Operating Principles for Impact Management Disclosure Statement

In the spring of 2019, IFC developed the Operating Principles for Impact Management. Signatories to the principles are investors that publicly demonstrate their commitment to implementing a global set of principles for managing investments for impact. Cordiant became a signatory to the principles, at the launch in April 2019.

As part of its responsibilities as a signatory of OPIM, Cordiant is providing its first progress report.
Cordiant's disclosure statement is available here.

Disclosure Statement
Operating Principles for Impact Management
Cordiant Capital Inc.
12 July, 2020

Cordiant hereby affirms that it seeks to manage its investment assets in accordance with the Operating Principles for Impact Management. This disclosure statement applies specifically to Cordiant's vintage 2019 Infrastructure and Real Assets Debt (IRAD) Fund and affiliated managed accounts. Previous funds were invested in alignment with the U.N. PRI.

The total assets of these funds is US$565million as of June 30, 2020. It is Cordiant's intention that future funds will also conform to the OPIM.

Cordiant's IRAD Fund and the affiliated managed accounts covered by this disclosure statement are Private Debt funds. It should be noted that private debt funds do not have the same ability to impose their will on investee companies that private equity funds do. Cordiant's aim, therefore, is to influence and guide investees towards a greater understanding of, and alignment with, ESG best practices. The Cordiant team collaborates with investee companies throughout the life of a loan to bring about ESG risk reduction and to put in place environmental and social management systems.

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Benn Mikula
Joint Managing Partner
12 July, 2020

CORDIANT'S STRATEGIC IMPACT OBJECTIVES

Cordiant is an institutional asset manager with ~$2 billion of assets under management. The firm has offices in Montreal, London, Sao Paulo and Luxembourg. The firm is a sector-led investor focused on private debt and private equity in Telecommunications Infrastructure, Agriculture Real Assets, Transportation Infrastructure, and Energy Infrastructure (in particular the clean energy transition). Each of these four sectors are both inherently impactful (with system-level development impact) and offer attractive commercial returns.

Cordiant tends to originate and lead its investments, and has embedded strong Environmental, Social and Governance (ESG) practices and Impact Investing outlooks into its investment processes since its founding in 1999. Cordiant has a fiduciary obligation to generate attractive risk-adjusted returns for its investors whilst managing financial and reputational risk. The environmental and social impacts of investee companies are included in these risks.

As an early signatory of the UN Principles for Responsible Investing (UNPRI) and an original signatory of the IFC Operating Principles for Impact Management, and as a member of the Global Impact Investing Network (GIIN) and the Blended Finance Taskforce's Sustainable Infrastructure Investor Club, Cordiant has long been committed to impact investing initiatives. Since its founding, the firm has sought to align itself with industry best practices. The firm has also been an active contributor to the GIIN's Gender Lens Framework and the GIIN's IRIS+ Framework & Impact Metrics.

Cordiant has long held that ESG principles and impact investing can optimise investment strategies, improve responsiveness in volatile markets, mitigate risk, reduce costs for all parties engaged in investment activities, strengthen stakeholder relations and improve the reputation and profitability of the investee company.

While focusing on the firms four core sectors, all of which are inherently impactful, Cordiant aims to support specific UN Sustainable Development Goals (SDGs).

Preliminary assessments of potential investment begin with an evaluation of how the investment fits into the context of one of the firm's core sectors, and whether the investment is aligned with the relevant, targeted SDGs. By investing in (i) the upgrading and modernisation of agricultural potential (i.e. precision farming in compliance with environmental laws), (ii) energy facilities that support a transition to cleaner, more abundant energy, (iii) increasing resource efficiency (i.e. precision farming), (iv) sustainable transportation and logistics and (v) inclusive telecommunication infrastructure and bridging the digital divide, Cordiant's portfolio supports many SDGs (primarily but not exclusively SDG 2, 5, 7, 9 and 12).

By investing in the core sectors that possess innately high potential for positive social, economic, and environmental impact, Cordiant seeks to support well-managed and commercially-minded enterprises that can generate positive development outcomes.

