Cordiant

Disclosure Statement
Operating Principles for Impact Management

August 17, 2022

Cordiant Capital Inc. ("Cordiant") is specialist global infrastructure and real assets investment manager with a sector-led approach to providing growth capital solutions to promising mid-sized companies in Europe, North America and selected global markets. Cordiant manages funds with committed capital of approximately USD 3.4 billion. The firm has particular expertise and experience in digital infrastructure, energy transition infrastructure, agriculture value chain and transportation infrastructure. Headquartered in Montreal, Cordiant has offices in London, São Paulo and Luxembourg.

The firm is a founding signatory of the Operating Principles for Impact Management ("the Impact Principles"). This disclosure statement serves to fulfil Cordiant's obligations pursuant to Principle 9 (to publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment).

Cordiant affirms that it seeks to manage its investment assets in accordance with the Impact Principles.

This disclosure statement applies specifically to the investment fund Cordiant VII – Infrastructure & Real Assets Debt (IRAD) and affiliated managed accounts (together "Fund VII") which combined represent USD 505 million in committed capital (Fund VII is a vintage 2019 fund), as well as Cordiant Digital Infrastructure Limited ("CDIL"), a private equity fund listed on the Specialist Fund Segment of the London Stock Exchange's main market with a total of £755 million (approximately USD 925 million) of capital.

CDIL's investment process is designed to align with the spirit and intent of the Impact Principles. As a private debt vehicle, Fund VII lacks the same level of influence on company operations that private equity ownership provides. Cordiant nonetheless uses its position as lender to actively engage with borrowers to (I) foster a greater understanding of and alignment with ESG best practices and (II) promote positive and sustainable impact that contributes to the achievement of targeted UN SDGs.

Benn Mikula
Managing Partner & Co-CEO

Principle 1 – Define strategic impact objective(s), consistent with the investment strategy.

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

An early signatory of the UN PRI and a founding signatory of the Impact Principles, Cordiant has demonstrated a longstanding commitment to the integration of both ESG (environmental, social and governance) and impact analysis into its investment processes. Combining sustainability and responsibility with attractive risk-adjusted returns for given asset classes has been a central pillar in Cordiant's investment approach. Our clients hire Cordiant with the primary goal of meeting or exceeding targeted risk-adjusted investment returns. Experience has shown us that this can be combined with investments that, in undergirding our impact objectives, reduce portfolio risk and contribute to the UN SDGs and support the broader health of the global community.

We view our approach to ESG risk management and impact management as two parallel concepts;

- The ESG framework includes the processes and systems by which one monitors, manages, and reports risks and seeks opportunities related to the three key areas (environmental, social and governance). It is used as a tool to minimise societal or environmental costs, to mitigate risks that would impact the performance of an investment, and to find solutions to improve the company with the objective of deriving responsible and sustainable financial returns over the medium-to-long term.

- The impact framework considers the approach an investment manager takes to intentionally generate positive, measurable social and/or environmental impact alongside a targeted financial return. At Cordiant, we seek to generate positive impacts to support selected Sustainable Development Goals (SDGs).

In 2017-2018, Cordiant undertook a strategic re-orientation to focus on four sectors that both offer superior investing potential whilst aligning with our impact strategy: digital infrastructure, agriculture value chain, energy transition infrastructure and transportation infrastructure. As a sector-focused investor, Cordiant tailors its objectives to the realities of each area of the economy that it invests in. All Cordiant focus-sectors are inherently impactful, and thus offer opportunities to generate measurable social and/or environmental positive impact. Cordiant ties its ESG analysis and Theory of Impact to specific industry themes and then seeks to generate one or more positive outcomes. In these sectors, Cordiant has the opportunity to support positive impacts through the responsible application of capital, whilst offering additional scope to generate operating improvements with societal benefits. While Cordiant's focus-sectors can be mapped against several of the UN Sustainable Development Goals (SDGs), Cordiant has chosen a number of goals on which to focus specifically.

To identify our contribution to these goals, Cordiant separates the channels through which it can create impact into two distinct approaches:

Positive External Impacts:

Cordiant can generate positive impact through its investments in companies whose products, services and business activities contribute solutions to the environmental and social problems defined by the SDGs. These impacts are sector specific. Within positive external impacts, we differentiate between our direct and indirect impacts:

- Direct impacts are intentionally targeted by Cordiant, with the outcome and Cordiant's contribution being measured through appropriate indicators;

- Indirect positive impacts are generated via or are highly correlated to our direct positive impacts and are not always explicitly targeted within the strategy. These impacts are typically supported by anecdotal evidence, due to difficulties in identifying or quantifying outcome indicators.

