio companies implemented Smart City solutions, promoting the deployment of sustainable urban development practices to address various urbanisation challenges today.

## Power Utilisation Effectiveness (PUE)

PUE, which has become the de facto standard for measuring data centre efficiency, is the ratio of the total energy used to operate and cool a data centre divided by the amount of power drawn from IT equipment within the data centre.

PUE assessment can highlight some sustainability issues, an efficiency measure as the ratio of equipment consumption vs. the total facility consumption. For example, a data centre could reduce the energy consumption associated with air conditioning and, therefore, see its PUE decrease and improve. Yet, a lower PUE does not necessarily always mean a more sustainable data centre – for example, a data centre powered by electricity generated from fossil fuels with a PUE of 1.5 could still create significantly more GHG emissions than a same-sized renewables-based data centre with a higher PUE of 2.0.

While not a perfect metric, PUE can help lower data centres' overhead energy use and determine areas for operational improvement. As such, PUE remains a portfolio metric Cordiant tracks annually but in conjunction with other sustainability metrics and operational information. We will continue our focus on improving overall operational efficiency while also increasing renewable energy purchase and use.

In Cordiant's Digital Trust, the average PUE of the data centre portfolio as a weighted average by size of DC (MW) was 1.44 (two portfolio companies had a weighted average PUE of 1.49 and 1.43 respectively in 2022, – lower than the global 2022 PUE average of 1.55.<sup>6</sup>

<sup>6</sup> Uptime Institute. Global Data Center Survey Results 2022



Ještěd Tower, Czech Republic

Copyright for the design of the Ještěd Tower belongs to the architect Karel Hubáček

# Indicators





## Cordiant Digital Infrastructure Limited (CORD)

A UK-listed investment company incorporated in Guernsey, that is the owner and operator of digital infrastructure assets in the UK, the EEA and North America, managed by Cordiant Capital Inc.




### Responsible Organisation KPIs



### CORD's Environmental and Social KPIs

	Area coverage of towers held by portfolio companies	<b>385,078km<sup>2</sup></b>
	Length of fibre-optic network (leased and owned)	<b>4,368km</b>
	PUE	<b>1.44</b>
	% of energy consumption from renewable sources	<b>59%</b>

### Credit Financing

	Number of towers	<b>1,200</b>
	Length of onshore fibre-optic network (leased & owned)	<b>12,500km</b>
	Length of subsea fibre-optic network (leased & owned)	<b>5,100km</b>

# Energy Transition Infrastructure



“ The energy transition sector is both an essential bedrock of our global society and the key to enabling the global transition to a low-carbon economy.

We're proud to be an active contributor to this essential and strategic industry, and we expect our pipeline will continue to expand and include exciting investment opportunities going forward.”

**Stephen Foss**

Head of Capital Markets  
Managing Director

2022 made evident to the global market the scale of two powerful trends in the energy market and their impact on society and the environment. Firstly, the critical need to decarbonise energy markets will require continued investment in markets where renewables are well established and a substantial acceleration of renewable energy investment in markets where there is under-penetration. The second major trend -the Russian invasion of Ukraine has exacerbated - is the necessity for energy security.

Energy Transition Infrastructure refers to the long-lived assets that produce the energy that will enable a smooth transition for the general economy through transition energies, the achievement of global environmental targets, and the need to meet energy needs.

Cordiant has been actively investing in the energy transition sector for close to a decade. It has backed renewable energy development (solar, wind, biofuel, gas - in oil and coal heavy geographies, hydroelectric infrastructure and related services providers) in Europe and worldwide. The strategic imperative towards energy security has intersected with a pressing need to combat climate change, and we understand the significant level of investment needed to address these two significant challenges.

## Our Approach

Cordiant is adapting its middle market, operationally knowledgeable approach to the transition to more sustainable and local sources of supply. As a firm, we provide credible, experienced management teams and platforms with the capital to develop and expand their operations.

Cordiant's experienced and focused Energy Transition Team has extensive industry expertise in project finance, project development, credit analysis, investment banking and advisory services. Proper risk management is demonstrated by our focus on sustainability, collateral coverage (for credit investments), liquidity and downside protection.

We focus on various offtake strategies, including long-term contracts, spot sales and captive supply agreements. Our team has invested across a spectrum of markets, including in Europe, and some of our most significant investing successes have come in smaller national or regional markets that had traditionally been overlooked. Cordiant has also succeeded in transitional investments, substituting gas for dirtier fuels as a road map towards a much greener grid. Cordiant has an active co-investment programme in both wind and solar and continues to explore the next generation of investment opportunities in storage and hydrogen actively.

We aim to invest in energy sources and projects that improve national energy security and ensure progress towards a low-carbon economy and attaining Net Zero targets. We do so by promoting increased renewable energy production, lower carbon energy production and energy security by supporting countries as they improve their internal production capabilities.

## Highlights

Our Energy Transition team spent the year evaluating and assessing more renewable energy deals than in any previous year, specifically focusing on solar and wind projects. This year, we have been actively engaging with portfolio companies concerning ESG and impact matters to help portfolio companies (i) identify and mitigate ESG risks, (ii) assess and act upon opportunities, (iii) improve ESG characteristics, and (iv) specify and build an understanding of the indicators required to track ESG and impact performance.



Like many others in the industry, we spent 2022 debating our internal view on natural gas as a component of the energy transition process while recognising that it occupies a sensitive position within the sector and the need to achieve Net Zero.

