Cordiant Capital GHG Emissions Reporting Methodology 2024

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Cordiant

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Introduction

Background and Objective

Cordiant Capital Inc. ("Cordiant" or the "Company") recognises the essential need for action to curb and address the impacts of climate change. Cordiant is committed to reducing its greenhouse gas (GHG) contribution, both directly associated with the Company but also through its financed emissions as an asset manager. In line with the Company's commitment to the Net Zero Asset Managers initiative ("NZAM") and to align with global targets outlined in the Paris Agreement, Cordiant aims to establish science-based decarbonisation targets consistent with the 1.5-degree scenario. Assessing Cordiant's emissions and establishing a rigorous GHG inventory is a fundamental prerequisite to setting meaningful GHG emissions reduction targets enabling the Company to gain insight into the Company's emission profile and pinpoint the most effective reduction opportunities. Setting such targets not only contributes to Cordiant's long-term sustainability but also positions Cordiant to adapt to potential future regional, national, or global climate policies. By disclosing Cordiant's GHG emissions, the Company aims to foster increased transparency and clarity, facilitating a more informed decision-making process.

About This Document

Cordiant has developed a comprehensive GHG accounting inventory management practice based on the GHG protocol standard to account for its direct and indirect emissions. It builds on the Standard's five core principles of relevance, completeness, consistency, transparency, and accuracy. This document describes the approach used to prepare Cordiant's 2024 Scope 1, 2 and 3 greenhouse gas (GHG) emissions inventory.

Cordiant follows the GHG Protocol Corporate Accounting and Reporting Standards and has defined its emissions between three scopes.

Scope 1: *(Direct)*	Emissions occurring from sources that are owned or controlled by the company, for example, emissions from combustion in owned or controlled boilers, furnaces, vehicles.
Scope 2: *(Indirect)*	Emissions occurring from the purchase of electricity and heating consumed by the company.
Scope 3: *(Other indirect)*	All indirect emissions, which are not included in scope 2, that occur in the value chain of the reporting company. This includes both upstream and downstream emissions, for example employee communing and investments.

Materiality Assessment

Organisational Boundaries

Organisational boundaries refer to the scope of an entity's operations and activities that are considered when measuring and reporting greenhouse gas emissions. Cordiant implements the Control Approach, thus accounting 100% of emissions emitted from operations and businesses across the Group for which it has operational control.

Operational Boundaries

Operational boundaries define the specific operational activities and sources within an organisation that are included in the assessment of greenhouse gas emissions. Table 1 and 2 below give a detailed overview of the emission sources that have been included in the inventory.

Assessing Materiality and "In-scope" Emissions

An emissions source is considered material if, by its inclusion or exclusion, it can influence any decision or action taken by its users. Materiality for GHG accounting is the determination of whether a particular source of greenhouse gas emissions is of sufficient importance or significance to warrant inclusion in an organisation's emissions reporting and disclosure. "In scope" refers to whether an emission source is included in the GHG inventory depending on factors such as access to the required information necessary for calculation.

Legend

- ✗ Not material
- ✓ Material, but not in scope
- ✓ Material and partially in scope (not all sources of emissions accounted for or not covering 100% of operations)
- ✓ Material and fully in scope (all sources of emissions accounted for and covering 100% of operations)

Direct and Indirect Emissions

Scope 1 and 2 emissions are respectively considered Cordiant's direct and indirect emissions. As of 2023, Cordiant has no scope 1 emissions. Cordiant's scope 2 emissions include indirect emissions from purchased energy, such as the electricity powering our offices.

Table 1: Scope 1 and 2 emissions considered material & in scope

Scope 1		
Emissions Categories	**Materiality**	**Comments**
Stationary combustion	✗	Cordiant does not emit any stationary combustion.
Mobile combustion	✗	Cordiant does not own any vehicles.
Fugitive emissions	✓	Fugitive emissions from air conditioning equipment in Cordiant's offices were not accounted for due to limited information available for reliable estimation.

