



cardano

Statement on principal adverse
impacts of investment decisions
and of investment advice on
sustainability factors

Article 4 of Regulation (EU) 2019/2088 (SFDR)

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Cardano Asset Management N.V.

Legal Entity Identifier (LEI):

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1. Summary

Cardano Asset Management N.V. (LEI: 724500WRBHAIP5DV7177) (“**Cardano**”) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Cardano.

Cardano's investment policy is aimed at the transition to a sustainable society (the “[Sustainability Investment Policy](#)”). Based on a detailed sustainability framework, investments are selected, monitored, and sustainability risks, opportunities, and impacts are identified and mitigated.

This statement reports on the principal adverse impacts on sustainability factors of the investments of the funds managed by Cardano and of its asset management activities. These impacts are categorised by the Sustainable Finance Disclosure Regulation (“**SFDR**”) into indicators that provide insight into adverse impacts on sustainability factors, including environmental, social, and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Cardano measures the principal adverse impacts on sustainability factors using a multitude of indicators, including the indicators for principal adverse impacts (“**PAI**”) as set out in the SFDR and further outlined in Chapter 2. Sufficient information is not yet available for every indicator. The impacts are also compared with the previous reference periods to track their development, and Cardano indicates what measures it has taken or intends to take to avoid or reduce the impacts.

Cardano can provide investment advice to its clients in the context of implementing these clients’ ESG investment policies. In the screening of investments for potential exclusion in line with that ESG policy, the PAI are also considered.

2. Description of the principal adverse impacts on sustainability factors



This section describes the principal adverse impacts of investment decisions of Cardano on sustainability factors related to the indicators of Table 1 of Annex I Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 (“SFDR RTS”). For each of these PAI indicators, a description is included of the actions taken and actions planned by Cardano to avoid or reduce the principal adverse impacts identified.

The results of the impacts of investments on the PAI indicators are published annually. The information covers the period from 1 January to 31 December of the preceding year and includes a comparison with the previous reporting periods. The figure for each PAI indicator in the table below represents the impact, as an average of the impacts on 31 March, 30 June, 30 September and 31 December of each reference period.

Adverse Sustainability indicator	Metric	Impact 2025	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period		
Indicators applicable to investments in investee companies									
Climate and other environment related indicators									
Greenhouse gas emissions	1. Greenhouse gas emissions (ton co2e)	1.1 Scope 1 GHG emissions	782,457	804,381	902,920	561,105	In 2025, Scope 1 greenhouse gas ("GHG") emissions decreased, despite higher assets under management. Scope 2 and 3 GHG emissions rose, driven by inflows into the metals & mining sector, as well as higher emissions from the oil, gas & consumable fuels, and banking sectors. Data are available for 98% of the investments.	For the assets that are directly managed in line with its in-house sustainability framework, Cardano has set the target to achieve net-zero GHG emissions by 2050 at the latest, with an intermediate target of a 50% reduction in greenhouse gas emissions by 2030 and 75% by 2040 compared to 31 December 2019. This target was approved by SBTi in 2023. Cardano has formulated a climate strategy which details the steps being taken to reach these targets. The strategy aligns with the IPCC 1.50C trajectory with limited overshoot.	
		1.2 Scope 2 GHG emissions	298,115	289,609	278,915	183,569			
		1.3 Scope 3 GHG emissions	9,648,330	8,552,327	9,770,892	4,378,771			
		1.4 Total GHG emissions scope 1 & 2	1,080,572	1,097,598	1,181,835	744,674			
		1.5 Total GHG emissions scope 1, 2 & 3	10,728,902	9,649,925	10,952,726	5,123,444			
	2. Carbon footprint (ton CO2e/m€)	2.1 Carbon footprint - Total emissions scope 1 & 2	27	31	46	50	The carbon footprint reflects GHG emissions relative to investment levels. Scope 1, 2, and 3 carbon footprints all decreased. Data are available for 98% of the investments.	The climate strategy is built on the following mitigation measures: i. Reduce GHG emissions of the companies and institutions through active stewardship; ii. Invest in solutions that reduce GHG emissions, increase low-carbon energy supply, or that reduce, avoid or capture and store GHG emissions, preferably through nature-based solutions; and iii. Divest from emitters that do not adapt to the transition required for a net-zero economy.	
		2.2 Carbon footprint - Total emissions scope 1, 2 & 3	260	267	412	327			
	3. GHG intensity of investee companies (ton CO2e/m€)	3.1 GHG intensity of investee companies - scope 1 & 2	90	86	88	116	This metric measures GHG emissions relative to company revenue. There has been a slight increase in GHG intensity for Scope 1 and 2 emissions, as well as for Scope 3 emissions, mainly driven by developments in the Electric Utilities and Capital Goods sectors respectively. Data are available for 93% of the investments.		ACTIVE STEWARDSHIP Through engagement and proxy voting, Cardano encourages investee companies and institutions to set time-bound climate targets and formulate decarbonisation strategies. The climate strategy outlines priority sectors and how progress is monitored. Through the Dutch Engagement Coalition, Cardano encourages companies to align their activities with the Paris Climate Agreement. In addition, Cardano leads an engagement as part of the Climate Action 100+ program and is involved in several other collaborative investor initiatives focusing on the low-carbon transition, such as the ShareAction program engaging the Chemicals sector. Cardano expects investee companies and institutions to take responsibility for their impact on climate change. If they fail to demonstrate that they are implementing transition strategies in line with the Paris Agreement, the board may be held accountable by voting against relevant board elections.
		3.2 GHG intensity of investee companies - scope 1, 2 & 3	683	666	885	833			
	4. Exposure to companies active in the fossil fuel sector (%)	Share of investments in companies active in the fossil fuel sector	5%	5%	5%	5%	Exposure to the fossil fuel sector remained largely unchanged in 2025. The impact was determined based on data availability of 95% in 2025.		