With that in mind, our Team developed a comprehensive 'Gas Policy', outlining guidelines and standards for any potential future natural gas investment - while committing to focus predominantly on renewable energy prospects. These guidelines incorporate principles from recognised initiatives, standards and best practices, such as the EU Taxonomy. The Policy sets out (a) Exclusion Criteria (meaning activities where Cordiant will not make investments, e.g. financing gas

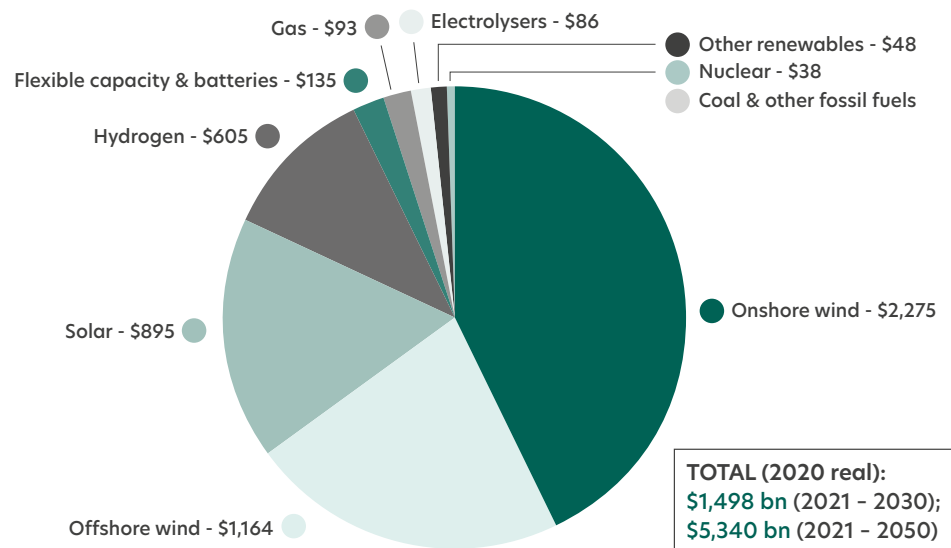
exploration); (b) Priority Criteria (actions prospective investees are expected to adopt post-investment through the implementation of an ESG Action Plan), and (c) Complementary Criteria (activities Cordiant will encourage across potential counterparties).

While renewable energy makes up the majority of our pipeline and is our predominant focus, we believe providing capital to natural gas projects that adhere to our standards and principles in areas most affected by a lack of energy security due to the war in Ukraine can be considered responsible, as it decreases the use of dirtier fuels (e.g. coal and diesel fuel) and reduces the reliance on Russian-gas.

### A Critical Need: Energy Infrastructure Investment

To achieve the 2050 EU goal of 'climate-neutral', it is estimated that EUR 5 trillion in investment will be required to meet these targets, with EUR 150-200 billion in annual investment needed between now and 2040 in Europe alone.<sup>7</sup> The current energy crisis brought on by Russia's invasion of Ukraine has only accelerated the requirement for investment.

#### BNEF Net Zero Scenario: Cumulative Investment 2021-2050 (US\$ bn, 2020 real)



<sup>7</sup> BloombergNEF. European Energy Transition Outlook 2022

### Indicators

Amount of renewable energy produced by portfolio companies	<b>140,692 MWh</b>
GHG emissions avoided by renewable energy production	<b>10,500 metric tons CO<sub>2</sub>e</b>

Cordiant, during 2022, increased the size of its Energy Transition Team; with increased capacity and focus, we have originated, screened and invested in an increasing number of renewable energy opportunities, evidenced by several investments in underdeveloped renewable energy markets in Central and Eastern Europe.



# Direct Lending Opportunities



“ Our strong credit franchise focuses on ‘infrastructure 2.0’ growth in the middle market with ESG integration and our sustainability overlay being core to our approach. ”

**Samson Ampofo**

Managing Director

Member of the Sustainability Committee

The financing gap in the middle market, often called the “missing middle”, is a notable challenge that presents a significant opportunity for astute investment managers like Cordiant. Crucial for driving economic growth and job creation are mid-sized companies (SMEs). However, these businesses often struggle to secure adequate financing from traditional sources, such as banks or public markets, often because of regulatory change. This gap stems from various factors, including risk perception, regulatory constraints, and the complexity of assessing SME creditworthiness.

For our global direct lending strategy, this financing gap represents an attractive opportunity. By deploying capital to fill this void, we can earn attractive returns and foster economic resilience and innovation. Middle-market companies typically possess a solid track record and growth potential, making them attractive investment prospects. Moreover, these investments promote diversification within portfolios, reducing overall risk.

## Our Approach

By channeling investments into infrastructure projects such as renewable energy facilities, digital infrastructure networks, and agriculture value chains, we can help bridge critical gaps in essential services while fostering job creation and economic stability. Additionally, well-planned digital and energy infrastructure projects can enhance access to education and healthcare and bridge the digital divide, promoting social equity and reducing disparities. Moreover, these investments are instrumental in mitigating climate change by promoting cleaner energy sources and reducing greenhouse gas emissions. We have a unique opportunity to catalyse the transition towards a just economy, yielding positive outcomes for investors and society.

Our strategy for global direct lending opportunities centres around our unique deal sourcing, structuring and syndication capabilities, with our industry-focused teams playing a pivotal role. We specialise in tailoring growth solutions for middle-market enterprises, offering capital to companies within high-growth sectors. We aim to enhance these companies’ revenues by investing in additional capital expenditures, resulting in improved profitability, enhanced asset security, strengthened debt servicing capabilities, and expanded collateral coverage.