Positive Environmental and Social Internal Contributions (within investee companies):

Cordiant can further contribute to select SDGs by ensuring investee companies align their operations with approaches that mitigate negative environmental and social impacts and those that provide benefits to employees, communities and other stakeholders. The identified positive contributions are common across Cordiant's investment sectors. When measurement is not available, we will use anecdotal evidence (e.g.: case studies) and our ESG-Impact-related internal processes, practices, and engagement efforts to showcase them.

These objectives will be prioritised given the industry of operations as well as other material considerations.

Figure 1: Identified SDG Alignment – Across both internal contributions and external direct and indirect impact

	SDG 2	SDG 6	SDG 7	SDG 8	SDG 9	SDG 10	SDG 11	SDG 12	SDG 13	SDG 15
Positive External Impact										
Agriculture	Direct	Indirect	Direct		Direct				Indirect	Indirect
Digital Infrastructure					Direct		Indirect			
Energy Transition infrastructure			Direct		Direct				Indirect	
Transportation Infrastructure					Direct		Indirect			
Positive Internal Contribution			Aligned	Aligned		Aligned		Aligned	Aligned	

As noted above, the scope for driving impact is more substantial in private equity than private debt. Notwithstanding this, Cordiant seeks to generate positive outcomes with each investment by engaging actively with investee companies.

Cordiant's Responsible Investment Policy is a living document that continues to be honed and refined. The framework of the policy reflects the firm's values and aims to provide a clear and standards-based means of assessing ESG risks and opportunities and generating impact benefits. This analysis is incorporated in the pre-investment decision-making process and ESG and impact outcomes are monitored throughout the life of an investment.

Principle 2 – Manage strategic impact on a portfolio basis.

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

Private capital investments, by their nature, lend themselves to company-specific models of impact.

As a sector-focused investor, Cordiant tailors its objectives to the realities of each area of the economy that it invests in, and thus seeks to apply various impact themes at a portfolio-wide level. The broad impact themes for each focus sector are as follows:

Agriculture

1. Encourage sustainable, more efficient land-use and diminish the burden on the environment by reducing the intensity of water use, fertiliser application and the deployment of herbicides and fungicides.
2. Encourage and support the use of next generation technologies (such as precision farming, drip-feed irrigation and so forth) that constrict the need to bring new areas under cultivation through boosting productivity.
3. The need to enhance food security.

Digital Infrastructure

1. The need to reduce the carbon footprint of the digital economy through better-designed, more efficient data centers as well as the integration of clean, renewable electricity sources into the energy mix.
2. The need to reduce the carbon footprint of society, through enhanced communications that diminish the need for unnecessary travel and shrink pollution-causing congestion.
3. The need to better connect under-served businesses and households to the digital economy, thereby supporting enhanced opportunity and economic activity.

Energy Transition Infrastructure

1. The need to replace carbon-emitting sources of energy with cleaner, more renewable sources.
2. The need to design a more robust, renewables-based grid (including, where possible, the use of energy storage solutions).
3. The need to transition to a net-carbon neutral economy
4. The need to enhance energy security

Transport Infrastructure

1. To support the de-carbonisation agenda of these energy intensive industries through greater efficiency.
2. To support the upgrade and retrofit of transport infrastructures to make them more sustainable

While Cordiant does not currently have a remuneration policy explicitly considering sustainability factors, variable remuneration takes into account compliance with the Group's policies and procedures including its Responsible Investment Policy. Moreover, Cordiant does not encourage short-term risk-taking that exceeds the level of tolerated risk of the affiliated entities and considers sustainability factors to have an important impact on the risk profile and performance of investments.

The Group is currently reviewing its remuneration policy in relation to the integration of sustainability risks.

Principle 3 – Establish the Manager's contribution to the achievement of impact.

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

Cordiant has established a series of impact themes for each sector of investment focus. Seeking to generate impact benefits in these themes allows for growing expertise and the cross-pollination of expertise between portfolio companies (for example, sharing the positive environmental and financial experience of drip-feed irrigation at one farm with another). Cordiant is thereby able to act as a catalyst for sustainable positive impact while, at the same time, aiming to meet the financial return goals set for our funds.