Scope 2		
Purchased Electricity	**Materiality**	**Comments**
Montreal Office	✓	GHG Emissions from electricity consumption were accounted for in all of Cordiant's offices.
London Offices	✓	
São Paulo Office	✓	
Luxembourg Office	✓	

Full Value Chain Emissions

Scope 3 emissions come from sources within Cordiant's full value chain beyond the Company's direct operations and comprise the largest component of the footprint. Scope 3 includes:

1. Upstream emissions, such as the emissions from business travels, and employee commuting; and
2. Downstream emissions, such as the emissions associated with investments which comprise the most important source of emissions.

Table 2: Value Chain emissions considered material & in scope

Scope 3		
Scope 3 categories	**Materiality**	**Comments**
Upstream activities		
Purchased goods and services	✓	While Cordiant purchases goods and services such as paper and other office supplies, because the company is relatively small (< 65 employees) and operates mostly digitally, this category was considered material but with minimal impact, and thus out of scope for this year.
Capital goods	✓	Cordiant's capital goods include mostly its IT assets such as computers and electronic devices. However, due to the lack of information provided by suppliers and reliable proxy, this category was out of scope for this year.
Fuel- and energy-related activities not included in scope 1 or 2	X	No such fuel was identified.
Upstream transportation and distribution	X	Cordiant does not engage in upstream transportation and distribution.
Waste generated in operations	✓	While Cordiant generates some waste, mainly paper, it was considered material but with minimal impact, and thus out of scope for this year.
Business travel	✓	Emissions from business travel were only accounted for travels made by flights and trains.
Employee commuting	✓	Emissions from commuting and teleworking were accounted for every employee as of December 2024 using self-reported information.
Upstream leased assets	X	While Cordiant's office buildings could be considered as upstream leased assets, GHG emissions from leased offices are reported in Scope 2.
Downstream activities		
Downstream transportation and distribution	X	Cordiant does not engage in downstream transportation and distribution.
Processing of sold products	X	Cordiant does not sell physical products.
Use of sold products	X	Cordiant does not sell physical products.
End-of-life treatment of sold products	X	Cordiant does not sell physical products.
Downstream leased assets	X	Cordiant does not have downstream leased assets.
Franchise	X	Cordiant does not have any franchise.
Investments	✓	Cordiant's most material emissions stem from its investments. Cordiant accounted its financed emissions from funds representing 94% of its total AUM. The other funds, designed without GHG emission considerations, have closed investment periods, and as they repay investments, the share of financed emissions included in our GHG inventory is expected to increase.

Data Collection Process

Data Quality

Operational emissions

Cordiant's reported emissions data for each scope and category (except for category 15: investments) are considered, for the purpose of this exercise, our "operational emissions". They are assigned a score with respect to data quality. These scores help to assess the completeness and reliability of the information provided and to identify area of improvements for greater accuracy. Additionally, these scores aim to align with the PCAF data quality scoring system (Table 3).

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

Financed Emissions

For its financed emissions, Cordiant uses the Partnership for Carbon Accounting Financials (PCAF)'s data quality scoring system for business loans and unlisted equity as defined by the table below.

Cordiant officially joined PCAF early 2023.

Table 3: PCAF's data quality score table for business loans and unlisted equity

Options to estimate financed emissions		Explanation on when each option is used	Data Quality
Option 1: Reported emissions	1a	Outstanding amount in the company and total company equity plus debt are known. Verified emissions of the company are available	Score 1
	1b	Outstanding amount in the company and total company equity plus debt are known**. Unverified emissions** calculated by the company is available.	
Option 2: Physical activity-based emissions	2a	Outstanding amounts in the company and total company equity plus debt are known. Reported company emissions are not known. Emissions are calculated using primary physical activity data for the **company's energy consumption** and emission factors specific to that primary data. Relevant process emissions are added.	Score 2
	2b	Outstanding amount in the company and total company equity plus debt are known. Reported company emissions are not known. Emissions are calculated using primary physical activity data for the **company's production** and emission factors specific to that primary data.	Score 3
Option 3: Economic activity-based emissions	3a	Outstanding amount in the company, total company equity plus debt, and the company's revenue are known. Emission factors for the sector per unit of revenue are known (e.g., tCO2e per euro or dollar of revenue earned in a sector).	Score 4
	3b	Outstanding amount in the company is known. Emission factors for the sector per unit of asset (e.g., tCO2e per euro or dollar of asset in a sector) are known.	Score 5
	3c	Outstanding amount in the company is known. Emission factors for the sector per unit of revenue (e.g., tCO2e per euro or dollar of revenue earned in a sector) and asset turnover ratios for the sector are known.	