By offering flexible and tailored direct lending solutions, we enable borrowers to access financing that aligns precisely with their unique needs and financial circumstances. This flexibility enhances their ability to manage cash flows and repayments, reducing the risk of financial strain. For us, tailored solutions facilitate a more comprehensive assessment of creditworthiness, leading to better-informed lending decisions. More importantly, this allows us to build stronger, long-lasting relationships with borrowers by demonstrating a commitment to their success. These customised direct lending solutions promote financial stability, encourage business growth, and strengthen the partnership between our portfolio companies and Cordiant, resulting in a win-win scenario for all parties involved.

Cordiant’s Global direct lending funds invest across all of our focus sectors and therefore indicator reporting is included within the indicators on p.20, p.23 & p.25.



ROV, North Sea



## Highlights

Over the past year, our investment and ESG & Impact Team has been steadfast in actively engaging with our portfolio companies and collaborating closely with fellow lenders. We understand the crucial role these interactions play in achieving success. Our dedicated focus has been on finding creative solutions and avenues for improvement. By building strong partnerships and maintaining open communication, we have collectively tackled challenges and discovered

growth opportunities. This proactive approach has not only strengthened our relationships but has also led to sustainable improvements in the performance and resilience of our portfolio companies. By helping our portfolio companies reach their full potential, Cordiant aims to build a safer and more sustainable structure for investors in Cordiant's funds.



Ryki Mast, Poland



# Climate Focus

In an era of global interconnectedness and environmental awareness, climate change has emerged as a critical factor influencing investment decisions across all industries. As an asset manager committed to both sustainability and offering resilient investment solutions, we recognise that addressing climate change is not just a moral imperative; it is also essential from both a risk and opportunity perspective. By identifying climate change as a driver in financial performance and integrating climate considerations into investment strategies, we safeguard our investor's capital and position ourselves to benefit from the sustainable future we all strive to create. Responding to the imperatives of climate change is not just about responsibility; it's about securing a resilient and profitable future for all.

At Cordiant, we believe all our focus sectors have a critical role to play in achieving the objective of the Paris Agreement. Our investment strategy positions us well for sustainable growth in a decarbonising society.

The energy sector plays a pivotal role in contributing to climate change and offering opportunities for climate mitigation. Historically, the sector's heavy reliance on fossil fuels, such as coal, oil, and gas, has been a leading source of greenhouse gas emissions. The energy sector is, however, the bedrock of society and at the forefront of the transition to a low-carbon economy, as almost every industry's decarbonisation plans will include the phase-out of highly emitting energy sources. Requiring the development and adoption of renewable energy, advanced energy technologies, energy efficiency measures, and innovative grid solutions leading to reduced emissions, job creation, economic growth, and enhanced energy security.

The agriculture sector plays a complex role in contributing to climate change and offering opportunities for climate mitigation. On one hand, agricultural practices, including deforestation and synthetic fertilisers, release significant amounts of greenhouse gases into the atmosphere. On the other hand, the agriculture sector

presents numerous opportunities for addressing climate change. Sustainable agricultural practices, such as agroforestry, reduced tillage, and organic farming, can sequester carbon, enhance soil health, and reduce emissions. Additionally, adopting climate-resilient crop varieties and improved irrigation techniques can help mitigate the sector's vulnerability to climate impacts. Innovations in precision agriculture, renewable energy integration, and circular agriculture systems offer the potential to reduce the carbon footprint of food production. At the same time, the agriculture sector needs to adapt to climate change to ensure global food security and safeguard livelihoods in the face of shifting weather patterns and increased climate-related challenges. Thus, by considering sustainable and climate-smart approaches and climate resiliency as pivotal components of our sector's strategy, the capital deployed by Cordiant can significantly mitigate climate change while ensuring global food security.

Finally, both climate-smart solutions in agriculture and the integration of renewable energy sources into the grid will depend on resilient and effective digital infrastructures. In addition to that, data analytics and artificial intelligence powered by digital infrastructure are pivotal in understanding and addressing climate change. They enable us to collect, analyse, and leverage vast datasets for more accurate climate predictions, disaster management, and climate adaptation strategies. By harnessing the power of digitalisation, we can drive efficiency, reduce emissions, and enable innovative solutions that are instrumental in mitigating the impacts of a changing climate. Embracing digital infrastructure investments today paves the way for a more sustainable and resilient future, where our interconnected world can collectively tackle the challenges posed by climate change. Investing in digital infrastructure is not merely a technological endeavour but a critical step in addressing the climate crisis and ensuring a liveable future for all.





# Climate-related Disclosure

The Task Force on Climate-related Financial Disclosure (TCFD) is the global standard for reporting on climate risk management. In 2023, Cordiant committed to disclosing annually its climate risks and opportunities management using this framework.

The following report represents Cordiant's first Disclosure statement according to the framework of the TCFD. It outlines our assessment of climate-related risks and opportunities with respect to our operations and investments. The assessment is made against the four key areas of governance, strategy, risk management, metrics, and targets. It highlights how we manage these risks and opportunities. For the first assessment, Cordiant opted for a more qualitative approach to risks and opportunity identification. To further improve our alignment with the recommendations, in the following disclosures, Cordiant aims to move towards a more quantitative assessment by assigning to the risks identified different levels of materiality in the short, medium, and long-term and better quantifying our exposure and management of such risks using separate scenario analysis. Moreover, Cordiant is also currently in the process of developing a decarbonisation plan and setting science-based targets, which will be tracked on a year-to-year basis.