Cordiant's investments are generally long-term in nature (extending over several years). Cordiant is committed to managing for impact beginning with pre-investment due diligence through the life of each investment. Cordiant's investment team is composed of individuals with deep sector knowledge and operational experience capable of conveying best practices to investee companies. Moreover, Cordiant has expanded its ESG & impact team to include two Senior ESG & impact analysts and one ESG & impact analyst; Cordiant has also engaged the services of a senior ESG & impact consultant with almost three decades' experience in the industry and over 15 years in the space to guide the firm's strategy and ensure that policies and procedures meet best practices. Cordiant's ESG & impact professionals actively engage with its investee companies and the firm takes this stewardship role very seriously. To make this approach to impact management more systematic, Cordiant is initiating the use of the Impact Management Project (IMP)'s 'Five Dimensions of Impact', alongside the Theory of Change framework, and will continue to reference other best practices in the industry.

Principle 4 – Assess the expected impact of each investment, based on a systematic approach.

For each investment, the Manager shall assess, in advance and where possible, quantify the concrete positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact differing from ex-ante expectations.

In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice conventions.

Cordiant ties its Theory of Impact to specific industry themes and then seeks to generate positive outcomes through control (private equity) or influence (private debt). In addition to initially establishing a focus on specific SDG goals and targets using the Theory of Change, as well as establishing sector-based development impact metrics that allow for an in-depth industry and firm level understanding of development impact, Cordiant is incorporating the Impact Management Project's (IMP) 'Five Dimensions of Impact' and is tailoring it accordingly to best suit the Firm's purpose and needs.

The IMP's 'Five Dimensions of Impact' is a standardised method and framework for entities to evaluate, assess and disclose their impacts individually.

The IMP at its core is a voluntary network of practitioners and standard setting agencies which has produced a framework for entities (enterprises and investors) to assess and disclose their impacts. The aim is to generate consensus in entities' understanding and management of impact, promote positive impact, and mitigate and/or reduce and/or avoid negative impacts. The framework focuses on three main aspects: 1. impact importance; 2. impact assessment and measurement; and 3. impact classification.

The IMP framework is based upon 5 Dimensions, which are in effect 5 questions, with a set answer range for each question (position on the range is determined by 15 data categories).

1. **What** is the impact?
2. **Who** experiences the impact?
3. **How much** change does the impact cause?
4. The level of **Contribution** caused by the entity to the stakeholder's outcome
5. What level and type(s) of **Risk**(s) are there to the outcome being fully realised?

Cordiant has implemented the use of the IMP framework to add more contextualization when assessing impacts generated in its investee companies.

In an effort to strengthen its approach to assessing the positive impacts generated through its investment strategies, Cordiant has initiated the use of the Theory of Change framework.

The Theory of Change framework is a description of why a particular way of working will be effective, showing how change happens in the short, medium and long term to achieve the intended impact. Through the framework, Cordiant has refined its approach in assessing its impact and contribution to the SDGs based on its focus sectors and its engagement with investee companies by emphasizing the way this contribution is achieved. The results of this process can be seen in Figure 1 (in the section under Principle 1).

Principle 5 – Assess, address, monitor and manage potential negative impacts of each investment.

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

The Firm, in line with its Responsible Investment Policy, merges ESG and impact risk and opportunity analysis with traditional investment analysis to create responsible and attractive risk-adjusted returns within the investment objective.

Cordiant integrates ESG and impact considerations throughout the investment process based on three key lynchpins: 1. Screening 2. Management 3. Tracking.

Screening:

(I) Exclusion list: Prospective investments are subjected to an initial negative screening process. Cordiant's "Exclusion List 2021" covers activities or operations that present significant ESG risks; Cordiant will not make investments in companies that violate any of the standards.

(II) ESG Assessment: Using Cordiant's Materiality Tool to identify key applicable risks as well as opportunities and potential positive impacts. The tool enables high-level identification and assessment of material ESG risks and positive impacts applicable to a prospective investment. The materiality tool has four stages: 1. Dynamic materiality; 2. Sector-specific materiality; 3. Company-specific materiality; and 4. Positive impact screening.

(III) Due Diligence: ESG due diligence is used in conjunction with traditional due diligence of potential investees. Cordiant uses a proprietary ESG questionnaire, the data of which is used to assess potential ESG risk in more depth. The questionnaire is tailored to the investment case and includes specific questions, including but not limited to: 1. compliance with UN Global Compact Principles; adherence to international labour standards; reporting of sustainability KPIs; management of sustainability-related topics within the organisation and more. Findings are presented to the Investment Committee which considers the identified ESG risks/opportunities in the investment decision.

Based on identified risks, questionnaire responses and considerations of inherent sector risks, a prospective investment is assigned an appropriate risk category.

Management:

(I) Gap Analysis: 'Gap Analysis' will be used to evaluate an investee's ESG performance, identifying both negative and/or positive 'gaps', in keeping with the company's dual approach to ESG. If required, measures necessary for closing the identified gaps or relevant remediation policies will be identified.