Emission Factors

Operational emissions

Cordiant uses an in-house developed tool modelled on the GHG Protocol tool to calculate its operational emissions. The tool employs a range of emission factor databases to calculate Cordiant's emissions across different geographies. UK DEFRA emissions factors are used for transport related emissions such as business travel and commuting, though Cordiant will use custom emission factors provided by a range of reliable sources, when available, to increase accuracy and relevance.

Financed Emissions

Cordiant leverages the PCAF database for calculating financed emissions, drawing on emissions factors from diverse sources like Exiobase and UK DEFRA. When companies report their emissions, Cordiant uses that data directly. If not, Cordiant estimates emissions using an economic-based approach, selecting emissions factors that best fit the company's industry and location. This tailored method, while not offering the full granularity needed for a complete carbon footprint analysis, still provides a more accurate representation of the emissions linked to Cordiant's investments.

Verification & Offsetting Process

Operational Emissions

For its 2024 emissions, for the fourth year in a row, Cordiant engaged Carbon Footprint Ltd to verify its selected carbon footprint assessment and supporting evidence, with the intention of offsetting emissions associated with operations. It should be noted that only operational emissions were accounted for, which include all emission categories material and fully or partially in-scope. Cordiant's financed emissions were not included in the scope of the verification by Carbon Footprint Ltd. Instead, these emissions have been verified through an independent internal verification process (see below).

The external verification audit by Carbon Footprint Ltd was completed in accordance with ISO 14064 *Greenhouse Gases: Specification with guidance for the verification and validation of greenhouse has statement* and awarded Cordiant the CO_2e Assessed Organisation certification. Upon receiving formal verification from Carbon Footprint, Cordiant decided to offset doubled the quantity of its verified emissions.

To best deliver positive benefits through our offsets while minimising our potential exposure to controversy that is unfortunately not uncommon in the carbon credit space, Cordiant carefully investigates the projects in which it invests, which can involve contacting the developers directly to request additional information. We also aim to select projects that align with our Guiding Principles, bearing additional certifications, and generate additional benefits to climate mitigation, such as positive impacts on biodiversity and local communities.

Financed Emissions

To validate the accuracy and reliability of our emissions data, our reported financed emissions undergo a two-level internal verification process conducted firstly by a member of the ESG team and independently by a member of our accounting department. A sample of sufficient size, representing both a haphazard selection and most-material investments, was examined, and no material errors were identified. This process underscores our commitment to transparency and precision in assessing our footprint.

Scope 1 Emissions

Scope 1 emissions originate from sources directly owned or controlled by the Company, encompassing combustion emissions from boilers, furnaces, and vehicles. As an asset manager, our core business involves the investment and management of financial assets. We do not own or operate physical facilities, nor do we engage in manufacturing or other activities that would generate direct greenhouse gas emissions. Moreover, none of our offices have gas-powered heating system. Consequently, we have no Scope 1 emissions.

Performance Review

2023	2024	Result	Explanation
0	0	-	Cordiant has no direct emissions from offices and does not operate company vehicles.

Scope 2 Emissions

Scope 2 emissions are indirect greenhouse gas emissions associated with the consumption of purchased energy, such as electricity or heating, by an organisation. Cordiant's scope 2 emissions consist of purchased electricity across the Montreal, London, Sao Paulo and Luxembourg offices, whether it pays utilities directly, or utilities are sub-metered by the landlord and billed to the company.

Methodology & Data Collection

Cordiant reports its emissions from purchased electricity using both a location-based and a market-based approach. As part of its total GHG emissions, Cordiant considers the market-based approach when available as it better reflects the actual emissions of the firm. For Montreal's office, Cordiant used the actual emission intensity of its energy provider and energy source. For São Paulo and Luxembourg's offices, Cordiant estimated the emission intensity to be zero as the utilities reported electricity to be produced 100% by renewable energy. For its London office, electricity consumption was provided by the building manager and emission factors provided directly by UK Government GHG Conversion Factors were used to estimate emissions.