## GOVERNANCE

The Board is responsible for Cordiant's approach and integration of responsible investing, sustainability consideration and the policies that govern these approaches. The Board has adopted and approved the firm's Responsible Investment Policy.

Cordiant's Sustainability Committee, comprised of members of Cordiant's Board, Senior Management and investment heads, is charged with overseeing and ensuring proper integration of the ESG strategy, including our approach to climate change, and makes recommendations to the Board. In early 2023, the committee was presented with the results of Cordiant's GHG accounting exercise, including Scope 3 emissions - Investments, to discuss avenues to set a science-based decarbonisation plan. This is still under discussion, and Cordiant aims to establish "well thought-out" decarbonisation targets in the coming months.

Cordiant's ESG and Impact Teams supports the Investment Teams in integrating climate-related risks within due diligence analysis and throughout the life of an investment. Climate-related topics are discussed with portfolio companies on at least a yearly basis.



Svatobor Tower, Czech Republic



## STRATEGY

Cordiant recognises the potential impact of climate change-related risks to which our investments are exposed, whether physical, such as the increase in extreme weather events, or transitional, such as market regulation or reputation, to which our assets are exposed. Our responsibility as an asset manager is two-fold. On the one hand, we must understand the material potential climate-related risks to which we must mitigate to the best of our capabilities. On the other hand, we must recognise and seize climate-related opportunities regarding asset allocation and support investees to capitalise on them.

Cordiant, both for our private equity and direct lending investments, invests over the medium to long term, taking an active role in supporting and managing the investment. While Cordiant's strategy is not sustainability-driven per se, we strive to identify investments aligned with long-term trends, including climate change. Cordiant focuses on improving the climate-related credentials of its portfolio companies, focusing on assets in the investment trust. Cordiant provides investment management services to Cordiant Digital Limited Trust (CDIL), which takes controlling positions in its portfolio companies. Cordiant abides by its Responsible Investment Policy, aiming to identify and make investments with limited or well-mitigated sustainability risks and where active engagement can yield beneficial outcomes for the portfolio company and the environment or society.

Cordiant, in line with its capabilities, aims to continuously develop and evolve its responsible investment approach to ensure the assessment of sustainability risks and opportunities continues to improve. During the year, Cordiant has worked with portfolio companies to implement the reporting of sustainability indicators, including climate-related indicators such as GHG emissions. ESG action plans have been implemented where appropriate to target identified ESG gaps.

Cordiant defines short, medium and long term as:

**Short term:** 0-2 years

**Medium term:** 2-5 years

**Long term:** 5+ years

Cordiant recognises the potential impact of climate change, presenting physical risks from extreme climatic events and transitional risks as governments and businesses work to reduce the carbon footprint of economies and countries and adapt to an increasingly changing climate. Cordiant also identifies physical, acute and chronic risks for all its focus sectors and their climate-related opportunities. At the company level, Cordiant also identifies its most material transitional risks.

## Transition Risks

### Market

As the market shifts towards more responsible, low-carbon footprint products, companies will need to adapt and seek to reduce the GHG footprint. Starting in mid- 2023, Cordiant began engaging with the highest emitters of its portfolios on disclosing emissions and setting decarbonisation targets.

### Regulatory

Regulations seeking to reorientate investment toward more sustainable outcomes by regulating disclosure requirements from financial products with sustainability claims could lead to increased disclosure around ESG and climate requiring additional resources. To address this risk, we closely monitor and assess evolving regulations and ensure that Cordiant is adequately resourced to respond to growing demands for transparent disclosure. At the same time, we aim to support portfolio companies in increasing their scope of reporting.

Increased regulation of GHG emissions and carbon pricing could increase the operating costs of high-emitting companies. To date, Cordiant has had limited exposure to such risk, but given the rapidity at which climate-related policies and programmes are evolving, monitoring these risks will be of increased importance.

### Reputational

With the rise of greenwashing claims, the reputational risk associated with climate disclosures and claims is of increased importance. Cordiant aims to disclose Climate-related information as transparently and accurately as possible. It is with this objective in mind that we have joined PCAF in order to gain guidance on the sector's best practices around GHG accounting and climate disclosure. Regarding climate objectives, Cordiant has opted for a thorough assessment of our current situation and best transition pathways with the interest of the firm and its clients in mind. This is why setting a decarbonization target is still being reviewed. While we have achieved important progress in the past years, we recognise that more progress needs to be made. We remain actively focused on this important step.