(II) Engagement: Cordiant will engage with investees throughout the life of the investment and will detail the metrics and indicators required for ESG and impact monitoring with the investee. Cordiant will also seek engagement regarding previously identified or arising ESG risks/opportunities as well as

measures to improve ESG characteristics or avoid and mitigate adverse ESG outcomes. If concerns seem highly material, an ESG Action Plan will be developed to meet ESG requirements and expectations.

If required, Cordiant will consider hiring third party experts to evaluate and monitor ESG risks.

Tracking:

(I) On-going Monitoring and Evaluation: On-going monitoring and evaluation by Cordiant's ESG and Impact team is a vital component throughout the investment lifecycle to monitor the ESG and impact performance of the investee, to ensure actions are consistent with agreed-upon ESG plans, and to assist in the identification of arising ESG risks. As a licensee of the Value Reporting Foundation's Sustainability Accounting Standards Board ('SASB') Standards, Cordiant bases its monitoring and evaluation on relevant SASB standards, aiding the understanding and awareness of relevant key material sustainability issues. This understanding is then underscored through the adoption and integration of sustainability metrics that are relevant to financial performance.

(II) Transparency: The Company discloses its approach to responsible investment and the integration of ESG and impact risks/opportunities throughout the investment process. The company intends to make annual disclosures of the ESG performance of the underlying investments.

Good Governance Policy

Governance comprises a company's leadership, remuneration of staff, audits, internal controls, tax compliance and relations with other stakeholders. Prior to an investment being made, Cordiant assesses the good governance practices of prospective investees by performing due diligence on their policies relating to (inter alia) health & safety. As a part of the criteria matrix Cordiant will:

- Ensure that Investee companies properly address business ethics;
- Endeavour to invest in companies that exhibit honesty, integrity, and fairness in their business dealings;
- Work to promote, though its investments, international 'Best Practice' in relation to corporate governance; and
- Analyse potential investments for risks associated with governmental corruption and/or politically exposed persons (so-called PEPs).

Principle 6 – Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

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

Each of Cordiant's focus sectors come with certain nuances relevant to the analysis and monitoring of positive Impact. As such, Cordiant adopts a tailored approach that relates to the specific impact themes being pursued in each sector. Cordiant seeks to identify and, as much as possible, arrest deviation from pre-established impact goals.

Cordiant is currently in the process of updating its Impact management and measurement (IMM) practices. Key impact indicators will be defined for each sector in which we invest. As a member of the GIIN, Cordiant will primarily consider IRIS+ indicators.

Principle 7 – Conduct exits considering the effect on sustained impact.

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

Cordiant considers impact matters when structuring private equity exits. The firm considers the attributes (including impact policies) of the buyer, their track record (reputational analysis) and their stated intentions. Cordiant recognizes that companies consist of a community of stakeholders (including management, employees and the broader community) and will be mindful of impacts on these in any divestiture process. Moreover, Cordiant will ensure proper transition regarding ESG and impact information by sharing the action plan, the progress achieved and any other material information to ensure ESG – Impact-related work can continue effectively.

Debt funds have inherently less influence over a company than equity funds. Given that most loans can be prepaid by the borrower, the point of influence is at the front end of the investment which is why we integrate ESG and impact considerations early on in the investment process (as described in Principle 5). Furthermore, we seek to provider longer term loans (which offer a greater potential to generate positive impact), fostering good relations with investee companies in order to provide support throughout the investment term. This includes providing assistance with identified deliverables when an ESG Action Plan has been implemented.

Principle 8 – Review, document and improve decisions and processes based on the achievement of impact and lessons learned.

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

Cordiant analyses impact as part of the investment analysis process and integrates impact into ongoing monitoring processes. We are promoting greater integration of ESG and impact principles within the firm through joint meetings of the ESG & Impact and Investment teams. In addition, senior members of the Investment team meet weekly with Cordiant's senior management to discuss pipeline as well as to raise any material issues (including ESG and impact) surrounding an existing investment. As a smaller firm, we use these periodic meetings to disseminate best practice. The entirety of the ESG & Impact team meets on a weekly basis to discuss ESG and impact performance and strategy.

As investments mature or are exited, Cordiant's ESG and Impact team will review the entirety of the investment in an effort to identify any strengths and weaknesses that could serve to improve Cordiant's processes going forward.

Principle 9 – Publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment.

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

Cordiant undertook its first independent audit in 2020 (commenced in 2020, completed in Q1 2021) with the final Independent Verification Statement issued in April 2021. It is Cordiant's intention to undertake independent verifications every two years, with the next independent audit beginning in Q4 2022.