Adverse Sustainability indicator	Metric	Impact 2025	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Climate and other environment related indicators							
5. Share of non-renewable energy consumption and production (%)	5.1 Share of non-renewable energy consumption of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy consumption	56%	59%	59%	64%	In 2025, the share of non-renewable energy consumption (5.1) decreased slightly, reflecting continued progress in the energy transition. At the same time, the share of non-renewable energy production (5.2) held steady. These trends were assessed using reported data, covering 70% of consumption and 42% of production.	<p>INVESTMENT IN SOLUTIONS</p> <p>In its active funds, Cardano continuously seeks for companies and institutions providing solutions that prevent climate change. These may be technological solutions that reduce or reverse GHG emissions from existing processes, or the development of new, climate-friendly or climate-positive products. To this end, Cardano monitors the green-to-brown ratio of its investments and its investments in EU Taxonomy aligned activities.</p> <p>DIVESTMENTS</p> <p>Cardano carefully screens if and how companies and institutions are preparing for the transition to a low-carbon economy. The Sustainability Investment Policy outlines which high-carbon activities are not accepted, such as thermal coal, coal-fired power plants, as well as unconventional exploration such as shale oil and gas, tar sands, and deep sea and Arctic drilling. On top of this, for the GHG intensive activities, Cardano assesses companies' and institutions' exposure to risks related to the transition towards a low-carbon economy and their capacity to manage these risks. Laggards that demonstrate insufficient capacity to make the transition in time, will also be excluded from investment.</p>
	5.2 Share of non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy production	21%+	21%+	19%	19%		
6. Energy consumption intensity per high impact climate sector (GWh/m€)	6.1 Energy Consumption Intensity: Agriculture, Forestry & Fishing	2.5+	2.3+	1.8	5.8	This indicator shows the energy consumption in gigawatt hours (GWh) per million euros of revenue for the various high impact sectors. The impact was determined based on reported data. The data coverage remains too limited to enable a comparison between the reference periods.	
	6.2 Energy Consumption Intensity: Construction	0.1+	0.1+	0.1	0.1		
	6.3 Energy Consumption Intensity: Electricity, Gas, Steam & Air Conditioning Supply	3.2+	3.1+	3.6	16.1		
	6.4 Energy Consumption Intensity: Manufacturing	0.2+	0.3+	0.4	0.9		
	6.5 Energy Consumption Intensity: Mining & Quarrying	0.8+	0.9+	1.1	26.4		
	6.6 Energy Consumption Intensity: Real Estate Activities	0.5+	0.5+	0.6	0.8		
	6.7 Energy Consumption Intensity: Transportation & Storage	1.1+	1.1+	1.2	1.8		
	6.8 Energy Consumption Intensity: Water Supply, Sewerage, Waste Management & Remediation Activities	0.6+	0.6+	0.7	0.7		
	6.9 Energy Consumption Intensity: Wholesale & Retail Trade & Repair of Motor Vehicles & Motorcycles	0.1+	0.1+	0.1	0.9		