## Physical Risks

	Acute	Chronic
<b>Agriculture Value Chain</b>	The agriculture sector is by nature highly dependent on climatic conditions. Increase in the frequency of extreme events including but not limited to wildfires, flooding, heat and cold waves, can impact yield and ability to harvest. Cordiant is engaging with all portfolio companies in the sector to ensure that proper climate resiliency plans are in place. Moreover, Cordiant diversifies the regions, crops, genetics, harvest windows and operators in which it invests to limit concentrated exposure of such risks.	Changes in temperature will lead to winners and losers when it comes to optimal crop production conditions. Cordiant aims to monitor how different regions will be affected to better identify resilient investment opportunities. Water availability will also be a growing concern as the climate changes, which is why Cordiant finances water-saving irrigation technologies to ensure proper management of water resources.
<b>Energy Transition</b>	Power-generating assets are exposed to increasing frequency and scale of extreme weather conditions, which can impact the integrity of the installations. This includes the risks of wildfires, hurricanes, and landslides, which can interrupt power services, impacting energy utilities and end customers.	Chronic physical risks include but are not limited to changes in windspeed, temperature and rainfall patterns. Because wind-powered energy depends on good wind speeds and weather conditions, changes in global wind patterns may impact the initial energy production forecast, which can significantly impact companies' earnings. Extreme temperature, strong winds and dust storms can also damage PV materials, increasing repair costs and affecting productivity. Rising temperature and sea level could also lead to equipment malfunctions and more frequent maintenance.
<b>Digital Infrastructure</b>	Weather events, such as storms and flooding, can lead to the damage of digital infrastructure assets, further hampered by difficulties to repair in extreme conditions, this can lead to both increase in capex to mitigate and repair damage but also fines associated with service provision. Tower assets are most subject to these risks often located in geographically extreme areas, potentially multiplying the impact of the risks. Furthermore, digital infrastructure assets are power dependent, medium/long term disruption to grid systems due to extreme weather or natural disasters can inhibit the operating of the asset. Whilst increasing fluctuations to temperature can lead to sudden increases in demand for energy to maintain data centres' temperature at operational level, increasing operating costs.	Different digital infrastructure assets are susceptible to differing chronic risks. Tower assets are designed to have high loading capabilities, but changes to windspeed severity and frequency may stress tower assets. Data centres are exposed to the most significant chronic risk. Rising temperatures increase the cooling demands of data centres, increasing their energy consumption. This can increase operating costs or capex if mitigative actions are not taken. Rising sea levels or long-term increases to rainfall and subsequent flooding will lead to equipment damage, downtime and more frequent maintenance of digital infrastructure assets.

## Opportunities

<b>Agriculture Value Chain</b>	Some regions will be positively impacted by a warming climate when it comes to agricultural productivity. Identifying these regions may lead to investment opportunities. Moreover, as the general public becomes more aware of the impact of the agriculture sector on the environment, demand for responsible products will likely continue to increase. Cordiant aims to invest in companies adopting sustainable farming practices and/or promoting the integration of such practices that will respond to the growing demand.
<b>Energy Transition</b>	The transition towards a low-carbon economy means an increasing demand for clean power from electricity users to meet their climate goals. Thus, these energy investments are better adapted to the future than highly carbon-intensive energy sources such as coal, which poses the risks of stranded assets. Moreover, increasing acute climate-related physical risks challenging access to maintenances means that pioneers in repair and maintenance service companies minimizing health and safety risks for workers will be important for ensuring reliable energy transition assets. It is with this reality in mind that Cordiant invested in ROVOP, a global ROV specialist company, at the start of 2023.
<b>Digital Infrastructure</b>	Cordiant’s sustainability approach to Digital Infrastructure is built around decarbonising the digital economy through energy efficiency and adopting cleaner energy sources. By building this strategy with our portfolio companies, we believe we can create positive outcomes within the digital sector while making a competitive advantage and better responding to market demands for responsible, low-carbon investment products.

## Risk Management

Sustainability risk, including climate-related risks, is identified and managed within the broader risk management strategy. Cordiant conducts rigorous investment analysis, which consists of a thorough assessment of ESG factors and mitigants by implementing a dedicated proprietary ESG risk and impact assessment tool and ESG due diligence questionnaire. Cordiant monitors portfolio companies throughout the life of an investment to identify arising ESG risks, including climate risks, and monitor previously identified risks and the impact of mitigation efforts.

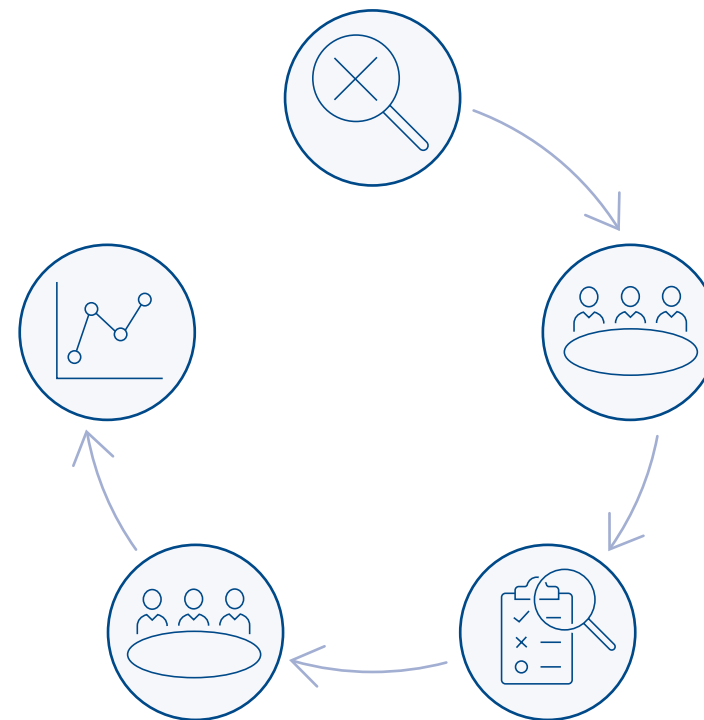
### Pre-investment: screening

Within our screening and due diligence process, the ESG and Impact Team works with the Investment Teams to assess material climate-related risks and opportunities associated with every prospective deal. These risks and opportunities are then discussed during Investment Committee meetings to determine whether and how they can be appropriately managed to mitigate impacts or to drive positive outcomes. Any actions to be taken will form part of an ESG action plan, which is incorporated into the covenants of loan facilities (in the case of credit investments).