MANAGING IMPACT ACHIEVEMENT WITHIN THE PORTFOLIO

Cordiant's *Responsible Investment Policy (RIP)* and its Management System are integral to the firm's decision-making process and portfolio management. Impact and ESG are explicitly integrated into the Management System, and the RIP is updated annually to provide the firm with clear-cut principles, policies, methodology and procedures in an effort to streamline efficiency and maximise positive impact.

The RIP framework reflects the firm's investment values, financial and sustainability goals, and aims to provide a clear and standards-based means of assessing ESG and impact. The full integration of ESG analysis into the investment process has proved a useful tool, and has become a crucial component of Cordiant's portfolio management.

The analysis of impact is systematically incorporated throughout all investment and decision-making processes. Preliminary assessment of any potential investment begins with the firm's exclusion list, which rejects all investments that violate the standards crucial to positive impact outlined in the RIP. As part of the due-diligence process, Cordiant uses the Impact Reporting Investment Standards (IRIS+) developed by GIIN. During this stage of the preliminary assessment, Cordiant selects the relevant subset of cross-sector and sector-specific performance metrics that apply to both the industry and operations of an investee company. The objective is to monitor the performance of the investee company through measurable and quantifiable metrics, and allows Cordiant to monitor its own performance on an ongoing basis.

As ESG risk mitigation is crucial in managing and measuring portfolio impact, Cordiant integrates the IFC Performance Standards alongside the Equator Principles into Cordiant's Environmental & Social Management System (ESMS) to determine, assess and manage Environmental and Social risks (E&S). The IFC standards inform Cordiant's E&S Standards and Risk Management Framework, which in turn underpin the E&S Action Plans that are proposed by Cordiant to the investee company when necessary. The Equator Principles undergird Cordiant's ESG Risk Management Process.

CORDIANT'S CONTRIBUTION TO IMPACT

Cordiant uses internationally recognised ESG standards, in addition to its own effective evaluation methodology and risk analysis process in the investment decision making process. Cordiant therefore identifies investment opportunities with a sustainable competitive advantage.

Cordiant's contribution to impact is outlined in the firms *Responsible Investing Policy,* and is a combination of focusing on including inherently impactful sectors, excluding all investments Cordiant deems negatively impactful (e.g. coal industry exclusion) and incorporating ESG into the investment process.

Cordiant contributes to positive impact in its portfolio by having a clear management and investment framework that assesses and manages (i) environmental and social risks and impacts, (ii) labour and working conditions, (iii) resource efficiency and pollution prevention, (iv) community health, safety and security, (v) land acquisition and involuntary resettlement, (vi) biodiversity conservation and sustainable management of living natural resources, (vii) risks against Indigenous Peoples, and (viii) risks against cultural heritage.

Cordiant adheres to the best of its ability to the UN Global Compact principles relating to Human Rights, Labour and Environment.

Cordiant conducts baseline analysis of impacts for its investments. The preliminary assessment takes into account the developmental effects of the investment in regards to area of focus (i.e. local and community-based development or export-based development; the geography of focus i.e. urban or rural impact generation; the business opportunities and contribution to SDGs; the socio-economic impact).

Cordiant encourages all investee companies to monitor material risks and promote strong ESG policies. During due diligence and monitoring activities, Cordiant seeks to provide guidance relevant on ESG-related risks and opportunities. For instance, during a recent due diligence review of a company in Latin America, Cordiant reviewed the company's socio-economic management as well as community health and safety procedures. After due diligence was complete, Cordiant and the company created an Action Plan, that provided the company with incremental E&S policies (that have since been implemented and monitored), and guided the company to implement policies aligned with IFC Performance Standards. The Action Plan also included procedures and risk mitigation measures that addressed potential risks relating to community health and safety.

The Impact Due Diligence is deployed alongside the ESG Due Diligence Questionnaire. Monitoring is completed annually using an Impact Annual Monitoring Report (AMR). Cordiant has an external reporting system and template for all investees, and reports to fund investors on a semi-annual basis.