Adverse Sustainability indicator	Metric	Impact 2025	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period	
Climate and other environment related indicators								
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas (%)	Share of investments in investee companies with sites/ operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	3%	4%	5%	7%	The share of investments with adverse impacts on biodiversity sensitive areas slightly reduced in 2025. The impact was determined based on data availability (95% in 2025).	Cardano supports net-zero deforestation by 2030 and encourages investee companies to help reverse the trend of biodiversity loss. Its biodiversity strategy focuses on identifying where companies may be contributing to biodiversity loss through deforestation links, land use, or water use in operations or supply chains. Through stewardship, Cardano encourages companies to reduce their direct and indirect impact on biodiversity and supports effective regulation, with particular focus on deforestation, and hazardous chemical use. Companies and institutions causing severe harm without clear reduction targets or strategies may be excluded.
Water	8. Emissions to water (tonnes of emissions/m€)	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.0+	0.0+	0.0	0.3	Although investee companies are increasingly reporting on their water emissions, the data coverage is too low to compare the reference periods.	Cardano has formulated a strategy to become water-neutral by 2030 at the latest. To achieve this, Cardano carefully considers which companies and institutions are active in water scarce areas, contribute to water pollution, or are trying to reduce the impact of their activities. To help reach this target, a select group of companies and institutions in priority sectors are encouraged through active stewardship to set targets and formulate water management strategies. In addition, companies and institutions causing severe harm without clear mitigation strategies may be excluded. In 2026, Cardano will continue its efforts to identify companies and institutions that are highly exposed to water scarcity and water pollution and to measure progress towards Cardano's water targets.
Waste	9. Hazardous waste and radioactive waste ratio (tonnes of hazardous waste/m€)	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	4.5	3.2	2.2	28.2	This indicator identifies companies which cause principal adverse impacts via hazardous or radioactive waste. In 2025, slightly more hazardous and radioactive waste was generated compared to 2024, as a result of investment inflows in the metal & mining sector. The impact was determined based on data availability (94% in 2025).	For the assets that are directly managed in line with its in-house sustainability framework, Cardano aims to move towards a situation with zero waste generation associated by 2050. In 2026, engagements will continue on the topics of hazardous chemical use and phase-out, as well as pesticides use and phase-out. In addition, companies and institutions are screened on their waste management strategies. Those causing severe risks for the portfolios due to lagging waste management practices may be excluded from investment.

Adverse Sustainability indicator	Metric	Impact 2025	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period	
Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters								
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (%)	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0	0	0	0	According to the available data, none of the invested companies were involved in violations of the relevant international agreements in 2025. The impact was determined based on data availability (95% in 2025).	As described in the Sustainability Investment Policy, Cardano acts in accordance with the United Nations Global Compact (UNGC) principles, the UN Guiding Principles on Business & Human Rights, the OECD Guidelines for Multinational Enterprises and the standards of the International Labor Organization (ILO). Cardano investigates whether investee companies act in accordance with these international agreements to prevent Cardano from being exposed to controversies related to human rights, labour rights, and severe controversies.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises (%)	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance / complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	52%	49%	47%	62%	The data shows a slight increase in companies without policies to monitor compliance with the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises, although still an improvement since 2022. Slightly less than half of them continue to have adequate policies in place. The impact was determined based on data availability (95% in 2025).	
	12. Unadjusted gender pay gap (%)	Average unadjusted gender pay gap of investee companies	15%+	19%+	20%	20%	Although investee companies are increasingly reporting about this metric, the data coverage is too low to compare the reference periods.	In the view of Cardano, 'good governance' means that investee companies consider employee well-being, social injustice and gender equality. As noted in its voting policy, Cardano may vote against relevant board member re-elections when there is insufficient consideration of these factors and will continue to participate in engagement programs that focus on gender and pay equality.
	13. Board gender diversity (% female)	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	35%	35%	34%	32%	The impact was determined based on data availability (91% in 2025).	

Adverse Sustainability indicator	Metric	Impact 2025	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters							
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) (%)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0	0	0	0	According to the available data, no investee companies have been involved in controversial weapons. The impact was determined based on data availability (95% in 2025).	As described in the Sustainability Investment Policy, Cardano does not invest in companies involved in the production, development, sale, or distribution of controversial weapons or related services or specialised components. Companies and institutions that are involved in such activities will be excluded.
Indicators applicable to investments in sovereigns and supranationals							
15. GHG intensity (ton CO2e/m€)	GHG intensity of investee countries	215	211	205	192	The GHG intensity of investee countries has increased slightly in 2025. The impact was determined based on estimated data for GHG emissions of invested countries and supranationals.	As part of the due diligence of sovereigns and supranationals, Cardano carefully considers how these entities deal with the environmental and social challenges they are confronted with. Sovereigns that violate international treaties on human rights, violate principles of good governance, or do not sufficiently well manage their natural resources may be excluded from investment. Through select consultations with government bodies and multilateral organisations, efforts are made to positively influence regulatory development and implementation related to these issues.
16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0.1%	0.1%	0.3%	0.0%	According to the data provider, one investee country has reported social violations, namely Ukraine. However, this country meets the criteria of the Sustainability Investment Policy and therefore remains investable for Cardano's investment propositions.	
Indicators applicable to investments in real estate assets							
17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	NA	NA	NA	NA	NA	Not applicable given the investment universe.
18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	NA	NA	NA	NA	NA	Not applicable given the investment universe.