### Post-investment: monitoring

Throughout the investment period, Cordiant works with portfolio companies to encourage better oversight of climate-related risks and opportunities being assessed and aids portfolio companies in these efforts. Additionally, Cordiant works with portfolio companies to implement sustainability indicators, which include climate metrics to assist in the identification, monitoring and management of climate-related risks.

The regulatory environment surrounding sustainability and ESG is rapidly evolving. Cordiant monitors currently existing and developing regulations related to ESG and climate.



## Metrics and Targets

Cordiant is a financial services company with a relatively low environmental footprint from its direct and operational activities. Nevertheless, we are focused on understanding and reducing our climate impact, both at the Cordiant level and that of our financed emissions. Since 2021, Cordiant's GHG emissions and approach have been verified by a third party (Carbon Footprint Ltd), with whom we offset our verified emissions. In 2022, we expanded the scope of our GHG emission accounting and offsetting to cover all our office locations, covering Scope 1 and Scope 2 and select Scope 3 categories associated with our operations, such as business travel. Cordiant has received Carbon Footprint's Carbon Neutral certificate through offsetting.

In 2022, Cordiant developed an internal GHG Inventory Management System and started accounting for its financed emissions using the PCAF standard. Financed emissions, defined as total Scope 1, Scope 2 and Scope 3 emissions of selected portfolio companies based on the share of investment, are Cordiant's primary source of indirect emissions. These emissions have been calculated using primarily proxy data. To improve the accuracy of the GHG inventory, enhance visibility of future risks and to set appropriate targets, Cordiant is increasing engagement efforts and capacity building at portfolio companies. In addition, Cordiant is working internally to better align its portfolios to the Paris Agreement objective.

## Metrics

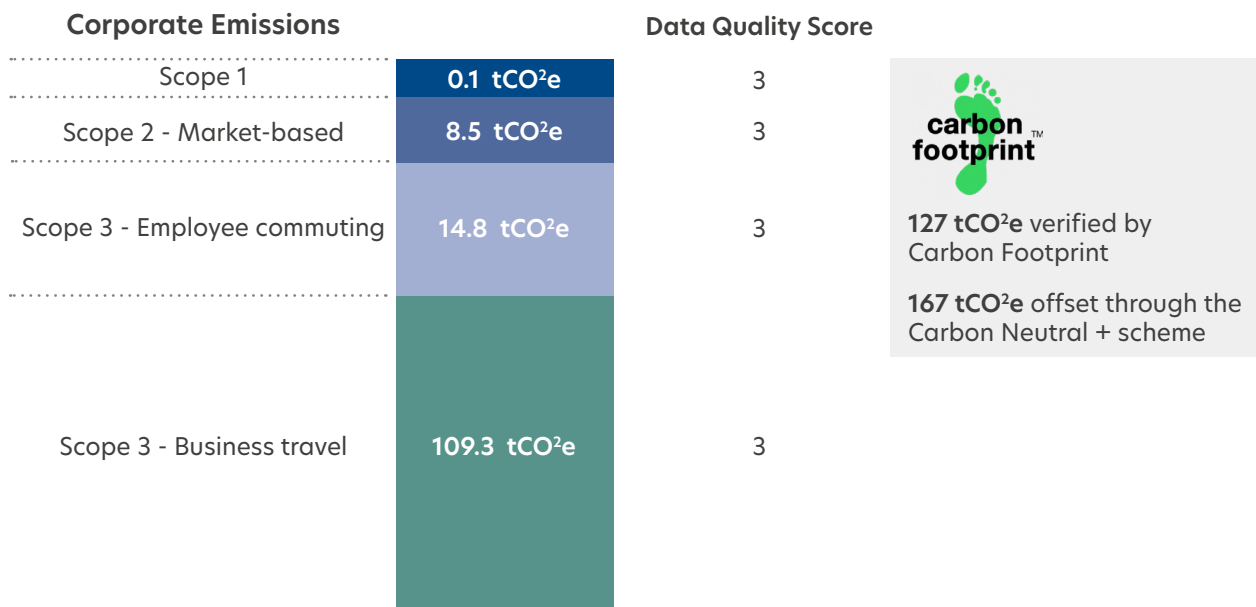
Metrics	Units	2022 Performance
Scope 1	Metric tons (t) CO <sup>2</sup> -e	0.1
Scope 2 (Market-based)	Metric tons (t) CO <sup>2</sup> -e	8.5
Scope 2 (Location-based)	Metric tons (t) CO <sup>2</sup> -e	6.1
Scope 3	Metric tons (t) CO <sup>2</sup> -e	140,431.8
Total GHG Emissions	Metric tons (t) CO <sup>2</sup> -e	140,440.4
Amount of renewable energy produced	Megawatt hour MWh	140,692
Avoided emissions	Metric tons (t) CO <sup>2</sup> -e	10,500
Share of AUM in oil and gas sector	%	0.5