Cordiant relies on building managers and utilities to provide information on electricity consumption. Where the electricity consumption was only available for the entire building, Cordiant has applied its offices' relative floor area to account for its share of electricity consumption.

Purchased Electricity	Comments	Data quality
Montreal Office	Electricity consumption provided by building manager and emission factor provided directly by utility Hydro-Quebec	2
London Office	Electricity consumption provided by building manager and emission factor provided directly by UK Government GHG Conversion Factors	3
Luxembourg office	Electricity consumption provided by building manager and emission factor emission estimated to be zero based on utility's source of electricity (100% hydro)	3
São Paulo Office	Electricity consumption provided by building manager and emission factor emission estimated to be zero based on utility's source of electricity (100% from solar, wind, and hydro	3

Assumptions and Limitations

The main limitation for scope 2 emissions is the reliance on proxy data to estimate emissions for London, Luxembourg and Sao Paulo's office.

Performance Review

2023	2024	Result	Explanation
17.3	25.1	+45.1%	The increase in emissions is due to increased electricity consumption across our offices, particularly in our London office, while other offices continue to rely almost entirely on renewable energy.

Scope 3 Emissions

Scope 3 encompasses indirect GHG emissions resulting from the company's activities but originating from sources beyond its ownership or control. Cordiant's significant Scope 3 activities include employee commuting, business travel, and investments.

Employee Commuting

Employee commuting is the transportation of employees between their home and offices via automobile travel, bus travel, rail travel, and other modes of transportation. Included under employee commuting is teleworking/work-from-home (WFH), which accounts for energy consumption at employees' homes whilst working.

Methodology & Data Collection

Cordiant used a distance-based method to calculate employee commuting emissions. As recommended by the GHG Protocol, through its annual employee survey, Cordiant asked employees about their average weekly commuting profile, and, when needed, the make and model of their primary vehicle. For each mode of transportation, the daily distance travelled was multiplied by the number of days worked during the year. Emission factors from employee's vehicles were derived from EPA's Fuel Economy Website. Emissions factors for other mode of transportation were based on US EPA 2025 and UK DEFRA 2024 databases.

To calculate teleworking emissions, Cordiant surveyed employees on their average weekly days worked from home, hours worked, applicable weeks, average home occupants and home city. These data points were used to determine the time spent or energy consumed working from home, which were then multiplied by the relevant emission factors to calculate the associated emissions.

Mode of transport	Comments	Data quality
Vehicles	We used a mix of vehicle-specific emissions factors from EPA's Fuel Economy website, when available, or average emissions factors for vehicle.	**2**
Others	Emissions for other modes of transportation (tube, bus, train, etc.) was calculated using a distance-based approach and emission factors from and UK DEFRA database.	**3**
Teleworking	Emissions calculated based on employees' average hours WFH per year, house specifications and average energy consumption for people teleworking provided by national bodies.	**3**

Assumptions and Limitations

Since commuting data and teleworking is collected once per reporting year, the accuracy of the data is reliant on employees' own assessment. Employees can only provide us with an average of their commuting methods and WFH data throughout the year, and therefore we can only provide an estimate of our employee commuting and teleworking emissions.

Furthermore, commuting profiles may change throughout the reporting year, and annual survey-method cannot effectively account for changes over a reporting year.

Performance Review

2023	2024	Result	Explanation
25.3	**22.7**	**-10.3%**	The decrease in emissions is due to more accurate data capture, which allows for less conservative emissions factors.

Business Travel

Business travel emissions refer to the greenhouse gas emissions generated by employees or representatives of an organisation while traveling for work-related purposes, covering air and rail travel, road transportation, and other modes of transit.

Methodology & Data Collection

Cordiant uses a distance-based approach for calculating business travel emissions, which involves determining the distance and mode of business trips, then applying the appropriate emission factor for the mode used. Only emissions from flights and trains were included in the GHG assessment and emissions factors were based on the UK DEFRA databases.