Environmental

Social

Fossil fuels

Energy efficiency

Adverse Sustainability indicator	Metric	Impact 2025	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period	
Other indicators for principal adverse impacts on sustainability factors								
Emissions	Table 2 – Indicator 4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	25%	28%	29%	43%	The percentage of companies without carbon emission reduction initiatives decreased slightly in 2025. The impact was determined based on data availability (95% in 2025).	See the answers with PAI indicators 1 to 6 above.
	Table 3 - Indicator 8.	Average ratio within investee companies of the annual total compensation for the highest compensated individual to the median annual total compensation for all employees (excluding the highest-compensated individual)	682.6	667.3	664.6	288.8	The reported ratio increased as compared to last year due to a larger gap in the diversified consumer services sector. The impact was determined based on data availability (62% in 2025).	See the answers with PAI indicators 12 and 13 above.
Social and employee matters								

Notes:

- PAI indicators 1 to 3 and 15 are based on data reported by MSCI regarding carbon scope 1, 2 and 3 emissions, enterprise value, and sales revenues. The other PAI indicators are based on data from Sustainalytics. More about the data sources used can be found in Chapter 3.
- The PAI indicators that pertain to a share of the portfolio, an intensity, or a footprint only take into account the companies and institutions for which data is available. For example, the carbon footprint (indicators 2.1 and 2.2) is calculated by summing the GHG emissions per unit of enterprise value for all companies and institutions, weighting these by the corresponding investment amounts, and dividing by the total value of investments for which emissions data is available. If this were divided by the total assets under management, including companies and institutions for which no emissions data is available, it would underestimate the actual carbon footprint.
- For impacts marked with a '+', data was available for less than half of the companies and institutions. For most of these PAI indicators, it was not possible to provide estimates. Coverage has increased as more companies now report according to Directive (EU) 2022/2464 as regards corporate sustainability reporting (CSRD).
- FX contracts (futures, forwards), interest rate derivatives, and cash have been excluded from the calculations. Such instruments are used for risk hedging and/or efficient portfolio management and not for the implementation of the Sustainability Investment Policy. No adverse impacts can be attributed to these instruments.

3. Description of policies to identify and prioritise principal adverse impacts on sustainability factors



The Sustainability Investment Policy from May 2019 has been revised most recently as of March 2026 and has been approved by the management board of Cardano. The Sustainability Investment Policy has a dual objective: to achieve financial returns for its clients in line with the risks taken, while simultaneously contributing to the transition to a sustainable society. With its policy, Cardano encourages companies and institutions to grow while operating within planetary boundaries and with respect for the social foundations of society.

The Sustainability Investment Policy provides a holistic view on the role of investors in guiding the transition to a sustainable society. Based on this vision, Cardano has set a number of long-term sustainability goals for the investment funds it manages in areas such as environment, society, and governance. Cardano has developed a transparent framework to select or exclude companies and institutions for Cardano's investment propositions based on strict and carefully chosen criteria (the "[Sustainability Classification Framework](#)"). In combination with the specific investment strategy of a fund, the application of this framework determines which companies and institutions can be invested in and to what extent the investments contribute to formulated sustainability goals.

As part of the Sustainability Classification Framework, Cardano assesses each company and institution for both the potential sustainability risks they pose to investment returns and the extent to which they have adverse impacts on sustainability factors. These assessments are an integral part of investment decisions.

Cardano uses several instruments to identify sustainability risks and opportunities and avoid or mitigate adverse impacts on sustainability factors within the investment universe, including screening, ESG integration, voting, and engagement. Through these means, Cardano encourages companies and institutions to set sustainability goals and formulate strategies.

Screening

The Sustainability Classification Framework distinguishes the following two steps:

In the first step, Cardano assesses whether the company and/or institution violates internationally accepted norms and standards. The PAI indicators 10, 11, 14, and 16, as mentioned in Chapter 2, form the basis for this assessment. If a company or institution is classified as ‘violating international standards’, it is excluded from the investment universe. Additionally, it is examined whether the company or institution is involved in activities deemed too harmful to society (e.g., public health, and animal welfare). Depending on the investment strategy of a financial product, companies or institutions classified as ‘harmful’ may be excluded from the product’s investment universe.