	Scope 1 & Scope 2 emissions	Scope 3 emissions from Fossil Fuel & Mining Investments	Total emissions (S1+S2+S3 Fossil Fuel & Mining)	Emission intensity	Weighted data quality score (High Quality = 1, Low Quality = 5)
	tCO <sup>2</sup> e	tCO <sup>2</sup> e	tCO <sup>2</sup> e	tCO <sup>2</sup> e/USD \$m	#
Business Loans	108,116.52	12,209.24	120,325.76	166.48	5.00
Unlisted Equity	19,981.98	0.00	19,981.98	18.45	2.00
<b>Total</b>	<b>128,098.51</b>	<b>12,209.24</b>	<b>140,307.75</b>	<b>77.69</b>	<b>3.20</b>





# Cordiant's GHG Footprint

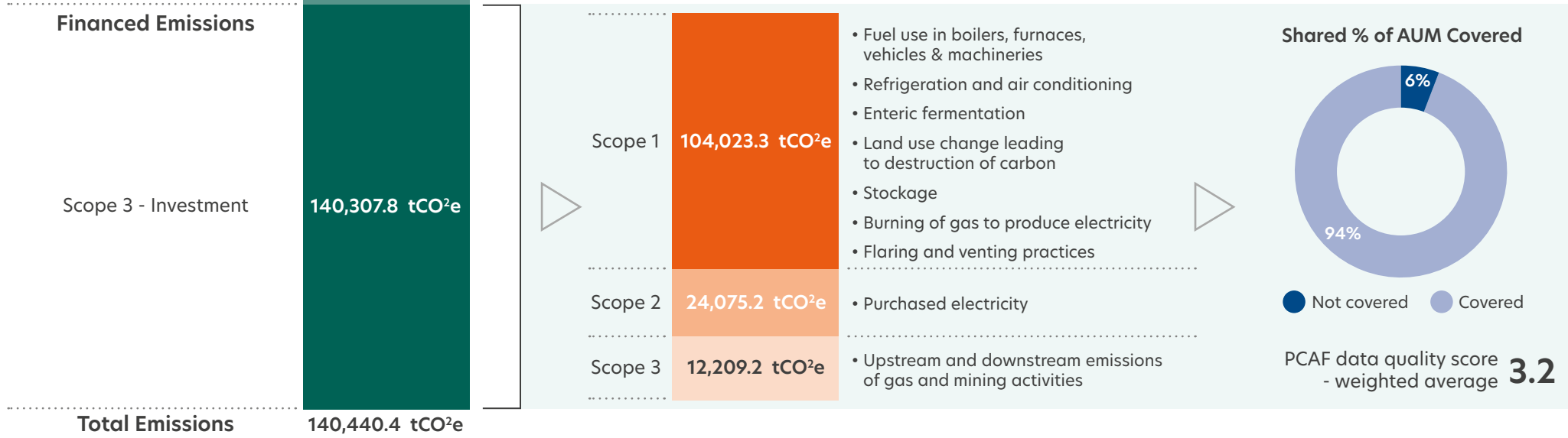


In 2022, Cordiant developed its internal GHG inventory management system and expanded its accounting methodology based on recognised standards such as the GHG Protocol and PCAF to include its financed emissions. For more information regarding organisational boundaries and materiality assessment, please refer to [Cordiant Capital GHG Emissions Accounting Methodology 2022](#).

We obtained external and independent limited assurance of our Scope 1, 2 and selected Scope 3 data for 2022 greenhouse gas (GHG) emissions.

**Data quality**

1	Audited GHG emissions or from primary energy source
2	Non-audited GHG emissions data or from other primary source
3	Proxy data using physical-activity based emissions
4	Proxy data using economic-activity based emissions
5	Estimated emissions using limited information



Source of data: Cordiant Capital Inc., reported emissions from portfolio companies, and where not available the Partnership for Carbon Accounting Financials (PCAF) emission factors and economic activity metrics. Methodology to attribute financed emissions to Cordiant Capital Inc. is the PCAF Global GHG Accounting & Reporting Standard.

# SASB Reporting

Cordiant is committed to understanding the challenges and identifying solutions that may foster the quality of an investment. Cordiant, in its investment and portfolio monitoring capacity, implements a collaborative, active, and ever-evolving approach that can provide portfolio companies with the guidance and incentive to improve ESG standards and practices and achieve positive impact outcomes.

In pursuit of these objectives, Cordiant is committed to providing meaningful sustainability information. Cordiant is committed to enhancing its sustainability reporting as the ESG arena evolves and improves over time and, as such, has aligned with the Value Reporting Foundation's SASB Standards. Cordiant became a licensee of SASB in October 2021, and this disclosure statement as part of Cordiant's first Responsible Investment Report covers the period 01 January 2022 to 31 December 2022.

Accounting Metric	Code	Disclosure
Transparent Information & Fair Advice for Customers		
(1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings	FN-AC-270a.1	Cordiant had no covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings disclosed in the past 12 months.
Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product-related information to new and returning customers	FN-AC-270a.2	Cordiant sustained no monetary losses as a result of legal proceedings associated with its marketing and communications to customers during the year. Cordiant will disclose all material legal and regulatory proceedings to its investors in a timely manner.
Description of approach to informing customers about products and services	FN-AC-270a.3	Cordiant communicates and informs customers using various methods depending on but not limited to the reason for the communication, the information being disclosed and the customer. The principal communication methods are via Cordiant's website, email and meetings (in-person or virtual). In the case of the Investment Trust that Cordiant provides investment management services to, comprehensive literature including the prospectus and periodic disclosures to existing and potential customers through the Investment Trust's website. Information is also available via financial intermediaries and Cordiant actively works with research analysts to ensure third-party coverage of the Cordiant Digital Infrastructure Limited.
Employee Diversity & Inclusion		
Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees	FN-AC-330a.1	Cordiant's Board is made up of three members and is 0% female. 13% of Cordiant's executive management are female. 21% of Cordiant's employees are female. Cordiant holds firmly the belief that all employees, regardless of age, disability, gender, race, religion or belief, sexual orientation, or any other distinction, are to be treated equally and with respect. Cordiant has a zero-tolerance policy regarding any form of discrimination. All employees receive equal pay for the same, or broadly similar work, or work rated as equivalent and work of equal value. The evident value of cognitive diversity when making investment decisions is widely understood, and as such Cordiant is committed to building an inclusive and diverse workplace.