SYSTEMATIC ASSESSMENT OF EXPECTED IMPACT

As a means to quantify the impact of its investments (including risk reduction), Cordiant has established sector-based development impact metrics that allow for an in-depth industry and firm level understanding of development impact. As part of the appraisal process, Cordiant and the investee engage on the applicable, measurable and verifiable development outcomes to be monitored and evaluated. In the agricultural sector, for example, different commodities have different sustainability factors and risks that need to be taken into consideration on a case-by-case basis.

ASSESSMENT, EVALUATION, MITIGATION, AND MONITORING OF POTENTIAL NEGATIVE IMPACT

Cordiant invests in Telecommunications Infrastructure, Agribusiness, Renewable Energy, and Transportation Infrastructure. Each of these four sectors offers attractive commercial returns and are inherently impactful. ESG risks are assessed and documented according to the pertinent market and sector. Risk mitigation factors are integrated into a preventative management system. Cordiant uses negative impact due diligence frameworks wherever possible. The evaluation is separated into stages, each applied throughout the investment process. Monitoring and engagement are a crucial piece of Cordiant's long-term risk mitigation strategy. By continuously assessing, addressing and monitoring investee companies, Cordiant ensures all investments comply with appropriate policies and laws, and are guided by responsible investing. By engaging proactively with the investee, Cordiant can take action on a preventative basis. Part of Cordiant's financing also provides companies with help to achieve best ESG practices.

As a tool to conduct in-depth risk assessments, Cordiant developed sectoral technical due diligence guidance documents that align each investment with the relevant certifications and principles of sustainable practices. This then provides Cordiant a way to consistently apply best impact and risk management practices across industries and sub-sectors.

Cordiant reviews the Due Diligence Report (compiled by the ESG team alongside the origination and investment teams) and determines what is needed to fill in any potential gaps. Cordiant's Gap Analysis highlights the investee company's performance in managing its own E&S risks.

The E&S Action Plans that are implemented with investee companies include measures necessary to mitigate risks. The Action Plans are developed by Cordiant together with the investee company, and clearly outline the ways in which ESG-related risks and impact will be addressed throughout the course of the investment.

CORDIANT ESG RISK REDUCTION AND IMPACT CREATION

For both ESG risk mitigation and Impact creation, Monitoring & Evaluation (M&E) are key components of the process Cordiant uses to ensure that the investee company's actions are consistent with the agreed-upon ESG Action Plan.

Monitoring is conducted on an either bi-annual or annual basis, depending on an investment's level of risk. Cordiant conducts annual monitoring of the firm's performance through (i) the Annual Monitoring Report for both ESG and Impact (AMRs) that quantifies data; (ii) the Action Plan that forms the compliance indicators and loan agreement; and (iii) the Developmental Impact Baseline Survey that consolidates impact returns.

SUSTAINED IMPACT

The Cordiant team uses a collaborative and dynamic approach to incentivise investee companies to improve ESG standards and practices, and thus achieve positive development outcomes. Action Plans are implemented to ensure the investee company is aligned with the best international standards application to their industry and contextual environment. During the due diligence and risk evaluation process, the ESG officer strives to document all relevant details to clearly demonstrate that the investee company is aligned with both international sustainability standards and local laws and regulations. Cordiant sees this as both an incentive management system and technical assistance system designed to ensure sustained impact.

PERFORMANCE AND IMPACT MEASUREMENT

Cordiant's review, documentation and measurement process was designed to manage its impact on a consistent basis and through a systematically applied framework. The team uses GIIN's new IRIS+ metrics to quantify the impact outcomes and to monitor them on an annual basis.

CAFIID'S INDEPENDENT REVIEW COMMITTEE (OPIM)

Cordiant expects the verification of its processes and policies to be done by the CAFIID OPIM committee. Cordiant estimates this verification process will be completed by end of 2020, and will be updated annually.