Companies and institutions that pass step 1 are subjected in step 2 to a materiality test for allocation to one of the five other categories of the Sustainability Classification Framework: ‘positive impact’, ‘sustainable’, ‘adapting’, ‘at risk’, or ‘non-adapting’. For this classification, Cardano uses a large number of indicators for the sustainability themes that are material to the respective company or institution, including the PAI indicators as included in the SFDR, which provide insight into the exposure to sustainability risks, the possible adverse impacts of investment decisions on sustainability factors, and their management by the company or institution. The table below provides an overview of the indicators used. This screening shows whether an investment in a company or institution promotes sustainability without significantly harming any of the sustainability objectives, and whether this investment makes a positive or negative contribution to formulated sustainability objectives.

SUSTAINABLE INVESTMENT FRAMEWORK	
POSITIVE IMPACT	
SUSTAINABLE	
ADAPTING	
AT RISK	
NON-ADAPTING	
HARMFUL	
INTERNATIONAL STANDARDS	



Sustainability theme	Principal adverse indicators as included in the SFDR RTS	Additional indicators used for Cardano screening
Fossil fuel use	1) GHG emissions, 2) carbon footprint, 3) GHG intensity of investee companies, 4) exposure to companies active in the fossil fuel sector, 5) share of non-renewable energy consumption and production, 6) energy consumption intensity per high impact climate sector, 15) GHG intensity of sovereigns and supranationals, 17) exposure to fossil fuels through real estate assets, 18) exposure to energy-inefficient real estate assets are not considered in the screening; and 4) companies without carbon emission reduction initiatives.	Indicators showing expansion plans of coal-fired power plants, carbon footprint, energy intensity and energy use, (science based) GHG reduction targets, exposure to fossil fuel activities. Alignment with the Paris agreement, quality of GHG reduction strategies.
Water use	8) Emissions to water.	Indicators showing water use and reuse, wastewater emissions, water targets, water use in water scarce areas, quality of water policy.
Land use	7) Activities negatively affecting biodiversity-sensitive areas.	Indicators showing contributions to biodiversity loss, land degradation, deforestation, activities in areas with high biodiversity risk or protected areas, unsustainable ocean or sea activities, quality of biodiversity, land use and maritime policies focusing both on own activities as well as activities in the supply chain.
Chemicals and waste management	9) Hazardous waste and radioactive waste ratio.	Indicators showing emissions of hazardous chemicals, phase-out plans of chemicals of concern, targets to reduce and recycle (hazardous) waste, use of alternative packaging solutions, chemical safety and quality of chemicals and waste management policies.
Social capital management	.	Qualitative indicators showing how companies manage product safety, privacy & data security, health & safety, procurement, accessibility and affordability of basic services, and relationships with local communities.
Human capital management		Qualitative indicators showing how companies manage labour, safety and their personnel, both within the company as in the supply chain.
Organisational behaviour and integrity	12) Unadjusted gender pay gap, 13) Board gender diversity; and 8) excessive CEO pay ratio.	Qualitative indicators showing how companies manage board quality, board diversity, (gender & racial) diversity, implementation of ILO conventions, payment, taxes and business ethics (fraud & corruption, whistleblowing, human rights policies, grievance & remedy).

The PAI indicators included in Chapter 2 primarily provide insight into the realised adverse impacts of companies and institutions on sustainability factors. The additional indicators used for the Cardano screening, as included in the table above, are applied in the screening to also get an understanding of the steps companies and institutions are taking to better manage or reduce these adverse impacts. This often involves the presence and quality of strategies, objectives, risk assessments, and programs at companies and institutions for sustainability themes that are material to them. This information helps assess whether the likelihood of adverse impacts occurring in the future is increasing or decreasing. This is often qualitative information from ESG data providers. For companies and institutions that would be categorised as ‘non-adapting’ or ‘at risk’ according to the Sustainability Classification Framework, a qualitative analysis may be conducted to assess whether the quantitative indicators used are reliable. The Sustainability Classification Framework discusses in more detail which indicators are considered and why.

Counterparties derivatives

Cardano acts on behalf of and at the risk of its clients in derivatives with financial institutions. The Cardano dealer committee monitors the creditworthiness and ESG exposure of the derivatives counterparties and assigns an internal rating to each counterparty. To understand a counterparty’s ESG risk exposure, Cardano’s dealer committee has developed a framework that screens derivatives counterparties for material ESG issues.

Counterparties that score below a certain threshold within the framework are subject to further investigation. All other counterparties are deemed to have passed the ESG assessment.