Accounting Metric	Code	Disclosure
Incorporation of Environmental, Social, and Governance Factors in Investment Management & Advisory		
Amount of assets under management, by asset class, that employ (1) integration of environmental, social, and governance (ESG) issues, (2) sustainability themed investing, and (3) screening	FN-AC-410a.1	<p>1) 86% of AUM employs ESG integration strategy</p> <p>2) 75% of AUM are promoting environmental and social characteristics (SFDR 8)</p> <p>3) 100% of AUM employs screening</p>
Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment and/or wealth management processes and strategies	FN-AC-410a.2	<p>Cordiant integrates ESG risk management and impact management throughout the investment process. The approach is based on three key linchpins: 1) screening - process and check list due diligence for new investments; 2) management - monitoring ESG policy for compliance, risks, and opportunities, as well as monitoring impact for targeting positive outcomes and minimising or eliminating negative impact where possible; and 3) tracking - data capture and annual reporting.</p> <p><b>Screening</b></p> <p>Exclusion list - prospective investments are subjected to an initial negative exclusion screening process, outlining activities and operations that present significant ESG risks.</p> <p>ESG risk and impact identification - investments are evaluated based on the country(s) and sector(s) of operation to identify potentially material risk factors. Alignment to the SDGs is also assessed at this stage.</p> <p>ESG due diligence - Cordiant conducts an ESG due diligence process, covering sector-specific and sector-neutral sustainability factors. Due diligence is tailored for the investment and the sector. Risk categorisation - based on identified material risks, ESG due diligence and additional supporting information, a risk level is attributed to the prospective investment.</p> <p><b>Management</b></p> <p>Gap analysis - based on the ESG due diligence, Cordiant identifies negative and/or positive 'gaps' in an investment's ESG performance. Necessary measures or appropriate remediation policies are outlined by the ESG team and communicated to the portfolio company.</p> <p>Engagement - Cordiant actively engages with portfolio companies concerning ESG and impact matters. As part of its engagement efforts, Cordiant seeks to aid portfolio companies: (i) identify and mitigate ESG risks; (ii) assess and act upon impact opportunities; (iii) improve ESG characteristics; and (iv) specify and build understanding on the indicators required to track ESG and impact performance. If concerns are highly material, an ESG action plan will be developed to improve a portfolio company's ESG performance to meet Cordiant's expectations. If required, the hiring of third-party E&amp;S experts will be considered.</p> <p><b>Tracking</b></p> <p>Ongoing monitoring and evaluation - Cordiant conducts ongoing monitoring and evaluation to track the ESG and impact performance of portfolio companies and to ensure actions are consistent with agreed-upon ESG plans. Cordiant's Senior Management and Investment Committee will be alerted to risks arising during the lifetime of an investment. Cordiant will conduct a yearly review of performance.</p> <p>Transparency - Cordiant discloses its approach to responsible investment and the integration of ESG risks and/or opportunities and impact objectives throughout the investment process.</p>



Accounting Metric	Code	Disclosure
Description of proxy voting and investee engagement policies and procedures	FN-AC-410a.3	<p>Cordiant invests in private companies only and, therefore, proxy voting is not applicable.</p> <p>Cordiant views engagement as a vital component of its integration of ESG and impact into the investment process and seeks to pro- actively engage over ESG and impact risks and opportunities throughout the lifecycle of the investment. Cordiant’s full approach to engagement is detailed in its engagement policy, the key aspects of which include: (1) discuss and implement ESG metrics and indicators for monitoring and reporting requirements; (2) implementation of remediation measures to improve or mitigate (and if not possible, reduce) any adverse ESG or impact outcomes; (3) development of ESG action plans if necessary to address highly material concerns; (4) engagement with investees’ management to promote the adoption of policies, standards and best practice concerning governance and labour, this will include the principles included in Cordiant’s matrix; and (5) periodically review management objectives, in the context of the impact the Company would like to achieve through the investment.</p> <p>In its provision of investment management services to Cordiant Digital Infrastructure Limited, Cordiant does not engage in proxy voting. Cordiant Digital Infrastructure Limited makes equity investments or investments with equity like characteristics to private companies, seeking to take 100% ownership of portfolio companies.</p>
Business Ethics		
Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti- trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations	FN-AC-510a.1	Cordiant sustained no monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, and anti- competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations during the year.
Description of whistle-blower policies and procedures	FN-AC-510a.2	Cordiant expects and encourages employees to report any of the following to the appropriate authority: (1) a criminal offence; (2) danger to a person or group’s health and safety; (3) a miscarriage of justice; and (4) cover-ups of wrongdoing. Cordiant’s Code of Ethics includes a Whistleblower Policy.

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