Cordiant collects its business travel information directly from employees and travel agencies.

Mode of transport	Comments	Data quality
Air	Emissions from flights were calculated using a distance-based approach and emission factors from the UK DEFRA database.	**3**
Train	Emissions from trains were calculated using a distance-based approach and emission factors from the UK DEFRA database.	**3**

Assumptions and Limitations

The emission factors employed are derived from average emissions data encompassing short-, medium-, and long-haul flights. Nevertheless, it's essential to note that these averaged emission factors may not fully capture the precise emissions of individual flights. A multitude of factors, including train or aircraft type, fuel use, specific distance, passenger load, and route variations, can lead to deviations from these averages, resulting in variations in actual emissions.

Performance Review

2023	2024	Result	Explanation
282.4	**233.1**	**-17.5%**	In addition to a preference for lower-emission rail travel, when available, there was a significant decrease in business and first-class travel, both of which have higher emissions factors.

Financed Emissions

As a participant in the financial market, our most significant impacts, including those related to climate, stem from our investment decisions. Accounting for our financed emissions provide a critical link between the financial support we extend to our investees and their real-world activities, enabling us to gauge the greenhouse gas emissions associated with those activities.

Absolute financed emissions represent the cumulative emissions of our portfolio companies, multiplied by apportioning factor to account for our share of client's emissions, and summed up at the asset and group levels. Relative emissions are absolute emissions relative to our outstanding amount. To guide its decarbonisation strategy, Cordiant uses as a key performance indicator its relative financed emissions per asset class. Cordiant uses PCAF's methodology specific to business loans and unlisted equity to measure the GHG emissions of our portfolio. As per the methodology, Cordiant will consider at minimum Scope 1 & 2 for all our investments, as well as scope 3 emissions for investments in the fossil fuel and mining sectors.

To measure absolute financed emissions, Cordiant primarily employed option 1.b (unverified reported emissions) for its private equity investments in calculating financed emissions. Option 3.a was predominantly utilised for its debt investments, though option 3.b was also employed when portfolio companies' financial information was not readily available. The formulas used are;

Option 1.b:

$$FE_e = \sum_e \left(\frac{Outstanding\ Amount_e}{Total\ equity_e + \ debt_e} \times Company\ Emissions_e \right)$$

Option 3.a:

$$FE_d = \sum_d \left(\frac{Outstanding\ Amount_d}{Total\ equity_d + debt_d} \times Revenue_d \times \frac{GHG\ emissions_s}{Revenue_s} \right)$$

Option 3.b:

$$FE_d = \sum_d \left(Outstanding\ Amount_d \times \frac{GHG\ emissions_s}{Assets_s} \right)$$

Where FE = Financed Emissions;

d = debt invested companies;

s = sector of company;

and e= equity invested companies.

$\frac{GHG\ emissions_s}{Revenue_s}$ and $\frac{GHG\ emissions_s}{Assets_s}$ represent emission factors provided by PCAF.

To address the challenges arising from the limited data availability from our portfolio companies in our private credit funds, Cordiant has utilised the PCAF emissions factors database for estimating emissions. For the third year in a row, our results are based on emission factors extracted from the first version of PCAF Database, which were derived from EXIOBASE 2015 dataset. Although newer database versions have been released through to 2025, we opted to maintain consistency by using the same emission factors (EFs) for comparison purposes. Cordiant will evaluate the use of a more recent database in the future, and if necessary, implement our recalculation procedures. Emission factors were not corrected for inflation. As the previous version of the database had emission factors for USD, no currency conversion was applied.

This estimation is based on the companies' respective sectors and geographic locations when reported data is absent. In cases where data for a specific geographic location was unavailable, we opted for the nearest available geographic reference point to represent the actual investment's location. Regarding the selection of sectors and industries, our preference was to choose the most detailed and granular classification available for each geography, but in instances where such precision was lacking, we resorted to broader, high-level classifications.

When corporate loans were extended to companies engaged in diverse business lines across multiple sectors, our approach involved calculating a weighted average of the sectors by company revenue.