The screening utilises ESG data from various ESG rating agencies, supplemented with information from Cardano's own questionnaire. The responses are used as part of the review process. In the rating methodology that Cardano applies for monitoring counterparties, social and governance factors are taken into account. In the case of a low score on these factors, Cardano will actively express its concerns and engage with the management of these counterparties to strive for improvements. When a counterparty undergoes further investigation, a more detailed screening process is applied based on the framework, with the identified ESG issues closely aligning with Cardano's sustainability beliefs.

When a counterparty shows no signs of willingness to address the ESG risks identified by Cardano, the counterparty's ESG rating will eventually be assessed as "poor". A poor rating will generally result in the exclusion of the counterparty from the list of counterparties with whom Cardano may conduct new business, or potentially, if there are also credit issues, existing positions with the counterparty may be terminated.

Data sources

For the screening, various data and benchmarking sources are used for analysis and reporting. The main data sources and their applications are:

- **MSCI data:** screening of companies and institutions for their compliance with the Sustainability Investment Policy, source of carbon and water;
- **Sustainalytics data:** tracking engagements and reporting on the SFDR PAI indicators and Taxonomy alignment;
- **Data from Urgewald:** monitoring the expansion plans for coal-fired power plants;
- **Access to Medicines Foundation benchmark data:** tracking the progress of engagements at pharmaceutical companies;
- **Equileap data:** analysing gender equality issues;
- **Satelligence data:** to monitor biodiversity loss and deforestation by companies and institutions;
- **Data from the "Transition Pathway Initiative":** to monitor the extent to which a company or institution operates in line with the Paris Agreement; and
- **TRACE data** is used to monitor raw material supply chains and potential deforestation risks.

To ensure the quality and accuracy of the screening, the various data sources are compared, and regular discussions are held with the data providers about how they handle quality control procedures and missing information, and how additional insights can be integrated into their assessments. If there is insufficient information available to adequately assess a company or institution, additional information is sought through the websites of the companies and institutions, news media, or NGOs. Where the data provider does not have reported data for PAI indicators, no independent analyses or data received from companies and institutions are added to guarantee the coherence of the methods used.

The ESG models and ESG database of Cardano are validated internally. Decisions to exclude a company or institution are generally based on quantitative data sources and may occasionally be combined with a fundamental analysis to monitor the reliability of data usage and increase alignment with the Sustainability Investment Policy.

ESG integration

Investments are assigned an internal ESG score, which Cardano determines systematically based on the interpretation of externally obtained information. This ESG score can range between 0 and 100, with the maximum ESG score of an investment being 100. The better the companies and institutions perform in terms of transitioning to a sustainable way of operating, the higher the score. In determining the ESG score, not only the sustainability level of the companies and institutions but also the sustainability level of the underlying financial projects or project objectives play a role.

Voting

For equity investments, Cardano exercises voting rights at shareholder meetings to influence corporate governance and sustainability practices. We aim to vote at all shareholder meetings and have established a comprehensive voting policy.

Proposals at annual general meetings typically fall into two categories: Board proposals address matters including:

- reporting and profit allocation;
- composition of governing bodies;
- remuneration policies of governing bodies;
- auditors and related proposals;
- capital-related proposals; and
- other significant corporate issues.

Shareholder proposals are submitted by investors seeking policy or governance changes and tend to focus on sustainability-related risks, impacts and other corporate policies. Cardano's voting guidelines outline when shareholder proposals will be supported. Where appropriate, Cardano may independently submit proposals or co-file proposals with other investors to strengthen outcomes. Glass Lewis Europe Limited provides voting execution services to implement the voting policy.

The [voting policy](#) can be found on Cardano's website.



Responsibilities

Various departments and committees are responsible for formulating and implementing the Sustainability Investment Policy.

The Sustainability Investment Solutions Centre (“**SISC**”) team is responsible, together with the investment teams, for the development, implementation, and monitoring of the Sustainability Investment Policy. The SISC team conducts periodic sustainability screenings of companies and institutions, provides the necessary information for ESG integration to the portfolio managers, and carries out stewardship activities. Additionally, SISC develops new policies to ensure that the approach remains in line with applicable regulations and integrates sustainability risks and opportunities into the policy.

The screening under the Sustainability Classification Framework results in an investment universe that includes companies and institutions from the relevant benchmark that meet the minimum sustainability criteria set within the Sustainability Investment Policy. This universe forms the basis for the investments made by the investment teams.

Cardano has three committees to ensure the proper execution of the Sustainability Investment Policy.

The Sustainability Policy Committee (“**SPC**”) is responsible for setting overall sustainability strategy and approves the Sustainability Investment Policy, including the Sustainability Classification Framework and its criteria and thresholds, from an organisational perspective. It meets regularly with representatives from the Boards, SISC, Investment teams and commercial business. SPC decisions are then reviewed and, if approved, adopted by the relevant legal entities’ Boards from a corporate perspective.

The Sustainability Categorisation Committee (“**SCC**”) is responsible for determining the (re)classification of investments in line with the Sustainability Classification Framework. The committee includes representatives from SISC, Investment teams, Product Management & Development, Risk Management and Client Servicing teams, and meets regularly. The SPC oversees the SCC. Proposals are submitted to the SPC when there is no consensus within the SCC.

The Sustainability Methodology Committee (“**SMC**”) is responsible for developing and taking decisions on the methodologies that relate to the implementation of sustainability policies and underlying screening processes. It covers both data-driven and qualitative methodologies. It includes representatives from SISC, the Investment teams, ESG Services, and ABS Sustainability, and meets regularly. For material topics, these are presented to the SPC for decision.

Derivatives can be traded on behalf of clients with counterparties that are on a specially compiled list. Additions or exclusions of counterparties are managed by the Cardano dealer committee.



4. Engagement policies

Cardano applies its Sustainability Investment Policy by assessing not only the current practices of companies and institutions but also their capacity and willingness to improve. As an active shareholder, we encourage companies and institutions to operate within planetary boundaries with strong social foundations, moving towards higher categories in the Sustainability Classification Framework. We achieve this through voting, company engagement, collaboration with NGOs and investor working groups, and sharing views with policymakers.

Engagement is a dialogue mechanism to positively influence corporate behaviour, whether in response to incidents or proactive improvement efforts. Cardano mainly conducts engagement dialogues in collaboration with other investors as we view this as more effective.

As part of the engagement process, clear objectives are set and milestones are tracked to monitor progress. We set engagement priorities using the indicators mentioned in Chapters 2 and 3. The most relevant indicators depend on the company's exposure to the issue. The prioritisation considers the company's risk exposure and impact, and the likelihood of a constructive outcome.

Beyond direct engagement, Cardano actively collaborates with numerous organisations and investor networks to contribute to knowledge development and benefit from shared methodologies, to advance its investment beliefs and achieve its sustainability objectives. An overview of [partner organisations](#) is available on Cardano's website.

To complement the implementation of its stewardship approach, Cardano uses the services of Sustainalytics Holding B.V. Cardano monitors the engagement process as carried out by Sustainalytics Holding B.V.

More information about the [stewardship policy](#) can be found on Cardano's website.

Derivatives

In the context of derivatives that Cardano trades on behalf of and at the risk of its clients, it assesses counterparties on specific ESG factors according to its internal rating methodology. If a counterparty scores low on these factors, Cardano will actively express its concerns and engage with the counterparty's management to strive for improvements. If the counterparty shows no improvement and no willingness to do so, the counterparty's ESG rating will eventually be assessed as "poor". Consequently, it may be decided not to enter into any new positions with this counterparty, and if there are also credit issues, existing positions with this counterparty may be terminated.

Wider Market Engagement

Cardano plays an active role in promoting good governance and stewardship of activities (both internal and external) that may impact Cardano's clients:

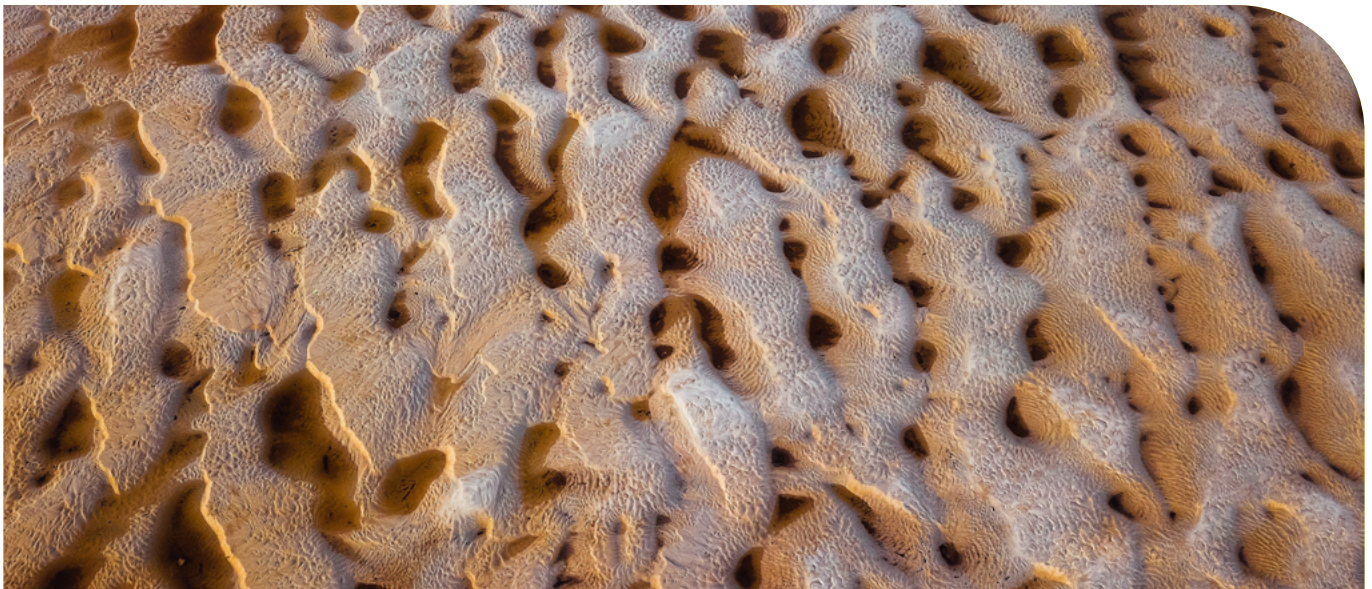
- It actively participates in ESG forums and conferences, following and contributing to industry initiatives with the aim of encouraging better practices and policies in the broader financial market; and
- It actively responds to consultations that may affect the assets and liabilities of Cardano's clients, striving to ensure that changes in markets and regulations positively influence the future financial stability of clients and the proper functioning of the markets.

5. References to international standards

The Sustainability Investment Policy outlines the ethical, social, and environmental principles that are fundamental to good citizenship and good corporate governance. These principles are based on a broad range of international treaties, conventions, and best practice guidelines, including the UN Global Compact, the UN Guiding Principles on Business & Human Rights, and the OECD Guidelines for Multinational Enterprises. These international standards particularly refer to PAI indicators 10, 11, 14, and 16 as mentioned in Chapter 2, which are considered universal. Cardano considers violations of these international norms and standards unacceptable. Companies and institutions that do not comply are not eligible for investment.

Cardano is a signatory of the Principles for Responsible Investment (PRI) and, as a signatory, adheres to all requirements and expectations.

In line with the Paris Agreement, Cardano aims to achieve net-zero greenhouse gas emissions by 2050 for assets directly managed in line with its in-house sustainability framework. Interim targets include a reduction in emission intensity of 50% by 2030, 75% by 2040 compared to 31 December 2019, and an average of 7% per year in line with the path outlined by the Intergovernmental Panel on Climate Change (IPCC) for limiting global warming to a maximum of 1.5 degrees. These targets are approved by the Science-Based Targets initiative (SBTi).



In line with the Kunming–Montreal Global Biodiversity Framework¹, Cardano aims to reverse the trend of biodiversity loss and work towards a biodiversity-positive situation: towards the restoration and regeneration of ecosystems, instead of their decline and degradation. To achieve this ambition, sustainability objectives have been formulated for assets directly managed by Cardano in line with its in-house

sustainability framework, namely: net-zero greenhouse gas emissions by 2050 (see above), no net contribution to deforestation by 2030, water neutrality by 2030, and waste neutrality by 2050. Biodiversity-related indicators primarily refer to PAI indicators 7, 8, and 9 as mentioned in Chapter 2, and additional indicators from the table in Chapter 3 related to ‘water use’, ‘land use’, and ‘management of chemicals and waste’.

¹ The Kunming–Montreal Global Biodiversity Framework was established during the biodiversity convention in 2022. CBD/COP/DEC/15/4 19 December 2022. <https://www.cbd.int/conferences/2021-2022/cop-15/documents>.

6. Historical comparison

Chapter 2 presents a historical comparison of the principal adverse impacts of the current reference period with the previous reference periods.





7. Description of the principal adverse impacts of investment advice on sustainability factors

Cardano can provide investment advice to its clients in the context of implementing these clients' ESG investment policies. This advice may involve the exclusion of investments in certain companies or institutions that are not in line with the client's ESG policy. In this context, information published by financial market participants under the SFDR is not relevant, as the ranking and selection of financial products is not the subject of the investment advice. Advice to exclude a particular company

or institution from the investment universe may be based on the screening criteria of the Sustainability Classification Framework, which includes the PAI, as described in Chapter 3, or on client-specific quantitative indicators.

Where applicable, in the questionnaire regarding clients' sustainability preferences, clients indicated that Cardano does not need to consider adverse impacts on sustainability factors in its investment advice.

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