Assumptions and Limitations

As highlighted in PCAF methodology, limitations of using proxy information includes the reliance on generalised assumptions and sector averages for both emissions and financial data, making its calculations less robust and more uncertain compared to borrower-specific information. Moreover, limitations lay in the selection of geographies and sectors to obtain approximate emissions factors in PCAF database as mentioned above.

Another challenge for all options is using year-end outstanding balances, which may not account for seasonal variability or fiscal calendar differences. A potential solution is using average monthly balances, but this would increase the reporting burden on both Cordiant and its portfolio companies. Assets Under Management (AUM) consist not only of Loans and Investments (net of reserves), but also on Cash and other assets. For this reason, the outstanding amount was used to calculate our financed emissions including our financed emission intensity. The slight difference between the two figures was not considered material for the purpose of the exercise.

Finally, using estimated emissions limits our ability to compare investees' real carbon footprint, therefore making it challenging to engage with companies on setting decarbonisation targets.

Performance Review of Relative Financed Emissions

	2023 TCO2e/M$ Invested	**2024** TCO2e/M$ Invested	**Result**	**Explanation**
CORD (Private Equity Fund)	**13.2**	**10.47**	**-23.8%**	For Cordiant's private equity strategy, the decrease reflects further increases in the share of renewable energy consumption and continued decarbonisation efforts of digital assets across the portfolio. Cordiant continues to engage with portfolio companies to enhance emissions reporting and establish reduction targets to align with our net-zero ambitions.
Direct Lending	**114.6**	**90.7**	**-20.8%**	For Cordiant's direct lending investments, the reduction in financed emissions intensity is driven by a gradual repayment of older investments, some of which are higher emitters (compared to our current portfolio), and supported by an improvement in data quality

Looking Forword

Recalculation Policy

In line with requirements from the GHG Protocol, Cordiant established a recalculation policy to define under which circumstances a recalculation of the base year emissions is necessary. This ensures the consistency, comparability, and relevance of the reported GHG emissions data over time. As per the GHG Protocol Corporate Standards, recalculation will be made if one of the following situations occurs:

- Structural changes within the company (mergers, acquisitions, and divestments)
- Outsourcing and in-sourcing of emitting activities
- Changes in calculation methodology or improvements in the accuracy of emissions factors or activity data that result in a significant impact on historical, especially base year, emissions data. This includes updates to PCAF's database.
- Discovery of errors that collectively are significant.

To be noted that in 2024 for the reporting period of 2023, Cordiant recalculated both its corporate and financed emissions. After a change in the company's structure, we have recalculated our corporate emissions to include emissions from the Sao Paulo office. Cordiant also recalculated its 2022 financed emissions using predominantly option 3b instead of 3a in order to increase the quality of the data and ensure comparability between years.

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Inventory Quality

While the current GHG inventory does not account for all categories and sources of emissions, it aims at assessing the most material ones and will build upon this to continuously evolve its practices and scope of emissions covered. Additionally, Cordiant aims to improve the data quality, including by increasing the share of emissions calculated using primary data.

Next Steps

Looking forward, Cordiant again in 2025 will continue to work toward strengthening its collaborative efforts with investee companies to enhance data accuracy. To advance this objective, in late 2022, Cordiant took a proactive step by sponsoring one of our members to obtain a GHG Accounting Certification from the GHG Institute. To disseminate expertise throughout our portfolio companies, Cordiant has already provided GHG accounting training to a select group of investee companies, and we are actively planning to extend the reach of this practice in the future. Moreover, as of 2024 Cordiant made GHG emissions accounting a mandatory requirement for portfolio companies covenanted in loan documentation.

Additionally, Cordiant aims to establish both long-term and intermediary ambitious science-based emission targets aligned with the Paris Agreement and 1.5-degree scenario. This commitment, supported our membership to the Net Zero Asset Managers initiative ("NZAM"), extends beyond setting targets solely for our own operations; we are equally dedicated to providing guidance and support to our highest-emitting investee companies to reduce their GHG emissions. In line with this goal, we have included as part of our Responsible Investment Policy the mandatory adoption of decarbonisation plan for companies considered as high emitters,